

## NEWS FOR CLIENTS JANUARY 2003

First, happy New Year to those we haven't spoken to yet in 2003.

As the year starts I thought it would be useful to give you an update on some happenings at Garbetts, and also set out some of the key issues for the year ahead as far as our advice and service to clients are concerned.

### Looking back...

2002 was one of the most difficult years I can recall of being in practice – not from a profitability or volume of work point of view, but more from work flow management. Its difficult for an outsider to comprehend just how hard it can be to arrange a smooth flow of work through a professional office – making sure it comes in on time, and then moves thorough basic processing, review and finalisation. We can normally predict fairly accurately our peaks and troughs of work – but 2002 was the exception; when we should have been busy we were quiet, when we should have been quiet we were busy! Some new clients with quite heavy issues to sort out contributed to this, as did training new staff. On a personal front maybe selling two houses, buying another, a major refurbishment project on new house, a major building project at the office *and* a wedding in 8 months was a little too ambitious!

Not that we're ungrateful for the work, of course, but in all 2002 was an interesting year! The effect has been that we have more work than normal carried over into January, the last month before tax and accounts filing deadlines expire for most of our clients, and the next four weeks will be busy. Thankfully a lot of the work is substantially complete so its only finalisation needed.

### ... and looking forward

To try and avoid similar problems in 2003 we are looking at a number of factors:

- more flexible staff contracts and resources
- greater sophistication in our approach to scheduling work
- inter office staff sharing with our associated GPTW offices
- a possibility of a pre booking system for clients to let us have their accounts

We are trying to work towards a four week turnaround on accounts jobs – not always easy, but hopefully real progress will be made on that target during 2003. As always though, if we are told in good time something is urgent it will receive priority.

We also have a significant change coming up in the practice which will assist – one of the biggest problems in 2002 with work scheduling was staff mix, specifically a surplus of junior staff at times and a shortage of senior staff – too many Indians, not enough chiefs! This will change in February 2003 when around half of the operation from our associated office in Ryde – Taylor and Wray – is integrated into Brading. Although we are gaining half of the Ryde offices client base, the staff mix we are taking is biased towards senior staff, which should provide us with a better staff mix, and also the benefit of work flow averaging at more junior levels.

Integrating the clients and staff which transfer to us from Ryde will be a challenge, so please bear with us during February as this change happens.

The other half of the Ryde office is merging with our Newport operation – D J Poulton & Associates, under David Poulton's management – into a new office in the Ryde area. GPTW Group will then be continuing on a two office strategy in the South and East Wight.

## The People who make it happen

The names and faces change from time to time, so for your interest this is the current Brading staff team:

Paul Garbett	- Principal	
Tony Wray	- Consultant	} Tony and Alan join
Alan Jeffery	- }	} us from Ryde in February
Mark Paxton	- }	} Senior accounts
Susan Albest	- }	} Staff
Carolyn Osman	- }	
Julie Barrett	- Tax manager	
Marc Goodey	- }	
Rosie Wersby	- }	} Accounts
Jo Harris	- }	} Technicians
Nicola Male	- }	
Deborah Richards	- PA to principal	
Anne Holbrook	- }	} Part time
Karen Brewer	- }	} secretarial/
Margaret Hall	- }	} reception

*On the subject of staff, if you came to our pre-Christmas reception at Brading, you may be pleased to know the raffle raised £155 for the Salvation Army Christmas Appeal.*

Don't forget you can e-mail all our staff using [firstname.lastname@garbetts.com](mailto:firstname.lastname@garbetts.com).

## Whats happening in 2003

January is going to be largely taken up with the end of the 2001-02 filing season. However during February and March we have some special advisory projects under way which will interest many clients:

- Pre year end Personal Service Company Tax Planning – we introduced the concept of a formal pre year end tax planning review for the first time in spring 2001 and it went well. We will be building on it this year, between February and March. As far as we are aware none of our competitors in the PSC specialist accounting field offer this service, and certainly not as part of their basic service package.

- Tax Credits – the new Tax Credit regime coming in this year is complicated enough to drive even the most resilient of observers to the edge of reason! The changes come only two years after tax credits started, and already confusion reigns! We intend do produce a “duffers guide” to tax credits, and also introduce a premium service to help clients check and claim their entitlements.

- Incorporation – the 2002 budget saw a surprising (and in the view of many professional advisors illogical) reduction in Corporation Tax rates. The effect of this is that for almost all small business, a limited company is the most tax efficient structure – we have already spoken to a lot of clients about this, and taken a lot of clients limited, however over the coming months our aim will be to talk to all clients who are potentially affected by this and help them come to conclusions about the right way forward for their business.

- Company directors with personally owned cars – may be able to get a one off tax saving for 2001-02. We will shortly be contacting all clients who may be affected by this, with details of whats available and how to claim.

### **And the pace of change continues...**

The issues above have all been on the agenda on 2002 and will remain so in 2003 – tax credits, incorporation, and so on. However there are other issues which are just as important, and which we will be talking to clients about – for example:

- the latest Capital Gains Tax changes – Business Asset Taper Relief for Capital Gains Tax is now a very generous relief, and its exploitation needs to be planned. It is something we keep an eye on for all clients, particularly at accounts finalisation stage, and we will continue to draw to clients attention opportunities to exploit this relief.
- the VAT Flat Rate Scheme – a bit of a damp squib really, but maybe some savings for some clients. We will be monitoring this and advising where it may be of use.
- new rules on offsetting Pension contributions introduced in April 2001 continue to bed down – and just as we are getting used to them the Government issued a consultation document late in 2002 on changing it all again...

As a firm we invest over £3,000 a year in staff training and technical resources – so we can be up to date to keep you up to date.

### **...As does the agro that comes with it**

The Inland Revenue continue to step up their investigation regime post Self Assessment, and tax investigation work is an increasing part of our work load. Tax Investigations are never easy, are always expensive and stressful, and quite often get heated and personal. Our policy is very simple – to stand up for our clients and get them the best deal. The local Inland Revenue probably do not thank us for this – lets just say the relationship is “robust” at times – but I strongly believe that this pays off. Over the years we have had some quite good successes with the Inland Revenue:

- a PAYE compliance case where the Inland Revenue started off looking for £10k or so, came down to £3k and were beaten down to £0 after a contentious General Commissioners hearing which we ran for our client. His previous accountant had advised “pay up, I cannot help”.
- a tax investigation into a public house – a notorious source of rich pickings for devious Tax Inspectors – settled for around £2k against the £8k sought originally.
- another investigation using devious “Business Economic Models” (which means the IR make up a model of how they think your business should work – inevitably more profitably than it does in the real world) headed off via the threat of a contentious General Commissioners hearing – the IR had closed the investigation using some fairly dubious estimates, hoping that the tax payer would pay up and walk away - £3k or so. Not so – the assessments were appealed and an application made for a General Commissioners hearing – the Inland Revenue pulled out; “We’re going to cancel the assessments and give in. We still think there is something wrong with your clients accounts, but we haven’t strong enough evidence to prove it” – well, they would say that wouldn’t they?.
- a potential status dispute for a client in the construction industry with a “self employed” general manager, again potentially a rich source of pickings for the IR, headed off with a well worded contract. It was pleasing that an otherwise weak case was completely vindicated by our well worded model contract.

Of course, its all well and good to notch up successes on the Tax Investigation front, but the costs of doing so must be considered. We have therefore introduced a new fixed retainer option pricing scheme for Tax Investigation work which is currently proving both popular and successful.

Another source of contention is IR35 status reviews. If you don’t know what IR35 is, don’t worry it probably doesn’t impact on you – if your business is affected by it you would know. IR35 came in from the 2000-01 tax year, and in the autumn of 2001 the IR launched at programme of compliance checking – around 5% of our PSC clients, those potentially

effected by IR35, were selected for checking. So far two cases have been resolved as being outside of IR35 and no cases have been ruled inside IR35.

We will be doing a fuller briefing for clients on up to date IR35 issues shortly.

## **Investment**

During 2003 we have continued with investment in the Brading offices, both their fabric and IT.

For the building itself we have converted the old garage area to form further offices and meeting rooms. We have also acquired the property next door to us which will soon give extra parking, and extra office space/storage.

Our IT investment has continued, with extra terminals for staff joining us, a new be-spoke client database being beta tested at present, and investment in state of the art operating systems and applications software. We had some major IT problems this summer – ironically as a result of a fault created when putting some extra security and safety features on our systems – but we strive to ensure first class reliability, data back up and professional support for our systems. Our latest IT investment has been a 80 ppm high speed scanner and ancillary data storage so we can start to scan paper archives for ease of retrieval and to save space.

## **Not only can we do your accounts...**

## **...but we can assist with**

- Strategic business planning
- Fund raising for business growth
- Business management consulting and change management
- Exit planning
- Retirement planning
- Mortgages and equity release
- Pensions, savings and investments
- Recruitment and remuneration planning
- Personal financial goal planning
- Computerisation and automation of accounting procedures
- Business monitoring and management accounting

and much more. One of our clients was quoted £3,000 for consultancy on business development by a Business Link recommended advisor in 2002; instead he came to see us for an hour, followed by a chat over lunch and a couple of follow up meetings – net cost around £500 and, to quote the gentleman, “Much better value”!

Have a good and prosperous 2003. Myself and the team here look forward to helping you.

Paul Garbett  
January 2003