

NEWSLETTER

WELCOME

Welcome to the 4th edition of the Biz newsletter. This newsletter has come a long way since its first publication in Autumn 2002 largely as a result of the feedback we've been getting – so please keep it coming. Suggestions are not just welcomed but are desperately needed if we are to keep improving the content towards our goal of making the Biz the best read of its kind anywhere.

It's a busy time all round for everyone in business at the moment. New regulations, new red tape, new and increased taxes and a government that has developed a tendency over the last couple of years to make significant changes to the law at very short (and often no) notice and with minimal consultation have all contributed to an environment in which the average small business has to run very fast just to stand still. It has almost certainly never been harder to be in business than it is right now. Hopefully, in a small way, this newsletter will make a dent in that burden.

Along the way, we'll have the usual mix of fun and some updates from our world including details of the launch of our unique BizReferral Club - a new club designed to help you to find the fresh customers of the quality you need.

We'll also be telling you about a brand new benefit that we're about to unveil exclusively to our clients – the Raffingers Procurecard – which will earn you monthly cash rebates as your business spends money on overheads.

But meanwhile I'm using up valuable space that my colleagues could fill more usefully. It just remains for me to remind you that we very much want to hear from you.

My e-mail address is barry.soraff@raffingers.co.uk - please feel free to use it.

BARRY SORAFF

Raffingers

Chartered Certified Accountants

GORDON'S HONEY TRAP

It's official – the small owner-managed business is under attack. Having spent the last few years forcing small self-employed businesses to incorporate into limited companies, the Government has now realised that it got its sums wrong and is going to make you pay the price.

Since 1999, we have seen the gradual removal of barriers and separately, an increase in incentives for businesses to “go limited”. Specifically:

- The abolition of advance corporation tax when companies pay dividends.
- Increases in national insurance (which do not apply to either company profits or dividend payments).
- Changes to pension rules contributions allowing individuals to base contributions on *income* (which excludes dividends) on a “best year in 5” principle.
- And the final straw came in 2002 when the Chancellor introduced a £10,000 nil rate band of corporation tax for small companies.

All of this has contributed to an environment where huge potential tax savings have been opened up for the small but incorporated owner-managed business.

A little over a year ago, the Inland Revenue indicated that, having enticed so many people into this situation, it intended to look at ways to redress the balance. Its first attempt involved using an obscure 19th century piece of trust legislation (which quickly became referred to as Section 660 after the section number being used) to target companies where husband and wife were both shareholders.

However this has proved slow to implement, hard to enforce, open to legal interpretation and challenge and applicable to only very specific sets of circumstances.

So back in December last year, during his Pre-Budget Report to Parliament, Gordon Brown indicated that he would bring forward new rules in the 2004 Budget “to ensure that the right amount of tax is paid by owner managers of small incorporated businesses on the profits extracted from their company.”

At the time of writing (Budget Day itself), we are literally reading through the Chancellor's proposals for the first time. The original feverish speculation that a new means, almost certainly in the form of national insurance, will be found to tax dividends paid by small companies has proved to be misguided. As has so often been the case in the past, the Government has threatened to introduce something hugely unpopular as a means of getting something less sinister (but still potentially costly to small businesses) looked at with a sigh of relief rather than a high-pitched scream.

The logistics and more information will come from the detailed proposals but on the face of it, it seems that there will now be a minimum corporation tax rate of 19% for all small companies that distribute their profits to their owners in the form of dividends. That compares with the current position where the 19% rate usually kicks in at a profit level of £50,000. The proposal is therefore being targeted at the huge number of people who were persuaded to incorporate following the introduction of the nil rate of corporation tax – in other words, the smallest businesses.

This hardly seems fair and yet “fair” is a word used dozens of times during that same Pre-Budget Report of last December – I haven't yet counted the number of times it appeared in the Budget itself but it does seem to be one of the Chancellor's favourite words.

Unfortunately, fairness is not a factor that can be considered when undertaking legitimate tax planning. If you are affected post-Budget, you will almost certainly be hearing from us directly. However if you are concerned meanwhile, please feel free to call me at the office or speak to one of the partners who will be happy to explain how this changes your individual circumstances.

JEFF SORAFF

PRACTICE NEWS

■ On 20 April, we will be launching our new BizReferral business club. Membership of the club will be restricted to those businesses who pass a strict vetting process to ensure that only the best businesses can be part of what we expect to become a huge source of new customers for members. The launch is taking place at 6pm at Tottenham Hotspur Football Club. More information about the inaugural meeting and the club itself and a downloadable booking form can be found in the events section of our website at www.raffingers.co.uk. Click on the “Events” menu item.

■ On 6 May we are holding a workshop for construction and property businesses. We have booked a number of guest speakers who will address some of the opportunities and pitfalls in these very specialist fields. Whether you are a large construction firm or simply dipping your toes for the first time into the buy-to-let property market, you'll find something for you. The event begins at 5.30pm at the Holiday Inn in Brook Street, Brentwood. A hot buffet will be served and tickets are priced at £25 + VAT. Again, more information including booking details is available in the events section of our website.

■ Our Business Builder Forum (BBF) is undergoing a major overhaul. In future, the meetings will be held quarterly (instead of monthly) and in future the time, day and venue will be varied to suit those who have found Monday mornings at 7am at the County Hotel a bit of a burden. Details of the next meeting of the BBF will be sent out very shortly but if you do not receive yours and would like to attend, visit the website and download the booking form. Alternatively call Susan Jarvis on 020 8551 7200 or e-mail susan.jarvis@raffingers.co.uk.

■ We will shortly be launching a brand new benefit exclusively available to our clients. The *Raffingers Procurecard* will give you access to the huge buying power and discounts that to date have only been available to large multi-national conglomerates. Joining the scheme will not commit you to anything other than the right to receive substantial monthly cash rebates as you buy the things that you are already buying for your business. There is no paperwork to complete, no minimum spend commitment and no need to change suppliers unless you particularly want to. Membership will also provide a whole host of other benefits which will be announced as we get closer to launch. To find out more, call Barry Soraff on 020 8551 7200 or e-mail barry.soraff@raffingers.co.uk.

■ For those of you who haven't visited yet, our website has undergone a complete re-write. Although the design will look familiar, we have added a whole range of interactive tools and useful information. Visit our Interactive Zone and run credit checks on other businesses, perform company searches, set yourself up to be automatically reminded of those all important key dates, use some of our interactive calculators or our online *I-cash* bookkeeping service and lots more.

Or if that doesn't catch your fancy, simply register your team in the Raffingers Fantasy Football League which you can do by clicking on the Fantasy Football logo on the left side of the home page near the bottom. Register now and practice for next season when monthly prizes will be available to the star managers. Alternatively simply use our website to get up to the minute news, sport and financial updates direct to your desktop.

■ Our online employment lawyer service provided by *Beprofessional.com* has been enhanced to include new benefits such as a 24-hour employment law help-line and automatic insurance cover of up to £100,000 against the legal and damages costs of any future employment tribunal decision against you. Those who are already registered with this service will know about the huge time, cost and effort savings which it can provide. If you want to find out more or arrange a free, no-obligations 15-day trial, contact Barry Soraff (details above).

■ Our sister company Raffingers Technology has recently launched a brand new IT support package. For an all in fee of just £200 per month, they will support your entire IT infrastructure including on-site and telephone support. As an additional benefit, any company that signs up to this package but does not make use of the minimum usage built into the support contract will receive points towards free computer hardware. For more information contact Jason Soraff on the usual office number or by e-mail to jason.soraff@raffingers.co.uk.

■ The Old Cat Boys Golf Society which is organised by Lee Manning is looking for new members. Membership is open to anyone, whatever the standard of play. Don't worry about looking stupid – the society is about having fun not winning the Ryder Cup! If you'd like to find out more or attend one of the society's golf days, contact Lee Manning at our offices or e-mail lee.manning@raffingers.co.uk.

A CLIENT'S STORY - ASHLEY BEAN & CO

We first met Ashley Bean in 1994 when, at the age of 29, he decided to start his own law firm.

And so it was from an office above a petrol station in Ilford that the firm of Ashley Bean & Co was established. Spartan would not be an unfair description - the only way "into" that first office was through the fire "exit". In the beginning there were just a few pioneers - Ashley himself, his partner Paul Stevens and 2 administrative support staff including Ashley's wife Michelle.

In the early years it was all hands to the pump, doing whatever was needed to get the job done. You would have been as likely to find Ashley keeping his accounts, franking the post or answering the telephone as you would giving legal advice to clients.

Ashley was well known in the local community which, coupled with the hard work and commitment of himself and his team, meant that the name of the practice was soon spreading quickly and the firm started to grow at a pace.

Within a few years, Ashley had promoted one of his trainees (Scott Wigul) to become the firm's third partner. Scott had completed his training contract with the firm and risen quickly through the ranks after qualifying.

The firm quickly progressed into additional areas of law and was awarded contracts by the Legal Services Commission in a number of categories under Legal Aid.

Today, 10 years on, Ashley Bean & Co has two offices (neither of which is above a petrol station) and approximately 60 staff.

As an entrepreneur, Ashley has a keen eye for an opening in the market place and has therefore moved into a number of areas outside the legal practice. Among his more interesting professional enterprises is as a FIFA-licenced football agent and he is also heavily involved in a football academy.

On a personal level, Ashley gives his time to a local school as a school governor where his legal and commercial experience is often invaluable. He and Michelle have three children (Marcus, Daniel and Aimee).

Ashley or any of his team can be reached at either of his two offices which are located at:

406-408 High Road, Ilford, Essex IG1 1TW (Tel: 020 8478 0888)
62 Eastern Avenue, Romford, Essex RM1 3QA (Tel: 01708 769311)
Alternatively, you can e-mail him at arb@ashleybean.co.uk.



Ashley at work

THE VALUE OF A BUSINESS & THE DIFFERENCE SYSTEMS CAN MAKE

Here is a short test for you:

Imagine that you have just inherited a large amount of money and want to spend some of it buying a business. After doing your research you have found three businesses that interest you. They all make and sell the same products. They are all the same size. And they are all based in the same town.

But as you will see, they do all differ in one very important way.

Business A:

This business has the same basic systems as everyone else in the industry. But like the rest of the industry, most of what it does is not systematised. And if key people aren't around, some things don't get done well (and sometimes they don't get done at all!) As a result the business owner works 47.5 hours a week (which research shows is exactly average for the owner of a UK small business). And by working hard like that every week he just about manages to take four weeks holiday a year. In other words, it is a typical and very average small business.

This business has been independently valued at £100,000 - which is an amount you can easily afford.

Business B:

This business has no systems at all. The business owner has to drive everything. And as a result he works 60 hours a week sorting out problems, covering for absent staff, fighting fires and making things happen. He never seems to have time for things like planning since he is always busy working on more urgent things. And he only manages to take 2 weeks holiday a year - when he spends the whole time worrying about how everyone will be coping without him!

This business has not been independently valued. So, given that Business A was worth £100,000, how much would you be prepared to pay for this business? Please write down your answer.

Business C:

This business has systems for everything. Those systems contain everything everybody needs to know to run the business effectively and profitably. They are also continuously tested and improved. And everybody knows exactly what they are and how they work. So everybody uses them. As a result the business owner usually works only 35 hours a week, spends a lot of time on the golf course and in the gym, and took six weeks off as holiday last year (when he didn't worry once about the business - because he knew it would work perfectly without him).

This business has not been independently valued either. So, given that Business A was worth £100,000, how much would you be prepared to pay for this business? Please write down your answer.

Your business:

Now imagine a scale of 1-200. And imagine that on that scale...

- Business B - the one with no systems at all - has a score of 1
- Business A - the one with basic systems - has a score of 100
- Business C - the fully systematised one - has a score of 200

What score on that scale of 1-200 would you give your business?

If you think your score doesn't quite measure up to scratch or want to talk about ways you might improve it, give me a call on 020 8551 7200 or e-mail me at lee.manning@raffingers.co.uk.

LEE MANNING

GENERAL NEWS

• Increase in audit threshold

The threshold at which companies are exempt from the requirement for a statutory audit has been increased to the same level as the qualification criteria for small company status (which has also been increased). The main criteria requires turnover to be less than £5.6 million (previously £1 million) although other factors also need to be considered.

• Money Laundering Regulations 2003

These came into force with effect from 1 March 2003 and affect a number of business sectors in particular accountants, lawyers, casinos and estate agents who could all now face prison if they fail to report suspected fraud. It also affects any business dealing in substantial (approximately £10,000) sums of cash in individual transactions. If you are in any doubt as to how these new regulations might affect you, please feel free to call us to discuss it.

• Employment Law Regulations 2004

Surprise, surprise! More new employment law! The good news is that in future, domestic changes will only be implemented on two dates each year: 6 April and 1 October. The bad news is that 13 legislative changes have already been announced for implementation on these two dates in 2004 including an increase in the National Minimum Wage to £4.85 per hour for adult workers (from £4.50) and £4.10 per hour for those aged 18 - 21 (from £3.80) with effect from 1 October.

The Government has also announced that, for the first time, a minimum wage for 16 and 17-year-olds is to be introduced from October 2004. The level has been set at £3 per hour.

FUNNY MONEY

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

We're always being asked by clients how they can legitimately avoid paying taxes – it is after all part of what we do.

Better people than us have tried and failed to remove themselves from the taxation web but as Benjamin Franklin said in the 18th century: "In this world, nothing is certain but death and taxes."

However, it seems that Ben got it wrong – or so the wonderful people at Toys R Us (freebies can be sent to me c/o Raffingers...thanks) would have us believe.

They have been trying to avoid taxes in the US-state of Maryland by arguing that it isn't the company that owes the money – no, the "man" responsible for not paying his fair share to the taxpayers of Maryland is none other than the company's much revered long-necked mascot Geoffrey the Giraffe.

Both the company and the state are gearing up for a court battle at which Toys R Us will look to defend its practice of using an out-of-state subsidiary to avoid paying Maryland taxes on intangibles such as royalties, patents and trademarks.

Unfortunately, Geoffrey was unavailable for comment but his spokesman told us exclusively: "This is the last time Geoffrey trusts his accountant. Can you recommend a decent firm for him?"

Price Watering-Hole Coopers perhaps?

BARRY SORAFF

TAX TIP

If your business turns over less than £150,000 per year, consider switching over to the VAT Flat Rate Scheme (FRS). This allows you to apply a flat rate percentage (set by reference to the business sector to which you belong) to your turnover to calculate the VAT you should pay each quarter.

As well as the administrative benefits of no longer needing to record your input tax claim, many businesses, particularly those with low running costs, will be better off paying their VAT in this manner. There are even provisions within the scheme to claim back VAT on large one-off items of equipment or other capital expenditure.

If we are preparing your VAT returns on your behalf, we will, as a matter of course, keep your VAT status under constant review and recommend a change to the FRS if appropriate.

USEFUL LINKS

Before we look at this issue's recommended websites, just a quick reminder that our new and re-vamped website has been up and running now for a few months at www.raffingers.co.uk. Congratulations to Darren Preston of V-Cars (www.vcars.co.uk) who at the time of writing, heads the table of managers registered to play in our Fantasy Football League.

Anyway, to our recommended websites:

The National Statistics Office (www.statistics.gov.uk)

On the face of it, not a website that grabs your attention immediately. But delve beneath the service and you discover a wealth of information and resources. Some of it is simply interesting at a personal level – for example, examining the analysis of the 2001 census results for your town. Other content has real business value – such as financial analysis by trade sector that you can use to benchmark your own business.

Either way, definitely worth a visit – the site can also be viewed via the Links section of our website.

Post Code finder

8 searches available each day free of charge (although registration is necessary first) at the Royal Mail website (www.royalmail.com) by clicking on the link for postcode finder. This can be used either to find a postcode based on an address or vice versa. Very quick and useful.

Money Claim Online (www.moneyclaim.gov.uk)

A website supplied by the Court Service to speed up the process of recovering money through the courts. Can be used personally or by businesses and is incredibly simple, cost-effective, user-friendly and totally interactive. After a short initial registration, you can begin proceedings against a debtor immediately. Paperwork will be issued by the court within a day and you can follow the case's progress online. You can, amongst other things, also obtain judgement by default and enforce judgement with the bailiffs. An outstanding innovation and use of the internet.

EMPLOYEE SPOTLIGHT

In a new feature, we will be profiling a member of our team in forthcoming issues. This time, we are focusing on one of our longest-serving employees, our payroll department manager, Terry Iveson. So in true Shoot Magazine (for those who remember that) style, here goes:

Full name: Terence John Iveson

Nicknames: Terrytubbie, Tubster, Tel (obviously).

Date of birth: Get stuffed

Status: Married (to Ann) – sorry girls.

Career history: Left school 1963. Joined stock broking firm as a messenger and remained in the City of London in various jobs as a settlements clerk until joined Soraff, Nieman & Co (who remembers them? – for our newer clients they are a forerunner of Raffingers) in 1986. Briefly returned to the City in 1987 before a triumphant homecoming to Soraff, Nieman in 1988 where he has remained ever since.

Interests: Football (Spurs), Cricket, Golf

Greatest personal achievement: Did I mention that I once took 7-34 off 7.4 overs bowling for Old Barkabians FC? (a story that everyone who has ever worked at Raffingers can recount in their sleep!)

Favourite holiday destination: My “luxury holiday home” in Hampshire.

Something you wouldn't know about me: Plenty...nothing printable.

Partners' report: Terry is a loyal and trustworthy employee. Tends to rather hog the assignments that involve visiting restaurants and pubs or cheap food of any description but overall, a safe pair of hands.



Terrytubby practices being retired as he enjoys a round of golf.

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