



Welcome to the third edition of our newsletter, keeping you up to date with changes that may affect you or your business, and letting you know what is happening at M+A Partners.

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Unexpected tax demands for 1.4 million taxpayers

H M Revenue & Customs (HMRC) has announced that 1.4 million taxpayers have underpaid tax via the PAYE system by an average of £1,380 each. The total tax underpaid is thought to be about £2bn.

There are also 4 million taxpayers who are due repayments. The errors date from 2008/09 and 2009/10 and HMRC will issue letters to all those affected between now and Christmas.

Individuals who owe less than £300 are not being pursued but if the sum owed is higher than this the options are:

- + If the underpayment is under £2,000, HMRC will include the underpayment in the 2011/12 PAYE code. This collects the tax over twelve monthly instalments starting from April 2011.
- + If the underpayment is under £2,000 but the coding adjustment causes hardship, the taxpayer can ask for the liability to be spread over a longer period.
- + If the underpayment is over £2,000, HMRC will expect direct payment. If this will cause hardship the taxpayer can ask HMRC for a repayment schedule and it is expected that requests will be viewed sympathetically.

Taxpayers who submit self assessment tax returns should be unaffected but anyone who receives a computation from HMRC should check the contents carefully.

HMRC may forgo collection of underpaid tax in a small number of cases where the taxpayer successfully invokes Extra Statutory Concession A19. This requires HMRC to use information provided within twelve months after the end of the tax year in which it was received.

The practical application of ESC A19 with respect to the 2008/09 and 2009/10 tax years is very limited and in most cases, HMRC will successfully enforce collection of the liability.

For more information, contact Clare Goodswen on 01603 227600 or email clare.goodswen@mapartners.co.uk

Sage 50 Accounts Workshop - 21 October 2010

- + Do you use Sage 50 Accounts but would like to get more from it?
- + Why not come to our FREE Hints & Tips workshop at M+A Partners' Norwich office?

A representative from Sage will show you a number of time saving features to help you get more from your Sage 50 Accounts software. In addition our Sage accredited staff, David Talbot and Robert Marrison will demonstrate the latest version (Sage 50 2011) and the new features. The workshop is a must for all Sage 50 Accounts users.

Contact Michelle Lake for further details on 01603 227600 or michelle.lake@mapartners.co.uk





Renewable Energy and tax incentives

We are seeing more cases where clients are actively considering investment in renewable energy installations, either domestic or commercial.

Feed-in Tariffs (FIT) were introduced for domestic installations on 1 April 2010 to reward small scale generators of electricity. Tax free payments are made for all electricity generated and for any surplus power exported to the national grid.

Technologies that qualify for FIT payments are wind turbines, solar photovoltaic, hydro, anaerobic digestion and domestic non renewable micro combined heat and power plants (CHP). All installations must have suitable accreditation under the Micro-generation Certification Scheme or the Renewables Obligation Order-FIT process for larger installations.

For commercial users of energy, larger installations such as biomass CHP (using woodchip or waste material)

are becoming more popular due to the preservation of enhanced capital allowances, by way of a 100% first year allowance for plant and machinery holding a relevant certificate of environmental benefit.

The enhanced capital allowances provide income tax or corporation tax relief for investors in renewable energy installations.

These types of installations may be suitable for heavy users of energy who would benefit not only from the tax relief on the investment in the plant, but also the ongoing savings on imported energy costs. Surplus power generated is sold by megawatt hour by way of a Renewable Obligation Certificate (ROC). ROC's are now a traded commodity and prices have increased after the previous government placed an obligation on energy companies to generate 10% of their electricity from renewable sources. Proceeds received on the sale of ROC's are taxable supplies for VAT purposes and are treated as trading receipts for direct tax purposes.

The level of capital investment required for a commercial installation is such that these are suitable for energy intensive businesses or groups of businesses operating plant as joint ventures.

This is a complex area. For more information about the tax position of renewable energy please contact Clare Goodswen or Martyn Page on 01603 227600.

Coalition consults on changes to tax legislation

The Government announced that it was to consult on reform of various areas of tax legislation. In July, consultations were announced on the following areas of legislation:

Pension tax relief

The previous government had announced complex legislation to reduce higher rate tax relief for taxpayers with income in excess of £130,000. It was anticipated that this would generate £3.6bn in additional tax revenue.

The proposed legislation was widely criticised as overly complex. A consultation, to be held by the coalition government, is intended to simplify the legislation relating to tax relief on pension contributions. The intention is to reduce the amount that can be contributed to a pension scheme from £255,000 a year to between £30,000 and £45,000 per year whilst preserving higher rate income tax relief on pension contributions up to this reduced annual allowance.

Furnished Holiday Lettings (FHL)

Provided certain conditions are met, FHL income is treated as trading income, which can be preferential when compared to the tax regime for normal let property. This is because FHL tax reliefs can be more advantageous. The previous

government intended to abolish the FHL rules from 6 April 2010. This was set aside by the coalition government and the new system is to come into effect from 6 April 2011.

The changes being proposed are:

- + Increase the number of days available for commercial letting from 140 days to 210 days a year.
- + Increase the number of days actually let commercially from 70 days to 105 days a year.
- + Losses will no longer be available to offset against other income but only against profits from the same FHL business.
- + Changes to the capital allowance regime.

The changes should have little impact on holiday letting businesses which are run commercially.

Associated Companies and attribution of rights

This is a technical area and the proposed changes are a relaxation of the existing rules.

The outcome of the consultations are expected in October and it is probable that any change will be implemented from either 1 or 6 April 2011. More information to follow later.

HMRC cuts will bypass tax agents

As part of our service, we ask our clients to appoint us as their agent with H M Revenue & Customs (HMRC), so we receive copies of documentation that HMRC issues to them. We will then know what HMRC is sending and can advise our clients in a timely way.

HMRC has announced that, as a cost cutting measure, they will stop sending copy correspondence to tax agents. We will no longer receive copies of clients' PAYE coding notices, tax calculations and a number of other self assessment notices. HMRC expects that, by discontinuing the issue of agents' copies of PAYE coding notices alone, it will save £1.25 million.

It remains to be seen whether HMRC systems will make these available electronically, but in the meantime, make sure that you send us any correspondence from HMRC about your tax affairs, so we can ensure you pay the right amount of tax.

VAT and a major blow for salary sacrifice arrangements

A recent decision by the European Court of Justice (ECJ) has worrying implications for any business that operates a salary sacrifice scheme of any kind.

The ECJ has ruled that the amount of salary sacrificed is consideration for a supply by the employer to the employee and potentially liable to VAT, depending on the nature of the benefit provided. The ECJ decision relates to retail vouchers supplied to the employees in exchange for sacrificed salary. However, the decision may affect other types of benefits provided under salary sacrifice schemes such as workplace parking, 'clean' cars, workplace nurseries and 'Cycle to Work' schemes.

In light of this ruling, employers should start to review the choices available under their flexible benefits scheme and to assess if the benefits provided are subject to VAT, and the basis of pricing of the options offered to their employees. Employers should not pass VAT on to employees without taking advice.

It is expected HMRC will issue further commentary on this subject later this year.

For further advice on salary sacrifice or flexible benefit schemes, please contact Clare Goodswen on 01603 227600 or clare.goodswen@mapartners.co.uk

More paternity leave from April 2011

A new scheme for additional paternity leave (APL) will affect parents of children born on or after 3 April 2011. APL will allow fathers to share the maternity or adoption leave and pay, if the mother or adopter returns to work early.

Fathers will have a legal right to take the place of the mother at home for the last three months of her nine month maternity break and will be eligible, during that three month paternity leave, to statutory government pay of £123 a week. They will also have the right to take an additional three months off unpaid, in effect providing families with 12 months of parental leave.

Employers will need to consider whether paternity pay during APL will be paid at the same statutory rate or employee's usual rate of pay.

For more information on the implications for your payroll, please contact Heather Smith on 01603 227600 or email heather.smith@mapartners.co.uk

VAT update

Have you mastered on-line filing for your VAT returns?

From 1 April 2010 all existing VAT registered traders with a turnover of £100,000 or more and all newly registered traders are required to both submit their returns online and also pay electronically.

Are you aware that setting up a direct debit payment can delay your VAT payment by up to 12 days?

Payment by Direct Debit is the preferred method of payment as payments are collected on the third working day after the extra seven calendar days following the normal due date.

Don't forget that the standard rate of VAT is due to change again to 20% from 4 January 2011.

If you have any questions, please call or email us.

What a year for Angela Eastick

We are delighted that Angela Eastick, a member of our tax team, successfully completed her Society of Trust and Estate Practitioner qualification in July, achieving a remarkable pass mark of 91%.

Also, Angela and her husband Stephen, a member of our corporate tax team, were thrilled with the arrival of their first child on 3 September, a baby girl named Hannah-May.

We congratulate Stephen and Angela on their news.



Update on Corporate Finance

Our corporate finance joint venture with Moore Stephens has celebrated the first anniversary of its launch and it has been a busy year. We have advised on seven transactions, ranging in value from £250,000 to £50 million, including bank fund-raising, acquisitions, management buy-outs and company sales.

The latest transaction was the sale of PetroTechnik Limited - a leading supplier of underground pipe systems to the petrol retail market - to Franklin Electric, a NASDAQ quoted American corporation. This transaction underlines our capabilities in dealing with complex cross border transactions.

We are looking forward to a successful second year with signs that confidence is returning both to the mergers & acquisitions markets and to providers of funding.

For more information call Christian Schosland or Paul Hollander on 01603 227620.

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News from our Attleborough office



There have been a number of changes at our Attleborough office over the last six months.

On 1 May, Mary-Anne Sargeant took over as the partner looking after the office. Mary-Anne says "I have really enjoyed the first few months - getting to know my new clients as well as introducing myself to the other businesses and professionals in the area. Thank you to everyone for making me so welcome.

The team at Attleborough are very proud of our office and we want to make sure businesses and individuals in the local area are aware of the services we provide, as well as the knowledge and experience we have.

We have been working hard towards increasing the profile of **M+A Partners** in Attleborough and the surrounding area. We have made it easier to find us by improving the signage outside the office; we have developed marketing literature listing the services we provide, and we have engaged with local businesses and other professionals. This will be an ongoing process over the months and years ahead.

We are also proud to be taking an active part in the local community and enjoyed sponsoring Attleborough in Bloom this year as well as the Wayland Show".

We welcome the opportunity to make contact with our clients, both existing and prospective, as well as forging links with other local professionals. If you know of anyone who would like to know more about **M+A Partners** and the services our Attleborough office provides, or to receive our regular free of charge mailings, please call Mary-Anne on 01953 456705 or email mary-anne.sargeant@mapartners.co.uk

...And finally - watch this space...

The Autumn spending review will take place on 20 October 2010. We expect to learn the outcome of the Hutton review into public sector pension provision and funding, as well as more detail about the reform of the benefit system.

It is anticipated that there will be considerable changes announced to public sector pensions arrangements, particularly for high earners such as doctors.

The outcome of this may be influenced by the ongoing consultation into all aspects of pension tax relief already mentioned.

We will bring you more information as it becomes available.

Disclaimer We believe the information herein to be correct at the time of going to press, but we cannot accept any responsibility for any loss occasioned to any person as a result of action or refraining from action as a result of any item herein.

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