



# davidnewton

## Issue No. 37 - February to April 2008

It was an incredibly busy January for us as clients rushed to file their tax returns by the 31<sup>st</sup> January. Please try to bring your 07/08 tax returns in much sooner, so that you will have more advanced knowledge of your tax liability. Preparing your tax return does not mean you have to pay your income tax immediately, the dates for payment still remain 31<sup>st</sup> January and 31<sup>st</sup> July.

*David Ink*



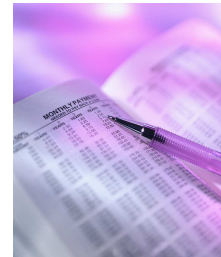
### ARTICLES COVERED IN THIS ISSUE:

- 2008 Dates
- Delays in Processing 2008 VAT Registrations
- Investment Concerns
- Business Plans
- Office of Fair Trading v High Street Banks
- IT Health-checks

### WHAT YOU NEED TO CONSIDER REGARDING THE CHANGE IN TAX RATES

As Gordon Brown announced in the 2007 Budget, from 6th April this year, the basic tax rate will be decreased from 22% to 20%, with the 10% start rate abolished. This means the amount you will have to pay into your pension will go up:

	<u>Now</u>	<u>After change</u>
Pension	£100	£100
Less Tax	£22	£20
<b>So You Pay:</b>	<b>£78</b>	<b>£80</b>



If you are an employer, do not forget to change the deductions from your employees wages. If you give to charity with gift aid it is worth bearing in mind that the charity will get 3% less, so it is worth considering increasing your giving so the charity does not lose out.



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## DELAYS IN PROCESSING VAT REGISTRATIONS

Those businesses that have applied to be registered for VAT or contemplating registering should be aware that HM Revenue & Customs (HMRC) has announced delays in the processing of both online and paper VAT registration applications. We set out below an extract from an announcement recently made on the HMRC website:

"There are delays with the processing of both online and paper VAT registration applications. Providing good service is a top priority and we are taking steps to improve the situation as quickly as possible. In the meantime, please try to avoid contacting us to see how your application is progressing as this may further extend processing times. Thanks for your co-operation and we apologise for any inconvenience."

HMRC was set a target of processing 70% of applications within a 14 day period by January 2008 but it is unlikely that it will meet this target. Indeed, if further checks need to be carried out in relation to an application, these checks may take up to 5 weeks to complete and in some instances up to 14 weeks.

In view of the above delays, it is important that those businesses that have applied for registration are aware as to the regulations governing the accounting for VAT before a business is registered. The basic rule is that a business is required to account for and pay any VAT due from the date the business was required to be registered. This date should be distinguished from the date the business applied for registration or the date when it received its certificate.

In practice a business is not able to charge VAT before it is registered. In addition, a business is not allowed to show VAT as a separate item on any invoice that it issued before registration.

So what must a business do that is required to be registered for VAT but is still awaiting its VAT certificate? In these cases the business should include VAT on its prices but not show the VAT separately. Any invoices raised by the business in this way will not be a VAT invoice and the business will have to inform its customers that they will be receiving a VAT invoice (with the amount of VAT shown separately) at a later date (ie once the registration certificate has been received).

Once the registration certificate has been received, the business must within 30 days send a VAT invoice to all those customers referred to above.

### Our advice:

*In view of the time delays in processing VAT applications we would advise that businesses consider such delays in advance, thus avoiding the need to send out two invoices (ie an invoice which includes the VAT in the price and a separate VAT invoice showing the VAT separately at a later date).*

*Note that HMRC has advised as follows in relation to the delays in processing applications for registration:*

*"We are working hard to improve this, but the average time to process applications is eighteen days at present.*

*If your application was sent to us within the last six weeks, we would ask that you do not contact us to chase progress. We will not have any additional information to provide and dealing with these enquiries takes resource away from processing and can create further delays."*

## INVESTMENT CONCERNS: OUR ADVICE

*Investment market volatility has been a concern for most people over the last few months and particularly this last two weeks where we have seen quite alarming moves in the stockmarket valuations on a daily basis. This is exacerbated by the media who pour out articles containing doom and gloom.*

Investors often become nervous when the investment climate is uncertain and forget what their long term intentions are regarding these investments and are often tempted to sell when the market prices are low losing them money.

In an ideal world we would all like to buy investments when the prices are low and sell when they are high, unfortunately we do not all have the necessary knowledge or skills to take advantage of these situations and it can be very costly if we get it wrong.

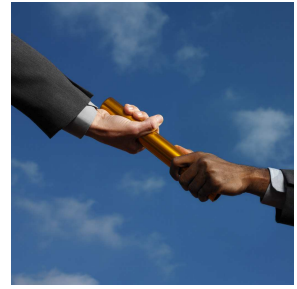


Investments are always regarded as medium to long term and it is likely that during the time you hold the investment there will be times when valuations will fall, it's at these times when you should not be panicked into selling.

For those people who are already hold investments we would suggest that unless there is an immediate need for the capital that you do not consider selling your investments as you will certainly be losing out.

## How much consideration did you give to your Business Plan?

**A recent survey of business in the United Kingdom found that over 80% of new businesses will fail within the first five years. Many of these failures could have been prevented by having comprehensive business plans aimed at guiding the business. Interestingly, how many of these same businesses do have excellent plans, and yet they still fail?**



Why is this case? In many instances, the business owner purchases a generic business planning software program, fills in the blanks, and once it allows them to get their overdraft or bank loans, do not look at the plan again. The software does not have the intuitive ability to ask the tough questions of the owner, push them to think through where their business is heading, and then stays with them to make sure the plan is executed with discipline and precision.

When a business owner relies on off the shelf software, or to a person who writes it out for them, with minimal input, the results are almost as bad as if they had never had a plan. The magic of the business plan is not the "plan" itself, but the process that the business goes through in putting it together, and then using it as a living document to guide, refer back to and direct the direction of the business. Are you using your Business Plan as you should be? Please consult us if you feel your business plan needs some attention.

## The Office of Fair Trading v The High Street Banks

On Monday 14<sup>th</sup> January the Office of Fair Trading (OFT) squared up to the high street banks in the courtroom to



establish whether charges levied by the banks on customers who have unauthorised overdrafts are too high. In a test case brought by the OFT it is argued that unauthorised bank charges are controlled by the Unfair Terms of Contracts Regulations (the Regulations) and that any such charges must be fair. The banks, on the other hand, argue that any overdraft facility provided for customers, whether authorised or unauthorised, is a service provided by the bank and is therefore not subject to the Regulations.

It is important for both the banks and their customers that clarification is obtained from the court in relation to charges levied on unauthorised overdrafts as at present the law is unclear and this has resulted in a number of private actions being brought by customers against their banks. Some of these cases have resulted in success for the banks and some for the customer and so the position still remains unclear. In addition, some cases that have been brought by customers against their banks have been settled out of court by the banks at the last moment thus resulting in the legal position not being clarified. This unclear position has also resulted in many complaints being made to the Financial Ombudsman.

The court's judgement will not be made until April and at this time the judge will rule as to whether the charges levied by the banks are subject to a fairness rule (as required by the Regulations). If the ruling is made in favour of the OFT then the

OFT will return to the court and argue that the charges made by the banks in the past (and which are still being made now) are disproportionate to the service which the banks are providing. If the court rules in favour of the OFT at this time this could result in billions of pounds worth of compensation being paid by the banks to their customers for past charges. (Such claims can go back for up to six years.)

The majority of customers will argue that the banks are in the wrong and should be stopped from levying disproportionate charges on unauthorised overdrafts. But there is a paradox in that, should the OFT be successful in its argument, this will undoubtedly result in the end of free banking for many services provided by the banks. The banks will have to get income from other sources or reduce costs, and it could mean the end of free banking for those customers who have current accounts that are not overdrawn may be on the cards.

Others are of the opinion that the banks are perfectly entitled to levy high charges for unauthorised overdrafts and indeed the banks argue that if customers were to approach them in advance of going overdrawn and the overdraft authorised, then any charges would be considerably reduced.

### Our advice:

*It will be some time before the court makes its ruling and if it rules in favour of the OFT then we shall have to wait still further for the OFT to persuade the court that past and present charges are too high and to establish what a fair charge should be. If this happens then customers who have paid high charges in the past may well start queuing up to seek repayments from their banks.*

*However, it is highly likely that the party that loses in court will launch an appeal which will mean that any repayments to customers may be some time away.*

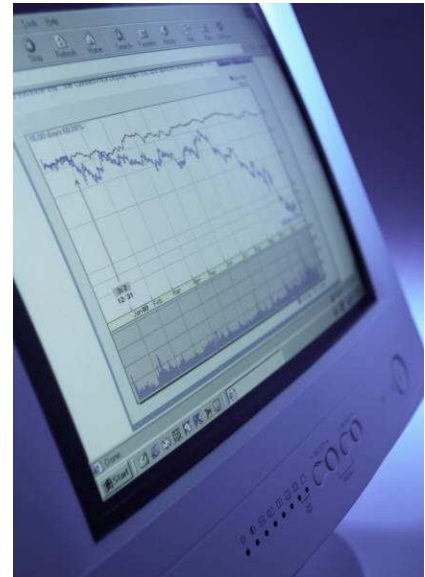
# Is your IT equipment feeling under the weather?

Imagine for a second you were without all IT equipment at work for a day. Think about no printing, no ability to access digital past records and documents, no sending or receiving of emails and no access to the Internet. Not to mention no access to software applications. Could you cope without? Chances are probably not.

It's an interesting thought that many of us would be lost without our IT equipment at work. Are you doing enough to ensure your IT equipment is healthy?

In 2005, an impressive 93% of both small and large businesses in the UK alone reported using computers or similar devices within the workplace\*. With increasing usage of technology within the work environment and our reliance on such devices always being available, have we taken enough measures to ensure we can survive if our systems fail?

Let us help. We're offering a **free IT Health Check** to existing clients which should last no longer than an hour which will provide your business with recommendations on how you can improve the running and efficiency of your IT systems. We will look at things such as; Backup Provision, Disaster Recovery Plans, Physical Security of your Server and Virus and Spyware on a typical PC. Plus if you have any IT issue you would like us to look at during our visit we are happy to provide this as an additional service.



**Please contact Hayley today on 01904 692949 or email [support@davidnewton.co.uk](mailto:support@davidnewton.co.uk) to book your IT health check.**

(\*Avery, V, Chamberlain, E, Summerfield, C, Zealey, L. 2007, FOCUS ON the Digital Age. Available at: [http://www.statistics.gov.uk/downloads/theme\\_compendia/foda2007/FocusOnDA.pdf](http://www.statistics.gov.uk/downloads/theme_compendia/foda2007/FocusOnDA.pdf) )

## davidnewton news

### BUSINESS DEVELOPMENT SEMINARS



Our next FREE business development seminar will take place at a new venue, the Riverside Farm which is on the A19 just off the ring road, on Thursday 6<sup>th</sup> March from 9am to 1pm and includes lunch.

Our enclosed flyer will give more details and encloses an application form if you would like a place on the workshop.

Previous attendees have gained a lot of information on the seminars which has been relevant to them and their business and we have received very positive feedback for our 2007 workshops.

**Further Seminars are likely to take place in:**

June, September, November – Dates, times and venues to be confirmed.

*Other News? We would love to hear from you, if you have any news which you think may interest our other clients, then please do let us know!*

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