

CARRY ON CARAVANNING

Moore and Smalley reveal caravan park boost.

With the credit crunch, soaring fuel, food and energy costs putting a real squeeze on most people's living costs, the chance of 'getting away from it all' on the Spanish Costas or the Greek Islands is becoming increasingly difficult.

However, the sun is certainly shining on UK resorts and in particular on many Moore and Smalley caravan park clients. Bookings in UK resorts are up as much as 63 per cent in some regions with caravan parks and campsites across the UK seeing bookings rise, on average, 10 per cent compared to 2007.

The credit crunch and the pound's weakening position against the euro are being linked to Britons' renewed enthusiasm for holidays at home or 'stay-cations' as they have been cleverly coined.

51 per cent of holidaymakers shunning foreign holidays blame rising living costs for their decision.

Judith Dugdale, corporate senior manager at Moore and Smalley, said: "Moore and Smalley's caravan park team is receiving some very positive news from many of our caravan park operators. There certainly seems to be a trend in consumers shunning the foreign markets and opting for a good old fashioned UK caravan or camping holiday.

"Right across the UK consumers are going back to basics and it is important for caravan park operators to market themselves smartly; in this day and age having a basic website is often more profitable than spending thousands on an elaborate advertising campaign. I would urge operators, who don't already have one, to have a website built in much haste.

"Caravan park operators need to be cautiously optimistic and the key to success is to work incredibly smart over the coming months. Basic business rules have to be followed; don't spend unnecessarily, evaluate prices and utilise all resources to the best of their abilities.

"We have seen that, even in one of the most financially difficult years of recent times, holidays are still up there on people's 'must have's' lists.

"Financially next year may be different but if the right impression is made this year the likelihood of return business for years to come is high."

For further advice please contact Judith Dugdale at our Blackpool office on 01254 404404



ENTREPRENEURS' RELIEF: DO YOU STAND TO BENEFIT?

Following some intense lobbying and debate, the controversial reforms to the capital gains tax (CGT) regime finally came into force on 6 April 2008. As originally announced in the Chancellor's 2007 Pre-Budget Report, indexation and taper relief have been abolished and a single rate of 18% is now applicable. A new Entrepreneurs' Relief – a supplementary measure intended to appease the concerns of the business community – is also in operation.

Under the previous rules, which applied to 5 April 2008, many assets qualified for Business Assets Taper Relief. That was a capital gains tax relief which could, in effect, reduce the tax rate on the sale of qualifying assets from a maximum of 40% to less than 10% after as little as two complete years of ownership. The new Entrepreneurs' Relief is available on the disposal of qualifying assets which, in the right circumstances, will see the effective rate of capital gains tax again reduced to 10%.

The new relief works by reducing the first £1 million of lifetime gains by 4/9. So, for example, on £1 million of gains the tax would be:
 $£1,000,000 \times 5/9 \times \text{the flat rate of } 18\% = £100,000.$

The £1 million may be made up of any number of disposals and, unlike the former retirement relief (upon which the rules are based), there is no minimum age qualification. Generally, the relief will be available to individuals on the disposal (after at least one complete qualifying year) of:

- all or part of a trading business carried on alone or in partnership
- the assets of a trading business after cessation
- shares in the individual's 'personal' trading company
- assets owned by the individual used by the individual's personal trading company or trading partnership.

Where shares are exchanged for qualifying corporate bonds (QCBs) on the sale of a company, the deferred gain will be taken as the gain after Entrepreneurs' Relief. This will likewise apply to deferrals made under the Enterprise Investment Scheme (EIS). Transitional relief will also be available for gains deferred via QCBs, EIS investment or Venture Capital Trust investment, providing the deferred gain would have qualified for Entrepreneurs' Relief if it had been in force at the time of the disposal.

It is also worth noting that not all of the assets which scored for the maximum Business Assets Taper Relief will qualify for Entrepreneurs' Relief. For example, on the disposal of shares the company must have been a trading company in which the individual was an officer or employee of the company and owned at least 5% of the ordinary share capital (and was thereby entitled to exercise at least 5% of the voting rights).

And finally, if your company uses a property which you own personally, now is the right time to look at whether you should charge rent to the company, as this could affect the amount of Entrepreneurs Relief which is available when you sell the property.

We can help you plan for a successful and profitable business exit. Contact us to ensure you can count on the most favourable CGT rate when you come to sell your business.

'BIG BANG' FROM 1/4/09 AND 'UNCAPPED' VAT REFUNDS FROM 1973

Next April sees the start of a single system of much higher fines for tax/vat and most other taxes based on current year tax returns.

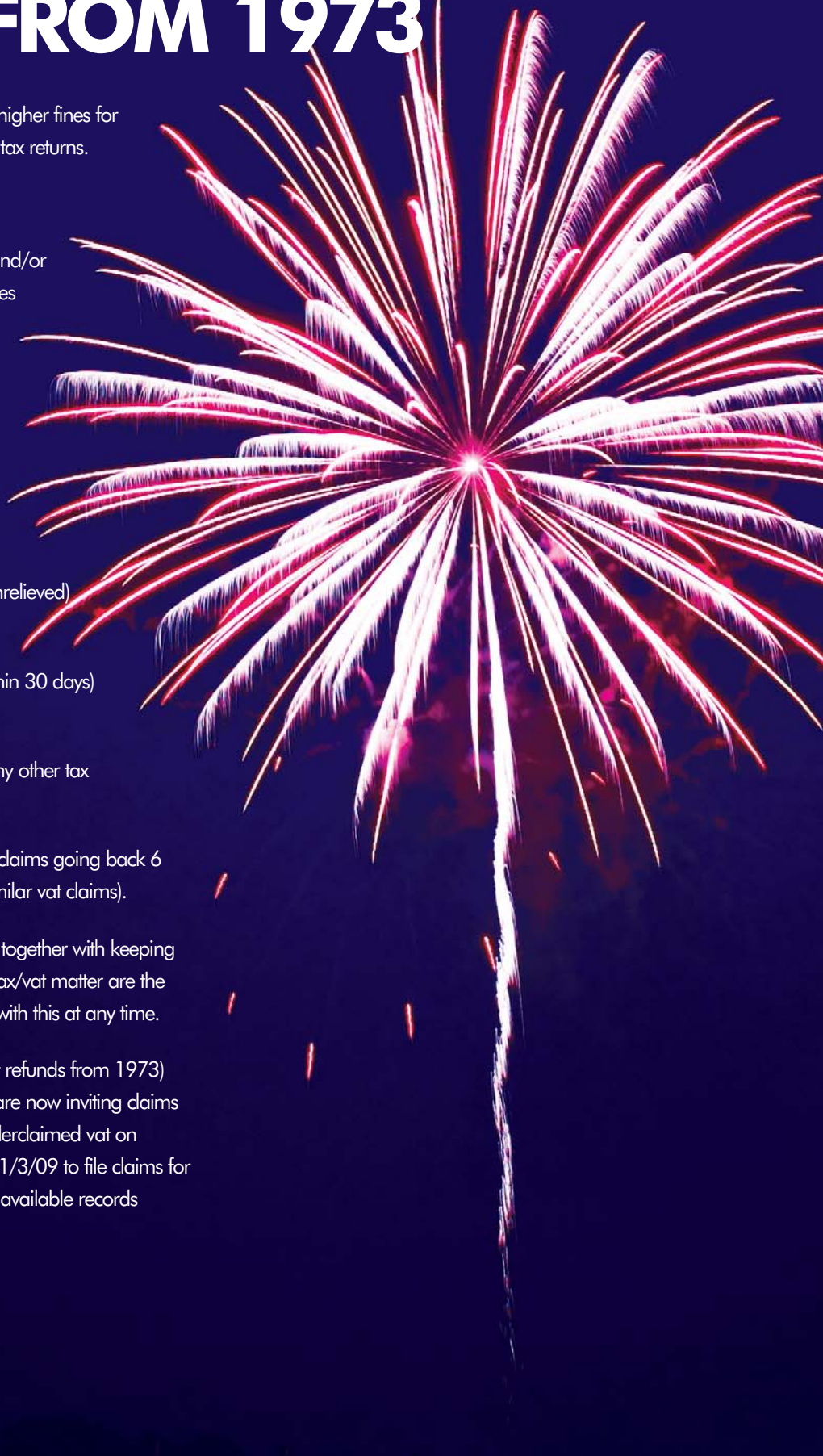
'Big bang' brings many changes, e.g.: -

- All errors are categorised based upon 'careless' and/or 'deliberate' and/or 'concealed' behaviour with fines almost double what they are now.
- Fines for 'careless' behaviour can be suspended for up to 2 years to encourage more careful behaviour in future.
- A new 5% fine applies (each year) for any incorrect tax timing differences.
- A new 10% fine applies for any overstated (but unrelieved) tax losses carried forward.
- A new 30% fine applies for not telling HMRC (within 30 days) they have made a mistake on tax bills etc.
- Tax (or vat) overpayments can be offset against any other tax (or vat) underpayments (from 21/7/08).
- Tax/vat time limits will be aligned (e.g. tax refund claims going back 6 years will only go back 3 years – to agree with similar vat claims).

A pre big bang vat and employer tax 'healthcheck' together with keeping careful notes of all research and/or advice on any tax/vat matter are the best ways to avoid any problems and we can help with this at any time.

There is better news (in the shape of 'uncapped' vat refunds from 1973) after H M Revenue & Customs lost a test case and are now inviting claims for overpaid vat on sales (before 4/12/96) and underclaimed vat on expenses (before 1/5/97). Any business has until 31/3/09 to file claims for overpaid/underclaimed vat (plus interest) using any available records and/or realistic estimates.

Stephen Adams



CASH PAYMENTS TO TEMPORARY STAFF

Not to be recommended but as the holiday season gets into full swing it is inevitable that temporary seasonal staff will be hired. An employee can earn up to £105 a week before any PAYE deductions become due and therefore it is easy for an employer to assume that any figure under this can be paid without keeping any records. However, it is the employer's responsibility to prove that any casual staff who have earned under this limit and are not working elsewhere. The only way to do this is to ensure that a form P46 is completed at the start of the employment. A good rule is 'no form no pay'.

You should not assume that students who are working holidays can have all payments tax free. Students often have more than one job and the only way to remove the responsibility from the employer to the employee is to obtain a completed P46. Students could be exempt from tax but still fall into the national insurance category if their earnings exceed the £105 a week or £453 a month.

A popular misconception is that if an employer pays casual staff cash neither party will have to account for the tax. This is not true. This is an area of much interest to HM Revenue & Customs and one that can cost the employer dearly.

An employer needs to reduce his taxable profits by wages paid out. If the casual staff are not recorded on a payroll a list of names, addresses, national insurance numbers, dates worked and amounts paid needs to be supplied at the end of year and submitted on form P38A. If this is not supplied HMRC can assume that all casual wages paid out have been paid net after tax and national insurance; the liability will be calculated and has to be paid by the employer and, as it will have been discovered late, will attract penalties and interest.

As a list of casual employees and the amounts paid in the year should be supplied to HMRC at the year end, the details are linked to any other data held for the employees. This could result in tax bills being issued eventually, if due.

Some do's and don'ts.

- 1 Do include all employees on a payroll system if possible.
- 2 Do obtain full personal details; name, address, date of birth, national insurance number, preferably by the employee completing a P46.
- 3 Do keep clear records of dates of employment and amounts paid.
- 4 Don't assume that casual staff are working just for you – you can't beat a completed P46.
- 5 Don't pay cash unless you are maintaining a full weekly/monthly cash analysis.

Further advice on payroll matters please contact Margaret Merrifield at our Lancaster office on 01524 388719

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