

MARCH SALES DEFY CREDIT CRUNCH

While the credit crunch continues to dominate the economic headlines, the latest sales figures from the Society of Motor Manufacturers and Traders (SMMT) showed that during March 2008 451,642 new cars were sold (up 0.5% on March 2007).

The list of the top 10 cars sold in March was dominated by small cars in the supermini class. Sue Robinson, Director of the RMI National Franchised Dealers Association (NFDA) commented "The continuing economic uncertainty, combined with the increasing clamour for lower polluting cars, may have influenced buying decisions."

However, the sales increase seen in March may not last, according to Robinson: "Many of the vehicles purchased in March would have been ordered in January and February, before the most recent economic pressures came to bear. Consumers now face even higher household costs and a tighter credit market."

Under these circumstances, Robinson was delighted with the Bank of England's decision earlier this month to cut interest rates to 5%: "Retailers, including car dealers, have felt the pinch during the last few months, and although March car sales figures were up slightly on 2007, the outlook for 2008 remains uncertain unless interest rates stay low."

She added: "Interest rates have a huge impact on the affordability of new cars, as so many are purchased via finance deals. Hopefully with the continuing fall in interest rates, the availability of car finance will remain strong."

Another snippet of good news for the sector is in the declining number of business failures. As the UK recorded a rise in business failures during January, February and March 2008 (up 8.5 per cent), the automotive industry appears to have bucked the trend, according to Experian, the global information services company.

The latest insolvency report from Experian shows that the number of automotive companies that went out of business during quarter one this year fell by 6.1 per cent, compared to the same period in 2007. The latest insolvency report shows 62 automotive business failures during quarter one, compared to 66 during quarter one 2007. The automotive industry was amongst 19 of the 34 sectors that saw a decline in business failures during January, February and March.

Kirk Fletcher, Managing Director of Experian's Automotive division, said: "With the current climate of cautious spending and aggressive competition, the general feeling has been that that the insolvency figures for the automotive industry were not going to look good. However, this is the second year the number of

business failures recorded for the automotive industry fell during quarter one, suggesting a positive start to the year."

"The feedback from our dealer clients, however, has been that the last few months have been particularly tough and they have had to work harder to pull in the customers who are spending cautiously."

Are your advisors helping you deal with the impacts of the credit crunch? For business advice that is tailored to the needs and circumstances of your dealership, contact David Ingram on 01772 821021 or david.ingram@mooreandsmalley.co.uk

MOORE & SMALLEY
CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS

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OUT WITH THE OLD AND IN WITH THE NEW

While the budget was largely seen as very neutral with little radical change, the new tax year has brought with it an unusually large number of changes to both personal and business taxes. Many of these changes were first announced in 2007, in either that year's budget or in the later pre-budget report.

Here is a quick guide to some of the changes which will impact on your personal finances this tax year:

Business Taxes

- The main rate of corporation tax has dropped from 30% to 28%. However, for small companies the rate has gone up to 21% from 20%.
- Significant changes to rates paid by businesses have also come in. Instead of paying just 50% rates on empty shops and offices, owners now have to pay 100% after a short period of time. Meanwhile empty factories and warehouses now have to pay 100% rates instead of none at all.
- The system of capital allowances for businesses has also changed radically for companies, sole traders and partnerships. Building allowances are being phased out; the main allowance rate for plant and machinery goes down from 25% to 20%; but a new 100% allowance has come in for investment in new plant up to £50,000.

Capital Gains Tax

- The complex system of Capital Gains Tax has been simplified with the old taper relief and indexation allowances being swept away.
- A new "one-size fits all" flat rate of CGT - at 18% - has come in.
- Entrepreneurs have got some extra relief though, in the form of a new CGT lifetime allowance of £1m taxed at a lower rate of 10%.
- Everyone's basic annual CGT exemption has gone up to £9,600.

Inheritance Tax

- For 2008-09 the individual's allowance, which is known as the nil-rate band, has gone up to £312,000.
- The allowance for couples and civil partners has effectively risen to a maximum of £624,000 as a result of unused nil-rate bands being transferable on the death of the first partner or spouse.

Income Tax and National Insurance

- The 10% starter rate of income tax has been abolished, whilst the basic rate of tax comes down from 22% to 20% for everyone.
- As well as a rise in everyone's personal allowance, age related allowances for those aged 65 or older are seeing a big increase, from £7,550 to £9,030, and to £9,180 for those 75 and over.
- The main National Insurance rate of 11% is now being levied on a bigger chunk of people's incomes, up to £40,040 a year.
- The small but vocal group of tax-payers known as the non-domiciled, will now have to pay £30,000 a year to keep their privileged tax status, once they have had it for seven years. Plus they will lose their previous eligibility for personal tax allowances immediately if they want to keep the "remittance" basis of their taxation.

Savings

- The hugely successful system of tax-free Individual Savings Accounts (ISAs) is being given a further boost, with the annual limit on savings rising to £7,200 (with up to £3,600 of this being saved as cash).

Motoring

- The 2 pence a litre increase in fuel duty has now been delayed until October this year.
- On the other hand, some car tax has risen steeply for the most polluting vehicles, with the tax for Band G cars going up by £100 to £400, but by only £5 for other bands.
- Much bigger changes, including the introduction of a so-called showroom tax for the most polluting cars, have been lined up for 2009.

For more advice on minimising your business and personal tax bills, contact a member of our specialist tax team on 01772 821021 (Preston), 01253 404405 (Blackpool), 01539 729727 (Kendal) or 01524 62801 (Lancaster).

THE A, B, C GUIDE TO KEEPING THE TAXMAN AT BAY

One area the Taxman is always wary of is so-called 'alphabet shares'. This is a very useful method of scaling rewards for individual shareholder directors dependent upon the level of work they contribute to the company. However, it has been abused in the past and so you need to take certain steps in order to ensure the taxman is satisfied.

Most limited companies are formed with ordinary shares, meaning that as well as each shareholder holding a percentage stake in the business, they also receive the same percentage of any dividend paid out by the company. However, when some shareholders have no involvement in the running of the company, and some shareholders spend all their time working for the company, this structure seems unfair.

One way to tackle this issue is through the use of alphabet shares in order to give each shareholder-director their own class of shares, usually called "A shares", "B shares" etc (hence the name alphabet shares). Different classes of shares can be allocated a different dividend, or no dividend at all, meaning that each director retains the same amount of control over the business, but can receive a reward appropriate to the level of work they have done for the company.

You can reclassify the existing ordinary shares by passing a resolution at an Extraordinary General Meeting. You should also involve your accountant at this stage (if not earlier in an advisory capacity) to ensure that the relevant paperwork is completed correctly, and that all of the directors understand the changes.

Following some companies using this opportunity to issue alphabet shares with minimal voting rights to their employees in order to avoid paying National Insurance (as there is no NI payable on dividends), legislation was introduced to attack alphabet shares and tax the dividends on them as salary.

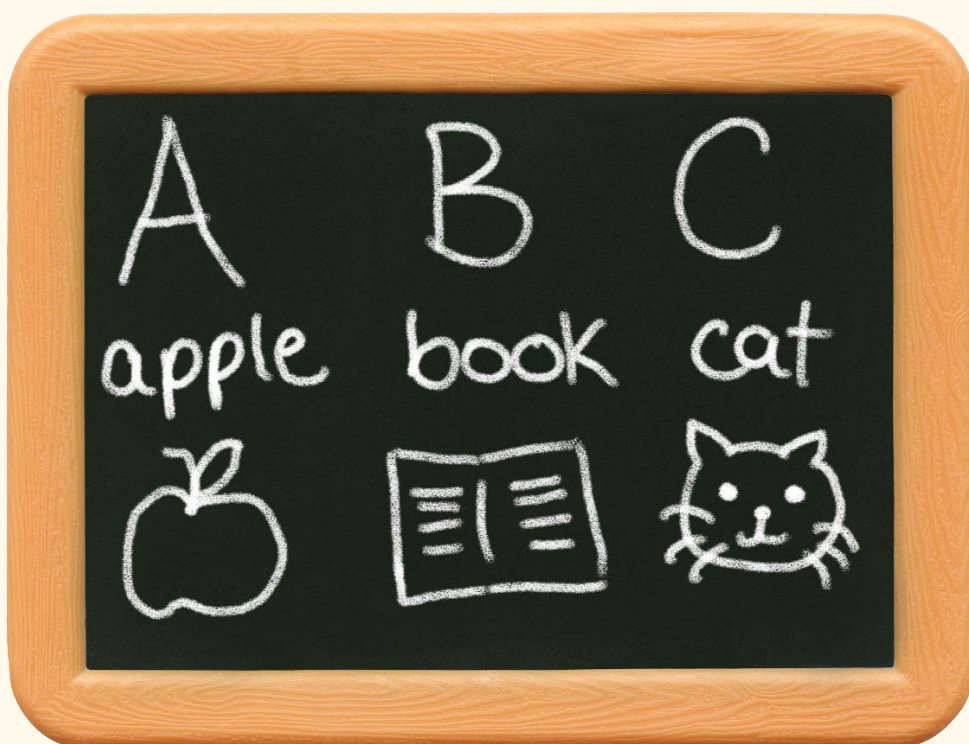
However, in order for the legislation to apply, the following three conditions must all be satisfied:

- The person holding the shares must have acquired them as 'employment-related securities'. This broad term applies to all shares acquired by a director in their company unless they were acquired in the normal course of domestic, family or personal relationships.

- 'Something' must have been done which affects the shares, of which, one of the main purposes was the avoidance of tax or NI. This 'something' may well include the reclassification of ordinary shares as alphabet shares.
- The shares must have been acquired after 15th April 2003, meaning that shares acquired before this date and converted afterwards would probably not be subject to the legislation.

Put simply, just changing the dividends on 'proper' ordinary shares with full voting rights should not attract the wrath of the taxman as this is not an arrangement whose primary purpose is to save tax. Consequently you should make sure that all shares have the same voting rights to keep the taxman happy.

Moore and Smalley's specialist tax team advise our clients on minimising their personal and corporate tax bills, whilst complying with current legislation. For more information, contact tax partner, Tony Medcalf on 01772 821021 or e-mail tony.medcalf@mooreandsmalley.co.uk



COULD YOU BENEFIT FROM OUTSOURCED PAYROLL?

Like most businesses, motor dealerships are focused on reducing their cost base to have a real impact on the bottom line. For many businesses, there are significant savings to be made both in money and in administrative time and effort through using an outsourced payroll service. Some of the key advantages of outsourcing your payroll are as follows:

- You **know all costs in advance** - this makes budgeting simple
- You **save time and money** - from as little as £12.35 per week (or £16.50 per month), we will provide computerised calculations for your payroll including: SSP/SMP/SAP, Working Tax Credit, Automated payments to employees, Pensions inc. NHS, Attachments of Earnings, P45/P46, Payslips, Reports, Student Loans, Year End Returns, P60/P14/P35
- There is **none of the administrative burden** that is associated with managing your own payroll
- You don't need to worry about changes in payroll legislation and statutory requirements - these are accounted for as part of the outsourced service
- You reduce your dealings with **HM Revenue and Customs** and other government agencies
- There are **no IT and training costs** of running your own payroll department and you don't have to rely on your IT department for support
- You have no need for any **capital expenditure** - no software, hardware or stationery to buy

- You **don't require any payroll expertise**
- You avoid the inconveniences and costs of covering **payroll staff on leave** - either unplanned (sickness) or planned (holiday) leave can mean you need to organise cover
- **Confidentiality, processing accuracy and meeting payment deadlines** are prerequisites of outsourced payroll provision
- You have **peace of mind** knowing that every aspect of your Payroll is being taken care of by professionals

Our fees include all data entry, production of security payslips, Cheque Summary, Coin Analysis/Banking List, Wages Book Report and Monthly Summary, P45's/P46's as needed, P14's, P35's and P60's. In addition, we also include the handling of your enquiries in respect of HM Revenue and Customs. Our fees also includes all administration, payment by BACS and first class postage. We can also provide specialist reports on request subject to pre-agreed fees.

Finally, unlike other payroll providers, we can also provide specialist HR consultancy for pre-agreed fees. With the ever growing amount of employment legislation the need for specialist advice has never been greater.

Moore and Smalley's specialist Payroll department currently handle the payment of hundreds of Lancashire and Cumbria's businesses. If you would like to find out more about our service, or for a no obligation fee quotation, please contact our Payroll team. Simply e-mail us at info@mooreandsmalley.co.uk or telephone 01772 821021 (Preston) or 01524 388719 (Lancaster).

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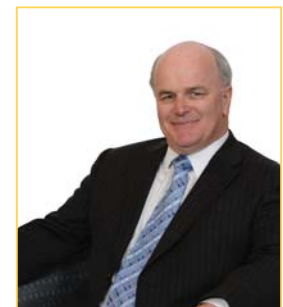
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