

# Monahans

Professional. Personal. Positive.

## Go Green to improve profits

Notwithstanding recent hikes in energy costs, Ofgem expects fuel costs to double by the end of the decade.

## Switzerland is no safe haven for tax evaders

For decades Switzerland was thought of as a land of secrecy, bank vaults and numbered accounts.

## Capital allowances change again!

April 2012 heralds important changes to the way businesses get tax relief.



“The health check of your buildings is the first step to making real savings”

government-backed scheme on Photovoltaic (PV) solar panels provides a real opportunity for home owners and businesses to reduce their energy costs and even to generate additional income. There is currently uncertainty over the level of Feed in Tariffs for PV electricity generation but, with fuel costs set to double over the next few years and the installation costs of panels falling, this is still an area worth exploring and our expertise is there for consultation.

Also the new Renewable Heat Incentive (RHI) is an £860 million cash back scheme for green properties that will provide a golden opportunity for business owners and landlords to make tangible energy cost savings whilst at the same time benefitting from the RHI incentive payments. Business premises heated by wood fuel, bio gas, solar thermal, heat pumps and other green energy technologies are set to benefit from an annual RHI subsidy payable for the next 20 years.

Grant Funding is also available for installing energy saving measures and systems such as ground source heat pumps and solar thermal. Businesses may even be able to combine RHI grants with solar panel systems to sell electricity generated by solar photovoltaic panels to the National Grid.

### Fundraising Expertise

Monahans Corporate Finance Team has a strong track record of helping businesses raise the finance required to grow and we have built on this to include access to grants and specialist funding partners in the low carbon sector.

So contact Peter Lugg now for advice on financing those solar panels or biomass boilers or ground source heat exchange systems or if you would like to arrange for a building carbon health check.

For more information contact:  
**Peter Lugg**, Tel: 01225 472800  
 Email: peter.lugg@monahans.co.uk

Notwithstanding recent hikes in energy prices, Ofgem expects fuel costs to double by the end of the decade. Smaller businesses that are not able to negotiate their own special deal with energy providers could be particularly hard hit.

**M**onahans Corporate Finance team has therefore launched a number of initiatives to help businesses both to reduce their carbon emissions and lower energy costs, thus improving profitability and the environment at the same time.

We are gaining a reputation for really understanding the low carbon sector, acting for clients across a broad spectrum of industries and partnering with some major names in the sector and we are eager to support businesses that are looking to make the most of the commercial opportunities that exist.

### A Sustainable Partnership

We have teamed up with Sustain, a leading environmental consultancy, to deliver a low fixed cost carbon health check for businesses. For just £95 per building, we will review your gas, electricity and water consumption and will then determine what savings you can expect to achieve from a carbon

management action plan and, if you have more than one building, which buildings to focus your actions on.

We will also check your current energy rates and advise on whether you could benefit from a better rate elsewhere or even with the same supplier.

The health check will advise on sustainability legislation which you need to be compliant with and highlights any compliance actions that you will need to take.

The health check of your buildings is the first step to making real savings in energy costs. Typically clients go on to save 20% after implementing our recommended action plan which is produced from the health check.

### Alternative Energy

You may have seen solar panels appearing on houses and business premises in recent times and the

# Monahans Financial Services

Roger Perry of Monahans Financial Services gives an update on the world of financial services

## Mortgages

In order to provide expert mortgage advice, we now introduce our clients to KTM Mortgages Ltd. They are whole of market Mortgage Brokers with extensive experience in the financial services industry and are committed to providing a friendly, professional and knowledgeable mortgage service.

Dealing with the whole of the market, they can help provide loans for most circumstances, including purchases, remortgages, moving home, buy-to-let and first time buyers. They have helped our clients recently in the following scenarios:

- A client currently on a Standard Variable Rate, but wanted to look at a new deal.
- A client whose mortgage with their current lender was coming to an end and they wanted to see what deals were available without the hassle of having to "shop around" themselves.
- With the buy-to-let market taking an upward turn and more lenders coming back into the market, clients are considering their first buy-to-let, adding to their current portfolio or are considering a remortgage.



In the first instance please contact us, so that we can ensure an introduction to KTM is right for you.

For more information contact:

**Roger Perry**, Monahans  
Financial Services Ltd

Tel: 01225 785570

Email: [roger.perry@monahans-fsl.co.uk](mailto:roger.perry@monahans-fsl.co.uk)

## Work pensions are changing

Auto-enrolment will mean workers being automatically enrolled into their employer's qualifying pension scheme without any active decision on their part.

Although the new rules come into force on 1 October 2012, they only initially apply to those employers with 120,000+ employees. Individual employers' own duties will be introduced gradually over the following four years and will be based on the size of the employer, typically by PAYE size. So employers with less than 50 employees will not have to comply with the legislation until 2016.

There will be a three month waiting period before employers are required to enrol workers into their designated scheme. During this period, employees can choose to opt in to start saving straight away.

Employers can choose the qualifying scheme they use, which could include NEST (the National Employment Savings Trust). Each qualifying scheme must meet minimum standards in respect of the benefits it provides or the amount of contributions paid to it.

### The Basics

Employers will have to:

- enrol eligible employees into a qualifying workplace pension arrangement;
- choose the qualifying scheme(s) they adopt to discharge the newly arising duty; and either
- make a minimum 3% contribution, which will be phased in (see below), towards a defined contribution (DC) scheme (based on qualifying pensionable earnings) or NEST; or
- offer membership of a defined benefit scheme that meets the test scheme standard.

An eligible employee is one who is aged between 22 and state pension age and earning above the income tax personal allowance (£7,475 in 2011/12). Contributions will be payable on earnings between £5,035 and £33,540.

### Minimum Contributions for DC Schemes and NEST

Where an employee is automatically enrolled in a DC scheme or NEST, there will be a minimum contribution of 8% of qualifying earnings, of which the employer must pay a minimum of 3%. If the employer chooses to pay the minimum 3%, the worker will pay 4%, with a further 1% paid as tax relief by the government.

However, these minimum contribution levels will be phased in between October 2012 and October 2017.

- October 2012 to September 2016 - total minimum of 2% of qualifying earnings with at least 1% from the employer.
- October 2016 to September 2017 - total minimum of 5% of qualifying earnings, with at least 2% from the employer.
- From October 2017 - total minimum of 8% of qualifying earnings, with at least 3% from the employer.

### Opting Out

Workers will be able to opt out of their employer's scheme if they choose not to participate. Workers who give notice during the formal opt out period will be put back in the position they would have been in if they had not become members in the first place, which may include a refund of any contributions taken following automatic enrolment.

For an audit of your existing scheme or a discussion about your obligations under the new rules please contact Camilla Atkins on 01225 472800 or email [camilla.atkins@monahans-fsl.co.uk](mailto:camilla.atkins@monahans-fsl.co.uk)

## STOP PRESS

## Builders Beware!

There can be serious VAT implications if a developer builds a house and, because of economic conditions, chooses to let it rather than sell it.

If this might apply in your circumstances, you should speak to your usual Monahans contact or Stephen Fry on 01458 836810 or by emailing [stephen.fry@monahans.co.uk](mailto:stephen.fry@monahans.co.uk)

# Switzerland is no safe haven for tax evaders

For decades Switzerland was thought of as a land of secrecy, bank vaults and numbered accounts for the rich, the famous and perhaps those with less than salubrious objectives.

However, the agreement between Switzerland and the UK which was signed on 6 October 2011, and HMRC's recent announcement in relation to some 6,000 suspected accounts with HSBC Geneva, will no doubt change this somewhat misguided impression for good.

## The Agreement

The Agreement, which is expected to come into force in 2013, permits a one-off charge of between 19% and 34%, dependant on the length of time the account has been held. It also permits an annual levy of between 27% and 48%, depending on the source of the income.

UK resident and domiciled taxpayers who hold 'relevant assets' at both 31 December 2010 and 31 May 2013 must either:

- Instruct their bank to fully disclose details of their account to HMRC, after which HMRC will seek to recover all outstanding taxes with relevant interest and penalties; or
- Instruct their bank to make a one-off payment to settle income tax, capital gains tax, inheritance tax and VAT liabilities on the funds in the account.

The making of the one-off payment does not preclude HMRC from seeking to

prosecute anyone subsequently found to be involved in criminal attacks on the tax system or for anyone whose Swiss assets are the proceeds of non-tax crime. There will also be no clearance of past tax liabilities for anyone who has failed to disclose their Swiss assets when challenged.

**“full disclosure of income and gains will avoid the withholding tax”**

From 2013, the Swiss banks will levy a new withholding tax on income and gains arising from assets they hold for UK taxpayers which are similar to the top rates of tax in the UK: interest 48%, dividends 40% and capital gains 27%. Again, full disclosure of this income and gains will avoid the withholding tax.

## The HSBC Geneva investigation

Subsequent to the announcement and signing of this agreement between the two countries, HMRC has announced that a new department, the Offshore Co-ordination Unit, will investigate 6,000 entities which are suspected of not fully disclosing all income and gains on accounts held by HSBC Geneva; this is based on information it received last year.

HMRC has already begun criminal and serious fraud investigations into more



than 500 individuals and organisations holding these accounts and intends to write to those that have not yet come forward. A window of opportunity will be offered for people who have not previously disclosed all of their income and gains, to come forward and own up.

Dave Hartnett, HMRC's Permanent Secretary for Tax, said: "This is not an amnesty. There are no special rates of penalty or interest for those who come forward voluntarily. This is an opportunity for those who have made errors in past returns to correct them. The net is closing on offshore evaders. Don't wait for HMRC to contact you. Come forward to us and make a full disclosure."

## How can Monahans help?

If you believe either of these measures may affect you or an entity with which you are connected, please contact your usual Monahans partner or our private client tax specialist, Elsa Littlewood for further advice.

Contact: **Elsa Littlewood**, Monahans  
Tel: 01793 818300  
Email: [elsa.littlewood@monahans.co.uk](mailto:elsa.littlewood@monahans.co.uk)

## TAX ROUND UP

## Inheritance tax: Gifts out of income

An often overlooked inheritance tax exemption is available for payments made as part of the normal expenditure of an individual where they are made out of income and do not affect the individual's ability to maintain his/her usual standard of living.

HMRC has recently substantially rewritten its internal guidance on this subject. In particular it has clarified its current practice in relation to lifetime care plans for the elderly and whether payments count towards income in relation to lifetime gifts.

If you would like to explore the lifetime gifts out of income inheritance tax exemption, please contact your usual Monahans partner or our private client tax specialist, Elsa Littlewood on 01793 818300 or email her at [elsa.littlewood@monahans.co.uk](mailto:elsa.littlewood@monahans.co.uk)

## CIS Penalties

With effect from 6 October 2011 HM Revenue & Customs has revised the penalty rules in respect of failure to deal with monthly returns for the Construction Industry.

As a result, penalties have reduced in some circumstances, but interest is now payable on the late payment of any penalty!

It remains important not to be late in dealing with your monthly returns, even nil returns.

If you are having difficulties with your administration, or are facing penalties from HMRC, do not hesitate to contact your usual Monahans contact or Stephen Fry on 01458 836810 or by emailing [stephen.fry@monahans.co.uk](mailto:stephen.fry@monahans.co.uk)

# The end of retirement as we know it

The default retirement age was removed with effect from 1st October 2011, and **Peta Fry** explains how you are now unable to forcibly retire employees.

**H**owever you will still be able to use a compulsory retirement date if you can show that it is a proportionate means of achieving a legitimate end. You will need to prove that it is necessary to meet legitimate employment policy, labour market or vocational objectives and that compulsory retirement is an appropriate and necessary means of achieving this.

For most businesses compulsory retirement is going to be difficult to justify and with an ageing population, (by 2020 nearly a third of the workforce will be over 50), it's important to decide on your employment strategy now. This is especially true in the current economic climate where having the right skills, knowledge and experience is increasingly important for organisations seeking to maintain and improve their competitive advantage.

If you haven't already prepared for this change then you should:

- Review employment contracts, policies and procedures and employee handbooks to see what amendments may be needed.
- Review your employee benefits to ensure they are not discriminatory.
- Consider what training you and your managers require on how to manage performance and to motivate and encourage all employees to achieve your standards and expectations. For those not meeting the required standards, offer help and guidance to improve performance and consider wider job opportunities or a different approach to duties or hours.



- Consider the options of flexible working, thus retaining skills, knowledge and experience which can be passed onto other employees.
- Whatever else you do, communicate with employees thoroughly – discuss with them individually what their preferences and plans are, and make decisions based on individual and business needs.

There are business benefits to be gained through flexible retirement; you can retain key people, valuable skills and expertise thus reducing staff turnover and recruitment and training costs, to ensure that you remain competitive in a difficult economic climate but it does need to be proactively managed. The number of age discrimination claims taken to an employment tribunal is steadily increasing and with no cap on any potential award, it could be costly not to be prepared.

For more information on this subject contact: **Peta Fry** Tel: 01793 818300 or Email: [peta.fry@monahans.co.uk](mailto:peta.fry@monahans.co.uk)

# An Englishman's home is his (tax free) castle

One of the more generous concessions in the UK tax code is the Capital Gains Tax exemption for the sale of a person's home.

For most people the relief is pretty straightforward and if you (or you and your spouse/civil partner) have just one home and live in it, you will not normally have to pay tax when you sell it. However there can be complications which Anthony Cohen explains here.

## The area of land

The law allows you to include up to half a hectare (about one and a quarter acres) of garden or grounds with your house and if you have more than that, the extra land has to be necessary for the reasonable enjoyment of the house. You may need to justify this extra area to the taxman after you have sold the property and it is a good idea to keep some photos of the land being used by you. For instance, if you sell off a part of your

large garden for development, it can be hard to convince HMRC how it was used before you sold it and a number of new houses were built on it.

## More than one home

It is not uncommon these days to own (or even rent) more than one home and this could be for a variety of reasons:

- To live in during the week while working in say London.
- A holiday home – in the UK or overseas.
- A let property which has at some time been your main residence.
- A flat, cottage or even a gate-house which is part of a substantial property.

If you are in this situation, it is important to seek advice at an early stage as we often only get told about a potential problem when it is too late. In this regard it is worth while noting that:

- If there is doubt about which of two or more properties is your home the law says that the taxman will decide - unless you have made an election in writing for a particular property.
- Such an election can be changed a number of times.
- The election has to be made within two years.
- There are extra exemptions for certain periods of absence from your home and the last three years are always exempt.



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## Tax Investigation Insurance

No one is immune from an HM Revenue & Customs enquiry ... and it could cost you thousands!

... make sure you're covered for the costs of an enquiry, with Tax Investigation Insurance from Monahans

Tax Investigation Insurance through Monahans will cover our professional fees incurred in such an investigation, so to protect yourself, or your business, contact us now.

VISIT OUR WEB SITE FOR MORE INFORMATION OR LOOK OUT FOR THE APPLICATION FORMS

## Letting your home or part of it

There is a special exemption from CGT of up to £40,000 per person if your home or a part of it has ever been let by you. Sometimes this can make it worthwhile moving into a previously let property for a time before it is sold.

## Conclusion

There are considerable complexities in the main residence exemption for CGT and pitfalls for the unwary. Taking early and proactive advice can save you considerable sums of money.

For more information on this subject contact **Anthony Cohen**,  
Tel: 01793 818300 or  
Email: [anthony.cohen@monahans.co.uk](mailto:anthony.cohen@monahans.co.uk)

# Capital allowances change again!

Geoff Don explains how April 2012 heralds important changes to the way businesses get tax relief for capital expenditure



Not only will the Annual Investment Allowance (which gives a 100% deduction from taxable profits for the cost of qualifying plant) be scaled back from £100,000 a year to a mere £25,000, but the rate of the annual writing down allowance for Plant and Machinery is reduced from 20% to 18% a year. This reduction is also mirrored by a fall in allowances given to long life assets, cars with high CO2 emissions and integral fixtures – down from 10% to 8% a year.

The changes will affect many businesses, though they also provide businesses with an opportunity for careful planning to ensure the biggest possible tax break is received for money spent on qualifying plant and machinery etc.

“ensure you get the best tax break for any investment”

To ensure you get the best tax break for any investment in qualifying plant:

1. Where large purchases are planned, consider doing this before 31 March 2012 because after that date, the allowances available to you are reduced.
2. If your accounting period straddles 31 March 2012 then shortening the accounting period so that it ends on 31 March 2012 may be attractive.
3. If there is an ecologically friendly “green” equivalent, then you should consider this because a 100% deduction is available against your profits and there is no ceiling on the amount that qualifies. The same applies to cars with CO2 emissions of less than 110g/km.
4. Consider whether new rules to extend the period over which assets can be treated separately (thus potentially advancing tax relief)

can be used to your advantage. This ability to “depool” assets will be increasingly important.

In addition, the government is considering introducing a two year time limit following acquisition to claim allowances on certain plant contained within second hand buildings. If allowances are not claimed within this period the ability to make a claim is lost, so if you have acquired a second hand building and have simply not got around to quantifying how much you can claim, time is running out because although no date has been set for the introduction of any new rules, it is likely to be early in 2012.

If these changes are likely to have an impact on your business, then speak to your usual Monahans contact or Geoff Don on 01225 472800 or email him at [geoff.don@monahans.co.uk](mailto:geoff.don@monahans.co.uk)

## Overseas property owners beware

The latest initiative by HM Revenue & Customs to catch people evading tax could affect you if you own property or land abroad.

They have created a new team of 200 people who will focus on identifying wealthy individuals, any one paying the 50% tax rate, who they believe might be evading taxes. This team of investigators and specialists will look at

a number of groups including commodity traders and people holding offshore accounts, but will start by looking into the affairs of people who own overseas property such as a holiday home.

The newly formed team of investigators and specialists has been charged with identifying well-off individuals who are avoiding and evading taxes and duties.

HMRC has an extensive and sophisticated toolkit of databases, risk assessment tools and links to other

information to help them identify people who may not be paying the correct amount of tax.

So if you own a holiday home overseas that you rent out, or own land on which there are business premises, it is more important than ever that you ensure your tax affairs are in order.

To discuss any aspects of overseas property call your usual Monahans contact or Elsa Littlewood on 01793 818300 or email her at [elsa.littlewood@monahans.co.uk](mailto:elsa.littlewood@monahans.co.uk)

## Two Key Appointments

In order to further strengthen the firm for the future and to build on Monahans impressive recent growth, we have made two key new appointments. Elsa Littlewood has joined as a Senior Manager within Monahans thriving Private Client Tax division and Simon Ewings has joined as a Director of Monahans Financial Services Ltd

Elsa has relocated from Deloitte in Edinburgh, where she worked as a Tax Senior Manager, advising a wide portfolio of private clients. She has also worked in Jersey and London for an Independent Trusts and Tax Advisory firm.

Elsa brings a wealth of knowledge and experience to the firm. She is looking forward to developing and managing a portfolio of private, trust and agricultural clients, as well as working in an advisory role with Monahans Tax Consultancy team.

Originally from Malmesbury, Elsa has a good knowledge of the area and strong

contacts in the local business community. She lives near Badminton with her husband and young daughter Tensie. Elsa loves to watch Rugby, being an avid Bath supporter, and also enjoys watching the odd game of polo.

Simon joins from Francis Clark Financial Planning, having been a senior consultant with them since 2002. He has Chartered Status, the highest qualification for Independent Financial Advisers, and at the time he gained it, was one of the youngest people in the country to do so.

Throughout his career Simon has advised individuals and corporate clients on a wide range of subjects including Pensions, Investments, Trusts, Taxation and Personal and Corporate Protection. He also has a strong background in building relationships with professional connections such as solicitors, property agents, accountants, stockbrokers, investment houses and employee benefit consultants.



## White Horse Challenge - another success

The White Horse Challenge, which is organised by Monahans along with several other local organisations, took place for the 7th time this year. At a time when many charitable events have struggled, we are delighted to have raised over £12,000 for the Wiltshire Air Ambulance this year.

A big thank you to all of the walkers and helpers who made it such a success and the 2012 event will take place on 7th & 8th July. Please let us know if you are interested in walking, helping out on a checkpoint or providing any other support, by emailing [marketing@monahans.co.uk](mailto:marketing@monahans.co.uk)

## What's On

6th December 2011  
Inheritance Tax Seminar  
Venue: The Swan Hotel, Wells

18th January 2012  
Inheritance Tax Seminar  
Venue: Masonic Hall, Bath

26th January 2012  
Inheritance Tax Seminar  
Venue: Royal Agricultural College, Cirencester

22nd February 2012  
Insolvency Seminar  
Venue: Roman Baths, Bath

29th February 2012  
Insolvency Seminar  
Venue: Marriott Hotel, Swindon

Visit the Monahans website for further information on any of these events, or contact our marketing team at [marketing@monahans.co.uk](mailto:marketing@monahans.co.uk) or phone them on 01225 785520



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For further information on any subject please email [marketing@monahans.co.uk](mailto:marketing@monahans.co.uk) or call your local office.

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### Monahans Financial Services Limited

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This newsletter is prepared jointly by Monahans Chartered Accountants and Monahans Financial Services Ltd. It highlights certain planning points and contains general information. Specific advice should be obtained from us before any action is taken regarding matters covered by this newsletter.

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