

NEWSLETTER

WELCOME

Welcome to the 5th edition of the Biz newsletter. And this is a very special edition because it contains the very exciting announcement that we will be merging with our good friends at Freedman Stuart from 1 January. Freedman Stuart are a 5-partner firm based locally and I'm sure over the coming years they will become familiar to all of you.

It never ceases to amaze me how much I learn when the time comes to put together this newsletter. This time I learned that one of our longest standing employees – Fran Myers – used to be ano, I won't spoil it. You'll have to read her profile. Suffice to say it will be worth it for the many of you who know her.

More seriously, the speed and extent of changes in the business world has made this a very difficult edition to put together. It has been more a question of what to exclude so you can safely assume that what we have left in includes some pretty important areas of interest. For instance, we've quickly inserted something about the very recent and highly publicised Special Commissioners' decision in an important test case dealing with dividends paid to husband and wife shareholders.

But meanwhile I'm using up valuable space that my colleagues could fill more usefully. As always, feel free to contact me with your feedback about this edition. My e-mail address is barry.soraff@raffingers.co.uk.

BARRY SORAFF

Raffingers

Chartered Certified Accountants

COMMERCIAL PROPERTY – PAY TAX AT 10%

It's true – there is no catch but naturally it's not as straightforward as all that.

Many of you will be familiar with the 10% capital gains tax rate available to shelter profits made on selling items that qualify as “business assets” once they have been owned for at least 2 years.

Until April 2000, no commercially let property could qualify as a “business asset”. However in the Budget that year (and almost certainly by accident), a loophole was opened in the law which allowed any property to qualify provided it was let to an *unquoted trading company*.

On the face of it this seems fairly straightforward but leaves open a whole range of anomalies. Firstly, how is a landlord supposed to know for certain that a company to whom he rents his building is a “trading” company? – something that is defined by a hybrid of legislation and case law.

Secondly, this definition somewhat bizarrely excludes property let to sole traders and trading partnerships. This leaves open the possibility that a landlord would choose a small one-man band company as a tenant ahead of a long-established partnership such as a law or accountancy firm on pure tax considerations regardless of the better quality of tenant.

Finally – and crucially this restriction still remains – the reduced rate of tax does not apply to property owned and let by companies. Only individuals and partnerships can claim the lower rate of capital gains tax. This often causes problems where company money is to be used to fund the deposit on purchase. If withdrawing the money from the company results in an immediate tax liability, clients very often choose to forego the future possible capital gain benefits to avoid the immediate income tax liabilities.

We have been expecting this “loophole” to be closed for some time but the good news is that with effect from April this year the Chancellor decided to extend rather than close it by making the exemption available on sales of all commercially let property.

As with all good news there is as usual a small sting in the tail. The changes apply from April 2004 which means that the new rules come into effect for periods of ownership after that date. That will dramatically water down the effect on property held at the time of the change that was previously excluded from the lower rate.

If you are in that situation, there are ways to trigger the much higher relief in full by in effect, re-starting the 2-year clock in a discretionary trust in which you can be the trustee and beneficiary. There are capital gain and stamp duty exemptions available on settling into trusts and it is an effective, workable strategy which, in the right circumstances, could potentially save many thousands of pounds.

As you can see, property investment is full of tax pitfalls for the unwary – this is simply one of them. We strongly recommend that you speak to us before acting even (actually especially) if you have a good track record of past investment.

If you would like to discuss this further, please feel free to call me in the office or e-mail me at allen.soraff@raffingers.co.uk.

ALLEN SORAFF

PRACTICE NEWS

■ Where else to start other than with our big news. Many of you will already have heard that we will be merging with our friends at Freedman Stuart from 1 January and becoming Raffingers Stuart. We are all very excited about the future and look forward to many successful years working together for you. As you'll see below, we have already begun the process of developing new client services and benefits that we know will be of great help to many of you.

Freedman Stuart are also bringing with them their sister company Charter Mandell, specialists in supplying independent financial advice and a whole range of financial products including life insurance, mortgages and pensions.

■ With immediate effect, Raffingers Stuart will be opening the doors on *re•solution*, our new specialist division dedicated to advising on business development and growth. Elsewhere in this newsletter, Lee Manning has written an article explaining our new Boardview service. The aim of *re•solution* is to take this and other new services forward as a way of helping clients to grow their businesses. For more information, contact Lee Manning directly at lee.manning@raffingers.co.uk.

■ I'm sure many of you will join us in congratulating Susan, our long standing receptionist whom many of you will know, on her marriage to Jason on 25 September. Susan has worked here for 16 years and seems as happy as she has ever been in that whole time. We're sure they will be very happy for many years to come.

■ It is with enormous gratitude and more than a tinge of sadness that we have to announce the ending of two other Raffingers eras. Firstly Alf Wilkins, who joined his firm Maliney Wilkins with us in 1998, is retiring at Christmas at 73 years' young. Alf has had a fascinating and varied career and will continue his many private interests – mainly athletics and football related – into retirement.

At the end of November we bid a farewell to Jeff Soraff after more than 12 years. Jeff is moving on to pastures new and we wish him well.

■ Our *BizReferral Club* has now been running for more than six months. The size of the monthly meetings and the number of members both continue to grow rapidly. For more information either visit our website at www.raffingers.co.uk and click on the *BizReferral Club* link or visit the club's own dedicated website at www.thebizreferralclub.co.uk.

■ As part of our ongoing commitment to continually find new ways to help our clients, we have recently reached agreement with property developers Chesil Park that we hope will be of great help to many of our clients looking to invest in the property market. Chesil Park will identify off-plan property developments and negotiate bulk discounts of up to 15% with developers – they will then pass these discounts on directly to any of our clients who register an interest.

At present you can be kept informed of upcoming opportunities by registering at their website (www.chesilpark.com) - remember to make a note in the registration comment field that you are a client of Raffingers to ensure you get all your benefits. We will shortly be setting up a registration area on our site.

Investment opportunities are UK and world-wide, residential and commercial and Chesil Park will commission an independent research report for each potential investment which they will make available to our clients for just £25. For more information contact Barry Soraff at barry.soraff@raffingers.co.uk

A CLIENT'S STORY - STAPLEFORD AIRFIELD

The Chicken family have been running Stapleford Airfield in Stapleford Tawney, Essex for well in excess of twenty years, most of which time they have been clients of Raffingers. They now boast some of the most up to date facilities in the country.

At the forefront of this progression has been Pamela Chicken, daughter of John and Tanya, the owners of the business. Pamela started working at the airfield 17 years ago and although she has never learnt to fly herself, she knows everything there is to know about the industry.

Stapleford Flight Centre is now one of Europe's leading flight training centres with about 20 fully qualified instructors on their books offering the highest grades of tuition. They can now offer training in any weather conditions with their two state of the art flight simulators.

But of course it hasn't always been like that. Stapleford opened in 1933 as an operating base for Hilman Airways - a charter company formed 3 years earlier by businessman Edward Hilman. In April 1933 he started a scheduled service to Paris using his newly acquired Dragon Rapides. The return fare was £5.10s 0d.

After two years of air service covering most of Europe, Hilman ran into financial difficulties and was taken over by Whitehall Security Corporation. Whitehall merged Hillman with their three other airlines to form British Airways Limited, commencing operations in 1936. Unfortunately for the old Essex Aerodrome (as it was then) Whitehall moved the operations to Heston within 4 months.

During the war, the RAF used Stapleford extensively and based several squadrons there from 1940 onwards. From the end of the war to the present day has been a period of continuous growth and development. New hangars, runways, clubhouse facilities and a flight school offering everything from scenic tours and trial lessons (from as little as £39.95 - a memorable and unusual gift) to commercial and aerobatic pilot training. They have their own fleet of 38 aircraft.

Most recently the clubhouse has been refurbished and now includes full catering facilities as well as accommodation for up to 10 residential training courses - mostly for training foreign pilots.

If you visit the clubhouse early on a weekday morning or around 7pm, you may run into the Capital Radio Flying Eye team who are based at Stapleford.

Stapleford Flying Club has come a long way. For more information or to book a lesson or scenic tour, call 01708 688380 or visit www.flysc.com.



Pamela Chicken poses with her best known customer - the Capital Radio Flying Eye

IT ARTICLE

In an occasional feature, Jason Soraff from our sister company Raffingers Technology talks you through a common but not well known IT issue:

Do you know who is spying on you?

A recent survey found that a staggering 93% of all home computers and 67% of all business computers were harbouring software known as "spyware". Spyware is software that is installed on your computer, usually without the user's knowledge, that may monitor everything you do. This may include keeping track of credit card numbers and utilising your internet connection to send thousands of "spam" messages whilst you work away in blissful ignorance.

The United States government is taking the problem so seriously that it is in the process of debating a second spyware bill. This is a follow on to The US Securely Protect Yourself Against Cyber Trespass Act (affectionately known as the Spy Act) which was passed 399-1 in the House of Representatives. This Act will criminalise secret spyware installations and seeks to impose a maximum fine of \$3 million for those found guilty.

So what can you do to protect yourself against Spyware? There are several pieces of software out there but probably the best is a product called "Spybot Search & Destroy". It is freely available on the internet (we recommend going to www.download.com and searching for "spybot s&d"). This software will search your machine for any known spyware products and remove them for you.

For more information please contact Jason Soraff (jason.soraff@raffingers.co.uk) or by telephone on 020 8551 7200.

GENERAL NEWS

■ Husband and wife dividends

As many of you will have read, the Inland Revenue has been successful in what was widely regarded as a test case in the area of husband and wife companies and the payment of income to non-working spouses in the form of dividends. In what was a highly complex case involving the Revenue's chosen interpretation of obscure trust legislation, even the sitting Special Commissioners – the highest legal authorities in UK taxation – could not agree and a casting vote was required.

At this stage the decision appears to have done little except add huge complication to what was a relatively simple area of tax. The majority of commentators have pointed out the injustice of a system of tax that cannot be interpreted by any of taxpayers, their representatives, the Revenue or even tax judges! The Revenue have promised to publish their views on how this ruling effects individual cases though in the past those have often been less than helpful. The advice for now is simply to sit tight and see how this plays out over the next few months. There is little else to do although affected clients should seriously consider taking out our tax investigation insurance if they do not already have it.

■ More red tape

1 October is fast getting the reputation as "Red Tape Day" – a day when new regulations and particularly employment laws are enacted. This year has seen the introduction of what must be a record number of laws and regulations including:

- The Disability Discrimination Act requiring every business to make "reasonable" amendments to improve access to products and services for disabled people.
- An increase in the National Minimum Wage including for the first time the extension of a rate applicable to 16 and 17 year olds (initially set at £3 per hour).
- The introduction of new laws requiring every employer to introduce a 3-stage grievance resolution procedure on pain of automatic defeat at tribunals for employers who do not have such a policy even if the sacking in question might otherwise be fair.

■ Revenue targets construction industry

The Inland Revenue are in the process of writing to approximately 57,000 contractors and sub-contractors in the construction industry suggesting that they have misclassified their employment status and they should not be registered as self-employed when they are, in fact, employed. The letter is both vague and aggressive and anyone receiving one should contact us immediately.

■ Calls from Customs and Excise

We are coming across a growing number of examples of clients receiving "informal" telephone calls from Customs and Excise to discuss their VAT affairs. The caller asks a number of "routine" questions designed to "update" their records and verify whether or not a visit is necessary. Please note that you are under no obligation whatsoever to deal directly and personally with Customs and should normally refer them to us as your agent to answer the questions. It may well be an informal chat but the answers are still recorded, stored and very much on the record.

TAX TIP

If you have your own company and your company pays your mobile phone bill, make sure that the contract is in the name of the company. Failure to do so could render you liable to tax and national insurance on rental charges and the cost of private calls. This is becoming a regular feature of PAYE inspections.

On the positive side, ensure that you take full advantage of the tax-free benefit status of mobile phones you supply to your employees (and possibly members of your family?) including the cost of private calls. Clearly there is an opportunity to agree a salary sacrifice with employees to supply them with a phone available for private use. A small saving (although maybe not in companies with large numbers of employees) but a simple, uncomplicated one which is easy to implement.

For a full list of all available tax-free benefits in kind, please feel free to contact us.

FUNNY MONEY

The column that proves conclusively that accountants aren't boring!

There's been plenty of coverage in recent years about the gradual dumbing down of the standard of exams and in particular, the types of subjects available as degree courses to university students. Business leaders harp on about the need for skills training to be better geared towards the real world and the kinds of jobs available.

Well it seems that Edexcel – the examination board recently criticised for printing errors on exam papers – has been listening. They have launched a BTEC qualification in "vehicle immobilising" - so now you too can get a qualification in wheel clamping!

The award requires 30 hours training, covering the responsibilities of the job as well as "conflict management" and "improving communication skills".

Other skills rumoured to be part of the training include:

- Beating up rival clampers as they try to "immobilise" a vehicle on your patch.
- Covert surveillance to prevent drivers from being warned properly not to park.
- How to block the road by preventing a vehicle blocking the road from being moved.

If wheel clamping is not for you then Edexcel also revealed it was launching a BTEC for night club bouncers, or "door supervisors" as it calls them.

BARRY SORAFF

USEFUL LINKS

Before we look at this issue's recommended websites, just a quick reminder that our new website has been up and running now for several months at www.raffingers.co.uk. Congratulations to Rob Ward of Registers Direct who was the Manager of the Month for September in our free Fantasy Football league. His prize has been dispatched.

Anyway, to our recommended websites:

GroupText (www.grouptext.com)

Many of you will receive our occasional text alerts and it's this website that makes it all possible. After registering and paying a small fee, you are immediately able to send instant text messages to everyone in your database or more selectively target individuals or groups of individuals with your messages. Has proved particularly useful for estate and letting agents as a means of notifying potential buyers of new properties very quickly.

Business Link for London (www.businesslink4london.com)

A surprisingly good resource full of useful tips and information. There is the opportunity to register to receive their regular newsletters which are excellent. Registration also enables you to access restricted areas of the site.

DTI Employment Relations (www.dti.gov.uk/er)

An excellent source of basic employment law advice on a wide range of subjects. Easy to use, comprehensive and written in clear, relatively unambiguous, language. A good place to start with simple questions to the extent that any employment law issues can be simple.

TAKE A LEAF OUT OF THE BOOK OF UK PLC'S MOST SUCCESSFUL COMPANIES

It's our newsletter after all and I think we should therefore be allowed a quick plug. Lee Manning tells you about the new BoardView service we have developed here at Raffingers:

Every single one of the UK's most successful and profitable businesses hold regular board meetings to discuss strategy. Do you? If you don't then you might want to start thinking about it because in our experience when smaller businesses, even "one man band" businesses, start holding board meetings they immediately start thinking like, acting like and achieving like their bigger and more successful counterparts.

Our experience is that clients that were not scheduling regular board meetings were not driving their businesses forward or turning their great ideas into action. Of course it's difficult to know where to begin, particularly when you work alone and naturally there are so many other things to do – more pressing things.

However, clients using *Boardview* have found that having someone sitting in as an outsider creates a disciplined environment in which meetings are scheduled, kept on track and turned into action that when implemented, helps drive the business on to even greater success.

Some recent feedback from *Boardview* clients has been:

"The meetings have had a definite positive effect on my business. It's normally the simple things that get missed but with structured meetings, I'm now accountable which results in things getting done."

Ola Asgill – Ketco Limited

"The meetings have enabled me to focus on giving exceptional customer service and some of the ideas have really worked. For example I have implemented a system of "top down pricing" which has helped me to sell higher value products and services to my customers."

Louise O'Gorman – Photography by Louise Limited

If you would like further details of our service known as *Boardview* please contact lee.manning@raffingers.co.uk

EMPLOYEE SPOTLIGHT

This issue's staff profile gets under the skin of our longest-serving employee, our typist and all round problem-solver, Fran Myers.

Full name: Francine Dale Myers

Nicknames: After 25 years, we still haven't got one although to a few of us she will always be Auntie Fran.

Date of birth: Happy birthday for the 14th October – age is apparently a secret known only to those with the highest clearance – it's in the file with who killed JFK, the Roswell incident and Allen Soraff's holiday schedule.

Status: Married to John for 36 years. 2 sons – Paul, 33 (born on the same date as Fran) and Richard, nearly 30. Grandson, Harrison Jae is 18 months old.

Career history: Left school 1963. Worked for Allen & Hanbury Pharmaceuticals in Bethnal Green for a few years. Climbed the ladder in the world of typing through several employers before Allen Soraff persuaded Fran to start at his firm A J Soraff & Co in 1979. Since then she has remained – a pillar of certainty in an ever changing world - through Soraff Nieman & Co, Allen Soraff, Raffingers and will remain into Raffingers Stuart.

Interests: Cooking, reading, theatre, grandson

Greatest personal achievement: Raised my family. Second greatest – has seen off 17 versions of the old manual typewriter, carbon paper, roller-copiers, Tipp-ex, electric typewriters, brown screen word processors only to master the modern PC-based word processor. Not bad for someone who still can't programme the video! Also claims credit for introducing Susan Jarvis (now Kew) – our receptionist of 16 years – to her husband whom she married in September.

Favourite holiday destination: Sorrento

Something you wouldn't know about me: After 25 years, there isn't much left we don't know. But apparently Fran was once a pole dancer (That I have to see - Ed. Actually, scrub that!). Fran also claims she used to play the accordion. Though presumably not at the same time!

Partners' report: Fran is about as reliable as it gets in the murky world of being an employer. Every good firm has a Fran. Always good for a friendly smile and a fine cup of tea. The relentless way in which she sits at her desk typing – rarely, if ever, away from it - has led many of us to question whether she has a bottom half below the level of the desktop.



***No poles, accordions or ancient typing apparatus here.
Bottom half still hidden below the desk though.***

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