

Autumn 2009

prime review

helping your business work for you

Prime launches new Technology division

Business continuity and minimizing risk is essential to all businesses. But are you confident that if your IT fails, your own back up plans are resilient enough to allow your business to recover quickly and efficiently?

Over the past couple of years a select number of clients have benefited from the support of Prime Technology, providing a range of services including:

- Ad hoc system / IT issue resolutions
- Monitoring service to pre-empt any potential issues that may prevent business continuity
- Review of existing systems / IT in place to confirm they are actually doing what they need to.

If you feel your business would benefit from the support of Prime Technology, please contact Nick or Mark on 0845 872 6484 or further information is available at www.prime-technology.co.uk

Prime helps German owned Vector GB cut through the red tape and UK legislation

Prime has been selected by German owned Vector GB as their new accountant, after a series of recent meetings.

Introduced by Wendy Cutts, Business Development Manager at Solihull Chamber of Commerce, the two organisations have since set about understanding each others line of work, before Prime were appointed by Vector GB last month.

Vector GB, a subsidiary of multi million euro turnover German owned Vector Informatik GmbH was set up in January of this year in response to demand from the British marketplace. Already highly successful globally, Vector wanted to be able to offer the best possible support to its British customers, particularly as the networking of automotive electronic systems continues to grow in complexity and at fast pace.

Prime will be responsible for managing the entire accounts system, payroll and producing meaningful management reports for Vector's Stuttgart head office, as well as ensuring the company's statutory and legal obligations are fulfilled in a timely manner in line with UK legislation.

'We needed to appoint a local firm who would be able to cut through the red tape for us, without us actually having to familiarise ourselves with UK rules and regulations. We also needed reliable financial information that our German parent could access regularly to check our progress' said Uwe Gerlinger, MD of Vector GB.

A member of Prime's Business Services team will carry out various accounting tasks onsite for Vector each month, ensuring that the accounting records are accurately maintained throughout the year, in preparation for the statutory accounts to be produced and audited.

Prime strongly believe in delivering a personal service to all its clients and currently work with numerous overseas owned companies with UK subsidiaries providing a range of accounting solutions.

'Setting up a business in the UK can be quite daunting, particularly when trying to familiarise yourself with completely new legislation. We've removed this burden from Vector by taking on this role – we'll monitor deadlines for them and ensure that all the correct documentation is filed in a timely manner,' said Kevin Johns, Vector's Relationship Director at Prime.

'We can also provide the head office team with the financial information they require as and when they need it giving them peace of mind, knowing the financial position of the company at any given time,' continues Kevin.



Steve Harcourt, Business Services Manager at Prime with Uwe Gerlinger, Managing Director of Vector GB

 prime
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Increasing the flow

Effective cashflow management is as critical to business survival as providing services or products. Below are some of the key methods to help reduce the time gap between expenditure and receipt of income.

Customer management

- Define a credit policy that clearly sets out your standard payment terms.
- Issue invoices promptly.
- Consider offering discounts for prompt payment.
- Compile an aged debtor list to identify specific invoices that are overdue.
- Implement a process for chasing outstanding payments - this could involve a reminder letter, followed by a telephone call.
- Calculate the "debtor days" so that you can monitor your businesses' overall performance in collecting debts month by month.
- Consider exercising your right to charge penalty interest for late payment.
- Negotiate deposits or staged payments for large contracts.
- Sell your invoices to a third party in return for a percentage of the total.

Supplier management

Considering alternative suppliers who may provide goods or services at a lower cost is not always beneficial to the business.

Cost reviews are of course essential to ensure the business is spending its money competitively. Information about lower costs can be used as a negotiating tool with existing suppliers but service and quality are also key aspects of supplier management.

It is no good for example changing telephone suppliers if the level of service causes business disruption. Instead consider the following:

- Negotiate better terms of settlement with suppliers.
- Discuss with your key suppliers ways to reduce overall costs through the size or timing of orders. Giving your suppliers incentives such as large or regular orders may help but make sure you have a market for the orders you are placing.
- Alternatively consider reducing stock levels and using just-in-time systems.

Asset management

Buying plant such as equipment and vehicles outright can result in a huge drain on cash so consider alternatives such as leasing or buying them on hire purchase.

If you are VAT registered and you do decide to buy a major piece of plant, consider buying at the end rather than the start of a VAT period. This can improve cashflow because the VAT outlay on such purchases, which is generally recoverable, can then be set against the VAT you need to account for on your sales, thus reducing the net VAT liability payment.

Taxation management

You may be liable for several different taxes including PAYE, income tax, corporation tax and VAT. It is essential to keep good records to help you calculate your liability and complete your returns accurately. This is vital not only for cashflow management but to avoid further costs in the form of HMRC penalties!

A Business Payment Support Service (BPSS) has been launched by HMRC to help businesses struggling to meet tax, national insurance or other payments owed to HMRC. HMRC staff will review your situation and discuss temporary instalment payment arrangements tailored to your business' circumstances.

If you are concerned that you may not be able to pay amounts that are owed or will soon be owed to HMRC, you can either contact the BPSS direct or John Osborne in our Solihull office on 0121 711 2468 or Kevin Johns in our Coventry office on 024 7622 0208 for assistance on how it can operate.

Prime appoints new Director to strengthen management team

Ruth joined Prime as a Director in September 2009, having previously worked for international accounting firms PricewaterhouseCoopers LLP and Deloitte & Touche LLP.

Ruth brings with her a wealth of experience including managing a large portfolio of clients and delivering a range of business advisory, accounting, audit and tax services. Ruth's expertise extends to delivering and mentoring business development programs for clients.

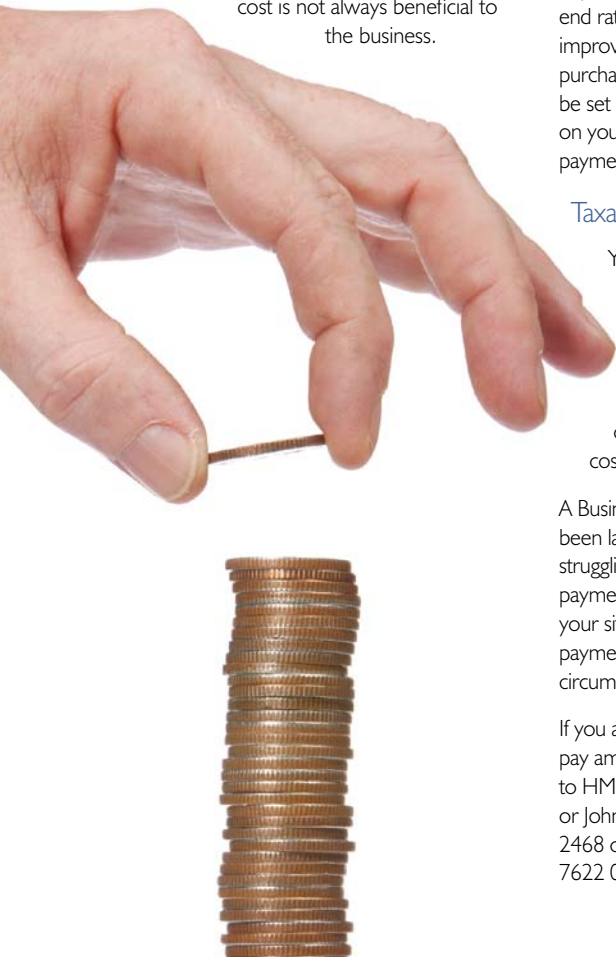
In 2006, Ruth became a member of the Chartered Institute of Taxation and throughout her time with PWC, provided forensic accounting skills and general wider tax knowledge / expertise to their national Tax Investigations team.

Whilst building up a client portfolio of her own, Ruth will work alongside Alf Pare in the Forensic Accounting team. In addition, she will support the other directors in delivering business advisory services to clients.

Ruth is a Fellow of the Association of Chartered Certified Accountants.

In her spare time, Ruth enjoys swimming and skiing and taking her children to rugby.

Ruth is based in the Coventry office of Prime Chartered Accountants and can be contacted on 024 7655 4320 or by email rkchapman@primeaccountants.co.uk



Out with the old... in with the NEW

If your business van reminds you of the era of 'Steptoe and Son' or 'Only Fools and Horses' maybe it's time to take advantage of a government backed incentive scheme, which is aimed at trading in old vehicles for new lower emission ones.

The scheme is available for personal and business purchases and applies to cars as well as vans. The incentive comes in the form of a £2,000 subsidy - £1,000 per vehicle from the Department for Business, Innovation and Skills, matched by a further £1,000 subsidy from the manufacturer. No subsidy is available at all if the manufacturer has not joined the scheme but as 41 have joined there is plenty of choice. Some manufacturers and dealers are even offering an additional subsidy or discount.

Are you eligible?

The vehicle being traded in must:

- be a car or small van weighing up to 3.5 tonnes
- have been registered in the UK on or before 31 August 1999
- be registered with the DVLA or DVA in the business' or individual's name
- have been registered to you or the business continuously for 12 calendar months before the order date of the new vehicle
- have a UK address on the registration certificate (V5C)
- have a current MOT test certificate before the date of order for the new vehicle (or within 14 days of expiry at the time of order)

- have a current tax disc when the order for the new vehicle is placed (or within 14 days of expiry at the time of order)
- be insured when the order for the new vehicle is placed.

The new vehicle you want to buy must be:

- a car or small van weighing up to 3.5 tonnes
- first registered in the UK on or after the 18 May 2009
- declared new at first registration in the UK with no former keepers
- a UK specification vehicle.

When trading in your old vehicle for a new vehicle the registered keeper for both vehicles must be the same.

Prompt action is recommended to take advantage before the £300 million of funds set aside run out! Even if the funds last, they are only available until 28 February 2010. Please contact the Director who normally handles your affairs if you would like information on the VAT and capital allowance aspects of any proposed new purchases.

Ten step guide to preventing and detecting fraud

The risk of fraud to businesses is at its greatest in times of economic downturn. Big companies can be badly shaken by fraud; small ones can be destroyed.

Given the wide range of fraud that can be committed, what steps could you take to minimise the risk of fraud being perpetrated within your organisation?

Consider these top ten tips for detecting and preventing fraud.

1. Begin by recruiting the right people to work in your organisation. Make sure that you check out references properly and ensure that any temporary staff are also vetted, particularly if they are to work in key areas.
2. Ensure that you have a clear policy that fraud will not be

tolerated within the organisation and ensure that this is communicated to all staff.

3. Consider which areas of your organisation could be at risk, then plan and implement appropriate defences.
4. Target the areas where most of your revenue comes from and where most of your costs lie. Develop some simple systems of internal control to defend these areas. Effective controls include:
 - segregating duties
 - supervision and review
 - arithmetical checks
 - accounting comparisons
 - authorisation and approval
 - physical controls and counts.
5. Wherever possible avoid having only one person responsible for

controlling an entire area of the organisation.

This in particular includes the accounting function but will also include other key areas. For example, ordering goods, stock control and despatch in a business where stock includes attractive consumer goods.

6. Always retain a degree of control over the key accounting functions of your business. Do not pre-sign blank cheques other than in exceptional circumstances and ensure that the corresponding invoices are presented with the cheques.
7. Be on the lookout for unusual requests from staff involved in the accounting function.
8. Watch out for employees who are overly protective of their role - they may have something to hide. Similarly watch out for disaffected employees who might

be bearing a grudge or those whose circumstances change for the worse or inexplicably for the better!

9. Watch out for any notable change in cashflow when an employee is away from the office, for example on holiday or through sickness. This could be an indicator of fraud.
10. Prepare budgets and monthly management accounts and compare these against your actual results so that you are aware of variances. Taking prompt investigative action where variances arise could make all the difference by closing the window of opportunity afforded to fraudsters.

If you require any assistance in protecting your business please contact us.

Happy Homes??

The press focus on MPs second homes earlier in the year has thrust the capital gains tax (CGT) position on the sale of homes generally into the limelight, so what does tax law actually allow?

First, to be exempt the property must not have been purchased for the sole reason of making a profit and, second, the dwelling must be an individual's only or main residence throughout the period of ownership.

The exemption is for one property per person or married couple (including a registered civil partnership) only; so if another residence is acquired an election can be made as to which property is to qualify and which is not. The election can be made within two years of a change in the number of residences available.

For example in a situation where, on marriage, each party owns his or her own property, an election can be made within two years of the marriage as to which residence is the main qualifying one. As many couples are unaware of the need for an election to be made, they miss the cut off date. In that situation HMRC and not the couple have the right to decide which property is exempt based on the facts presented.

Is it ever possible for two properties to be eligible for exemption?

The answer is potentially yes because where an owner does actually reside in more than one property for some time during the period of ownership, the last three years of ownership is generally treated as exempt as well as any period of actual occupation as a main residence. In some cases that will mean that the entire gain on both residences is exempt.

Example

Charles has owned a main residence in Leicestershire for the last eight years. Fed up with commuting he buys a flat in central London and elects for this to be his main residence. Exactly five years later he sells his home in Leicestershire.

This is exempt for the first eight years as it was his main residence and for the last three years of ownership. So 11/13 of the gain will be exempt from capital gains tax. If, two years later, he sells the London flat and moves elsewhere, the whole of that gain will be exempt.

The main residence exemption can be complex and often causes a good deal of misunderstanding.

This article only deals with one aspect. There are further considerations such as:

- selling off part of the garden;
- restricting the exemption on properties with large grounds;
- using part of the property for another purpose; and
- letting out part/the whole of the property for periods during ownership.

It is strongly recommended that you contact the Director responsible for your affairs for further advice before carrying out transactions in property.

Last chance saloon

HMRC have now published details of the new disclosure initiative, announced provisionally in the Budget 2009. This 'New Disclosure Opportunity' (NDO) is aimed at taxpayers who have undeclared income and gains from offshore accounts and assets. An incentive of capping any additional penalty at 10% is offered in exchange for full voluntary disclosure and settlement of any tax liabilities. In fact no penalty will apply where the outstanding tax does not exceed £1000.

A previous opportunity in 2007 that allowed taxpayers to settle tax arrears on undeclared offshore income also attracted an additional penalty of only 10%. At the time of that amnesty, HMRC wrote to certain taxpayers offering the 10% rate as a result of information they had managed to obtain about account holders of offshore bank accounts with five of the High Street banks (Lloyds TSB, HBOS, HSBC, Barclays and RBS). The potential threat of being found out prompted tens of thousands of individuals to disclose with a resulting yield of £400m to HMRC.

So why a second opportunity?

HMRC and other foreign tax authorities have worked hard over the last few years to increase co-operation in an attempt to further reduce tax evasion. It is reported that HMRC now have authority to seek information about offshore assets and accounts from a much wider range and volume of financial institutions (other banks, building societies and brokers) than previously. This increases the odds in their favour of identifying undeclared income and gains.

Higher penalties

The 10% penalty restriction will not apply to those to whom either HMRC or the banks wrote in 2007 and who chose not to disclose at that time. Instead those individuals who now make a full disclosure will attract a penalty of 20%.

If a taxpayer does not disclose it is clear that HMRC intend to use the full extent of their enhanced powers to identify defaulters and to vigorously pursue all outstanding liabilities. In such cases the minimum penalty level is expected to be 30% rising potentially to 100%.

The NDO will run from 1 September 2009 until 12 March 2010. However taxpayers need to notify their intention to disclose by 30 November 2009.

The actual disclosure must then be submitted:

- on paper between 1 September 2009 and 31 January 2010 or
- electronically from 1 October 2009 to 12 March 2010.

Please contact Ruth Chapman on 024 7655 4320 for further information.

Meet our directors...



Laurence Moore



Kevin Johns



John McDonald



Jamie Shelding



John Osborne



Morgan Davies



John Barrett



Ruth Chapman

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