

MIDGLEY SNELLING

NEWS

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Feeling the Strain?

HMRC is now refusing
applications under TTP



PLUS

Weybridge hosts MGI UK & Ireland
Annual Conference

The benefits of partnership and
shareholder protection

Individuals and small businesses
miss out on tax breaks



- Tax advice for non-doms
- Redundancy threatens late pension surge

- Make the most of our international expertise
- Insolvency figures mask the North-South divide

Welcome

Welcome to the next issue of Midgley Snelling News, which brings you updates and practical advice on issues that may affect you financially.

Our bulletin contains a round-up of tax and financial news and developments that we hope will be of interest to both businesses and private individuals.

In this edition, we consider the benefits of partnership and shareholder protection, the truth behind the latest insolvency figures and a tightening of the Time to Pay scheme.

We also examine the pitfalls of leaving it late

to save for your retirement, how individuals and businesses are missing out on the tax breaks available and the homecoming of the MGI Conference.

To conclude, we take a look at the international tax services Midgley Snelling provides, as well as our non-doms tax specialism.

We hope you enjoy reading Midgley Snelling News and that you find it useful.

We would welcome your feedback on the content, or ideas for topics that you would like to see featured in future. If you would like to comment please contact us at email@midsnell.co.uk or call **01932 853393**.

For professional financial advice, tailored to your individual circumstances, on any of the topics covered in Midgley Snelling News, please contact us.

The benefits of partnership and shareholder protection

One area of potential conflict in a business partnership is what happens when one of the partners or shareholders dies or becomes seriously ill. Should they die, the issue arises of who receives their share of the business and at what price.

This can result in disputes between the beneficiaries of the deceased and the remaining partners or shareholders. For example, the beneficiaries may have little interest in the business or could be hostile to the way it is currently being run. Equally, the company will not want to pay a dividend to a new shareholder who contributes very little in terms of the organisation's success.

Such disputes can be avoided through the use of partnership or shareholder protection, which is linked to life insurance policies that each partner or shareholder agrees to take out and maintain. These policies are written in trust by each individual for the others and, on the death of one of them, the funds can be used to compensate the deceased's beneficiaries and dependants for their share.

Not only will such an agreement help prevent disputes at a highly sensitive time, it will also enable the business to continue without the need to sell assets in order to buy the vacant share of the business. It will also enable the beneficiaries to make the most of the deceased's hard work, and offer the partners and shareholders peace of mind that their loved ones are provided for.

In addition, provision can be made for partners or shareholders who become seriously ill, giving them the option of continuing in the business or receiving suitable capital upon their enforced retirement.

Before putting such an agreement in place a number of points will need to be considered. Firstly, the Articles of Association or a Partnership/Shareholder Agreement may cover these issues, and it is important to ensure that the terms of these documents do not contradict the partnership or shareholder protection.

Furthermore, it is important to ensure the policies are drafted such that the surviving

individuals can only use the funds obtained to buy the deceased's interest in the business.

For more information, please contact us.



Tax advice for non-doms

For people who are not domiciled in the UK – usually known as non-doms – there are a number of tax benefits available, although eligibility is usually defined by a number of criteria, including the length of residence in the UK.



However, calculating these benefits can be a complicated process, which is where Midgley Snelling can help. We understand the complexities of the UK tax regime that apply to non-doms and have many years' experience in advising them on tax, financial and commercial matters.

Consequently, we appreciate the many factors that govern which tax benefits can be available, including the care that must be taken in the implementation of any planning and the importance of recording overseas income, gains and assets.

We can advise on:

- **Income and capital gains tax mitigation:** Midgley Snelling can provide practical advice on making the best use of the available reliefs and deductible expenses – including double taxation agreements – as well as minimising the tax liabilities on the disposal of overseas investments and assets.
- **Inheritance tax planning:** we can help non-doms take full advantage of the planning opportunities available to minimise their inheritance tax liabilities, as well as advising on the judicious use of trusts and deeds of variation. Midgley Snelling also provides full executorship administration services, ranging from drafting estate accounts to acting as the executors for an estate.
- **National insurance advice:** we can advise on the national insurance implications of receiving remuneration and benefits in kind, as well as any social security benefits that might be due.
- **Onshore and offshore trusts:** we have many years' experience in ensuring that

Midgley Snelling can also advise on what national insurance contributions apply to foreign nationals working in the UK and assist in the preparation of applications for certificates of continuing liability for UK individuals working on short-term assignments overseas.

onshore and offshore trusts are operated correctly and as tax-effectively as possible. In addition, we can calculate the tax liabilities for beneficiaries of offshore trusts and analyse the likely tax implications of future distributions from trusts.

- **Immigration matters:** Midgley Snelling can assist clients wishing to relocate to the UK, both practically and in terms of making introductions to lawyers who are experts in that field. We also have access to expertise in other countries in the event of emigrating out of the UK.
- **International VAT reclaims:** we have experience in identifying possible opportunities to reclaim VAT and in completing and filing the necessary forms.
- **Foreign pension contributions:** Midgley Snelling can advise on migrant member relief for contributions made to overseas pension schemes from the UK, as well as the detailed rules on what counts as a Qualifying Recognised Overseas Pension Scheme (QROPS).
- **Services for non-resident landlords:** we can assist clients who own and rent out property in the UK by registering them under the Non-resident Landlord Scheme, which means rents can be received without having tax deducted at source.

For more information on any of these services, please contact us.

Make the most of our international expertise

As the founder members of international accounting alliance MGI, Midgley Snelling has many years' experience in advising UK and overseas based clients on tax, financial and commercial matters, both within the UK and abroad.

As a result, we have developed a thorough understanding of the issues involved in coming to or leaving the UK and can provide a comprehensive service to both individuals and companies.

We offer:

- Effective tax planning and dedicated advice

to ensure compliance with and minimising liability to UK taxes

- A complete personal and business management service for non-residents
- Assistance in setting up and managing offshore companies and trusts and in optimising income flows between countries
- Practical and comprehensive advice for those making inward investment to the UK

and outward investment to other countries

- Access to advice on compliance with tax regulations worldwide and effective planning for cross-border transactions
- Partners with foreign language skills and personal experience of foreign jurisdictions

For more information on any of these services, please contact us.

Tightening of the Time to Pay scheme

HM Revenue & Customs (HMRC) is now refusing applications under Time to Pay (TTP) where dividends are used as a form of remuneration.



TTP, introduced in November 2008, normally allows companies and individuals to defer and pay by installment any taxes that they owe, in a bid to assist with temporary cash flow problems.

HMRC's new position is that where a company asks for a TTP arrangement and recently paid out a dividend while running up a tax debt, HMRC will refuse a TTP on the grounds that the company has preferred to use the money elsewhere and, therefore, the shareholders should support the company.

Many companies pay dividends as part of a tax-efficient remuneration package. However,

it seems that HMRC takes the view that if a company has cash available to make a non-contractual payment to its shareholders, then it can pay at least part of its tax debts.

This policy will almost certainly hit small and medium-sized businesses hardest, potentially leading to cash flow problems and may force more businesses into increased hardship, with some being forced to enter into a formal Company Voluntary Arrangement (CVA), administration, pre-pack administration or even liquidation.

Another significant development is that HMRC recently announced that it will stop publishing

figures for the number of businesses which are using the scheme. This has triggered fears that the scheme is about to be wound down, although this is something that HMRC has denied.

However, the number of rejected applications rose by a third year-on-year in the second quarter of 2011. Indeed, the number of approvals plummeted by nearly 50 percent in the year to June, while the value of the tax payments deferred tumbled by 42 percent.

Therefore, any business considering making an application to the scheme should take note of these points.

Insolvency figures mask the North-South divide

The latest figures from The Insolvency Service show that the number of compulsory liquidations and creditors' voluntary liquidations grew by 6.5 percent year-on-year in the third quarter of 2011. The rise to 4,242 liquidations was also a 0.1 percent increase on the previous quarter.

Meanwhile, the number of other corporate insolvencies – including receiverships, administrations and Company Voluntary Arrangements – increased by ten percent compared to the third quarter of 2010.

However, this is not the complete picture. The latest Red Flag Alert Report from Begbies Traynor shows that regional differences in financial distress levels across Britain are becoming more pronounced.

While the number of British businesses facing significant and critical financial distress rose by two percent on average in the third quarter of 2011, it has dropped by six percent in London and by three percent in the South East. Conversely, distress levels rose in all other parts of England and Wales.

The North East was particularly badly affected, along with the North West, with increases of 19 and 12 percent respectively. Yorkshire, Wales,

the Midlands and the South West were not far behind, with ten percent rises in business distress. The East of England was the only region with a single digit increase, up by three percent.

Scotland also recorded a drop in the financial distress levels of its businesses. However, public sector cuts were implemented there much later than the rest of Britain, so it is expected that their impact will be felt in the future.

Individuals and small businesses miss out on tax breaks

According to a study by Unbiased.co.uk, taxpayers were likely to have paid over £13.5 billion more tax than necessary in 2011, simply because they failed to plan. This is a significant increase on the previous year's figure of £9 billion.

Nearly 90 percent of people have taken no action to reduce their tax liabilities in the last 12 months. As a result, more than £8.5 billion worth of child benefits, child tax credits, working tax credits and pension credits remain unclaimed and £1.3 billion is wasted through poor inheritance tax planning.

Small businesses fair no better, with 19 percent of the SMEs which responded to a survey by Clydesdale and Yorkshire Banks missing out on potentially valuable tax breaks and grants.

Furthermore, around 16 percent said they did not know where to turn for advice on regulation

and 15 percent admitted having difficulty understanding new rules.

These figures make shocking reading, especially when implementing a few basic tax saving measures could make all the difference. At Midgley Snelling, we can advise on all aspects of minimising tax liabilities, including estate, personal and corporate tax planning, as well as retirement strategies, trusts, executorships and self assessment.

Therefore if you, or one of your friends, would benefit from independent, tailored tax advice, please contact us.



- Auditing/Accounts
- Business Start Ups
- Company Secretarial
- Payroll
- Business Taxation
- International Business Services
- Business Recovery
- Forensic Accounting
- Accounting Systems
- Due Diligence and Corporate Finance Assignments
- Bookkeeping and Management Accounts
- And much more...

FOR MORE INFORMATION ON THE SERVICES WE OFFER PLEASE CALL 01932 853393

Weybridge hosts the MGI UK & Ireland Annual Conference

The MGI UK & Ireland Annual Conference 2011 was held at the Oatlands Park Hotel in Weybridge, Surrey on 1st-3rd December.

The conference covered the threats and opportunities that the next ten years could bring to the accountancy profession as well as individual firms. The speakers discussed what the future holds for online services, recruitment, exit models and marketing, along with the impact of a reduction in compliance regulation.

James Beecher said: "As the founder members of MGI, we were delighted that the annual conference was held in our home town. We believe the event provided a valuable insight into what accountancy practices will be like in 2021, enabling firms to establish their vision for the future."

For more information on any of the topics covered, please contact us.



Redundancy threatens late pension surge

Research by HSBC has shown that substantial numbers of employees in the UK are part of the 'Ostrich Generation', who refuse to undertake any financial planning for their retirement.

However, any 'ostriches' hoping on saving the bulk of their pension fund in the last ten years of their working life could be in for a shock, as a report by Aviva demonstrates that more than 25 percent of over 55's are currently not in employment due to redundancy or ill health.

Once those aged over 55 are out of work,

it is harder for them to find a job than it was earlier in life, according to 74 percent of respondents. As a result, over a third (34 percent) found they had to scrimp more than expected in retirement due to their careers ending ahead of plan.

With the government determined to increase the pension age to 66 by 2020,

individuals will be forced to wait longer for assistance from the state, making them more reliant on private pension funds. Consequently, it is to be hoped that those taking an ostrich approach to their financial future will soon become an endangered species.

For more information, please contact us.

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