

Financial Accountant

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May/June 2015



FUTURE PLANNING PENSION PLANNING FOR TODAY AND TOMORROW

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REVIEW OF THE
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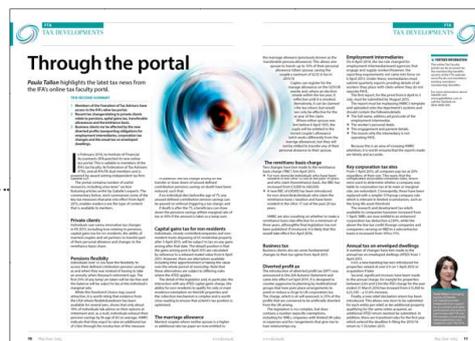


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IFA Notice Board

GETTING CLOSER TO MEMBERS

Over the coming months, we will be contacting you to obtain more information about you and your business, as part of our programme to learn more about you allows us to improve the quality of our member services by aligning the services we provide more closely to your needs.

Our aim is to achieve greater efficiency, effectiveness and greater member value.

SIGN UP FOR 'VOICE OF THE SME'

Each month we produce an opinionated editorial newsletter on topical current affairs and issues affecting micro, small and medium businesses that we distribute to thousands of accountancy practices and non-members of the IFA and FTA. It demonstrates the focus that the IFA and FTA place on business matters that impact micro and SMEs.

If you wish to receive this monthly newsletter, simply email marketing@ifa.org.uk and quote "be my voice"

IFA AND FTA CPD

Staying on top of your CPD has never been so important, especially since extending mandatory continuing professional development (CPD) requirements in January 2015 to all members in business, as well as members in practice.

Visit www.industryeventsonline.com to find and compare hundreds of finance events that fit your personal requirements.

Record your CPD and it's relevancy to your role and career through the IFA website.

BUSINESS DEVELOPMENT WORKSHOPS

A day of interactive and practical workshops that will allow you to create a series of successful strategies to meet targets. There will be plenty of practice and minimal theory and opportunities to share best practise with the rest of the group and to identify what you can do that will set you apart from your competitors.

Visit www.ifa.org.uk/events/ to book online

HAVE YOUR SAY

Have the chance to share your opinion, challenges and solutions to help you and your peers!

Search "Institute of Financial Accountants Official Group" on LinkedIn to join the discussion today!

✉ I am always interested in the opinions and experiences of members, so if you have something to share, please don't hesitate to email: johne@ifa.org.uk

Looking forward

In the March/April edition of *Financial Accountant*, David Woodgate spoke of change in the air with springtime bringing exciting times for the IFA. These changes have started with David accepting an offer to take up a new strategic consultancy role within the IPA Group. The role will include shaping a new international strategy for the enlarged organisation and developing the global SME alliance. He will also progress an application for a Royal Charter and undertake other work and projects.

In succeeding him as chief executive officer on 1 April 2015, I wish to take this opportunity to formally thank David, not only for the help and support that he provided to me in my role of chief operating officer, but also for laying the foundations for the future success of the IFA. A personal farewell message from David appears on page 5.

Following the amalgamation of the IFA and the IPA on 1 January 2015, each team has been actively looking at the integration of systems and back-office support processes and functions. The IFA's successful move of its head office from Sevenoaks to London took place over the weekend of 17 April 2015, with very little business disruption. An article based around our experiences of moving offices is shared with you on page 22.

Looking ahead to the remainder of 2015, the IFA team will be focusing on four primary areas to optimise the appeal of the IFA as the genuine "Voice of the SME".

- Continuing work on the integration of our IT systems and back-office support processes and functions to improve the quality of service as well as effective and timely communication with members.
- Growing the student and membership base of the IFA by building on our success in attracting younger members and more women to balance the gender profile.
- Continuing the step changes we have been introducing to educate and improve quality and standards in the areas of professional conduct and regulation.
- Improving our engagement with members and non-members via our expanding local branch network, conferences, our website and *Financial Accountant*.

The commitment to automatically provide reciprocal membership of the IPA at no additional cost to IFA associate and IFA fellow members has now been realised and our members should by now have received their IPA certificates.

Finally, I would like to thank those who have sent me their good wishes and congratulations. I am relishing the challenge of developing and taking the IFA forward. We will keep you regularly informed of our progress to make the world's largest dedicated SME and SMP professional accountancy body even stronger and to deliver real benefit to all of our members, wherever in the world they might be based.



“The commitment to automatically provide reciprocal membership of the IPA at no additional cost to IFA associate and IFA fellow members has now been realised and our members should by now have received their IPA certificates.”

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QUICK VIEW

✉ PENSIONS TAX-FREE CASH

The options that are available when withdrawing tax-free cash from a property-owning self-invested pension plan.

page 8

✉ PENSION LIMITS

Be aware of contribution limits for defined benefit pension schemes to avoid a tax liability on excess contributions.

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✉ BUSINESS DEVELOPMENT

The benefits of communication and teambuilding for a business.

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John

John Edwards,
IFA Chief Executive Officer.

TAXATION

July Budget

The new Conservative government will hold its first Budget on 8 July 2015.

www.lexisurl.com/ifa-1194

PENSIONS

Staging dates

A survey of small businesses with auto-enrolment staging dates between 2015 and 2018 indicates that almost 25% may miss their date, risking penalties or fines by The Pensions Regulator.

www.lexisurl.com/ifa-1201

REGULATORY

Magistrates' powers

From 12 March 2015, the £5,000 cap on fines that magistrates could impose has been removed. Much higher penalties can now be levied on offenders who have committed the most serious "Level Five" offences. Advisers and businesses should note that these include:

- the manufacture, import and sale of realistic imitation firearms;
- selling, supplying, offering to supply and hiring products to persons under 18, such as adult fireworks, crossbows, knives, axes and blades;
- sale of alcohol to children;
- unauthorised sale of (football) tickets;
- harassment (without violence);
- making false statement or representation to obtain social security benefit; and
- failure to comply with an improvement notice to ensure properties are safe and habitable.

www.lexisurl.com/ifa-1200

PENSIONS

Auto enrolment

Following consultation, the Department for Work & Pensions has simplified rules on auto enrolment. There will be no need to enroll staff who:

- have indicated that they are leaving the employment;
- have protection against the lifetime allowance; or
- have come out of the pension scheme in the previous 12 months.

There are also clearer communications for employees and employers.

www.lexisurl.com/ifa-1197

REGULATORY

Fire safety

Despite a small improvement, only two-thirds of fire safety audits of business premises were satisfactory in 2013/14.

www.lexisurl.com/ifa-1196

ACCOUNTING

Small companies

The Companies, Partnerships and Groups (Accounts and Reports) Regulations SI 2015/980 apply from 6 April 2015. These relate to small companies and include:

- the adoption of EU size thresholds;
- a reduction in the number of notes required in accounts;
- allowing abridged balance sheets and profit and loss accounts if approved by all shareholders;
- allowing alternative accounts layouts; and
- removing the need for a director's report for micro-entities.

www.lexisurl.com/ifa-1199

TAXATION

Sports clubs

HMRC's guidance on how to decide whether a club qualifies as a community amateur sports club has been updated.

www.lexisurl.com/ifa-1190

ACCOUNTANCY

Good governance

A report by the Institute of Chartered Secretaries and Administrators (ICSA) states that companies should have evidence of the good governance systems that they have in place. The guidance note, *Good Practice for Annual Reports* is on the ICSA website.

www.lexisurl.com/ifa-1186

REGULATORY

Employee eyecare

Specsavers Corporate Eyecare recently researched employers' understanding of their obligations towards employee eyecare under the Display Screen Equipment (DSE) eyecare regulations.

They found that less than half of employers fully understand and less than a third comply with the regulations.

www.lexisurl.com/ifa-1193

TAXATION

Employer handbook

HMRC have updated the booklet *CWG2: Further Guide to PAYE and National Insurance Contributions*.

www.lexisurl.com/ifa-1192

REGULATORY

Construction industry

From 6 April 2015, the Construction (Design and Management) Regulations SI 2015/51 replace previous regulations. The explanatory notes say that the key changed role is that of the principal designer, whose role fulfils the function of a safety and health coordinator for the project preparation stage. This was previously carried out by the CDM coordinator.

www.lexisurl.com/ifa-1191

COMPANY LAW

Directors' actions

The Supreme Court has held that directors cannot attribute their unlawful actions to their company to escape sanctions. In *Jetivia SA and Another v Bilta (UK) Limited and Others* [2015] UKSC 23, Bilta (UK) Ltd had been compulsorily wound up in 2009 having been the victim of a carousel fraud leaving it owing VAT of £38m. The court held that the directors who had breached their fiduciary duty to the company could not attribute their wrongdoing to the company.

www.lexisurl.com/ifa-1177

REGULATORY

Lettings and energy

From April 2018, legislation will require landlords to ensure that private and commercial properties meet a minimum energy performance standard before they can be rented out.

www.lexisurl.com/ifa-1198

EMPLOYMENT

Parental leave

From 5 April 2015, new statutory rates of pay for shared parental leave came into force. Statutory shared parental pay increased to £139.58 a week from 5 April 2015. More information on this subject can be found on the Acas website.

www.lexisurl.com/ifa-1189

IFA SENIOR MANAGEMENT ANNOUNCEMENTS

Following the successful amalgamation of the IFA and the IPA, and with the transition work now firmly established, David Woodgate has accepted an offer to take up a new group strategic consultancy role with the IPA. This will include shaping a new international strategy for the enlarged IPA group and developing the global SME alliance. The group will continue to benefit from David's experience and expertise and he will bring a large degree of continuity during this period of considerable change. David will also progress an application for a Royal Charter and undertake other work and projects.

During his time as chief executive, David has laid the foundations for the recovery and future success of the IFA, including full IFAC membership, Ofqual accreditation, membership growth, overhauling governance, vastly improving the status and standing of the IFA and its wider recognition and, of course, leading the IFA approach to the amalgamation negotiations, the member engagement process and securing member support for the amalgamation.

Both the IFA and IPA are indebted to David for his hard work and commitment and congratulate him on his achievements.

John Edwards, IFA chief operating officer (COO), has succeeded David as chief executive officer (CEO) of the IFA, providing a considerable degree of business continuity at the top of the organisation. John will be a member of the IPA Executive Management Group and will now be able to bring to fruition the next stage of our growth and development.

John has held a number of senior roles throughout his career working both in the private and not-for-profit sectors, in companies of all shapes and sizes, gaining a wealth of experience. His considerable knowledge of the accounting profession was achieved when he worked for many years for the Institute of Chartered Accountants in England and Wales (ICAEW) and latterly as the IFA COO.

Before joining the IFA, John worked for a range of SME and SMPs as a business consultant helping them to develop strategically and grow their businesses.

He was also the chief operating officer of a venture capitalist business investing in and developing companies across many sectors including: construction; information technology; motor sport; events and marketing; charities; cruise liners and airlines.

Both of these role changes took effect from 1 April 2015.



A PERSONAL FAREWELL MESSAGE

Having successfully amalgamated with the IPA, I have been considering my future. I hold a firm view that chief executives have a "shelf life" and that they should move on at when appropriate for the organisation that they lead. All organisations must regenerate and rejuvenate themselves including the introduction of new talent and by renewing the leadership team. I sincerely believe that the time is now right for me to go and hand over the baton to a new CEO. I am therefore stepping down as IFA chief executive. In the medium term I still have career ambitions to achieve.

I am, however, delighted to have been asked to stay for a while as a consultant for the wider IPA Group. This will enable me to develop our international strategy and the Global SME Alliance – and prepare an application for a Royal Charter.

Coming together with the IPA is absolutely the right strategic choice for the IFA. At a stroke it addresses many legacy issues and, perhaps more importantly, helps us face up to the challenges of the competitive environment in the UK and internationally. The accountancy profession is consolidating and we must be in a position to meet the needs of current and future members. We can now lead, rather than follow, the debate on how best to serve the needs of SMEs and their SMP accountants. We have the potential to be a leading voice in the SME and SMP community.

I look forward to the future development, growth and success of the combined IFA and IPA group and I have no doubt that we have laid the foundations for that success which the new team will deliver.

On that score, I am delighted that John Edwards has stepped up to lead the IFA. John has been outstanding as our chief operating officer and I wish him every personal success. He has an excellent team and he will make a tremendous success of leading the IFA into our centenary year and beyond.

I have enjoyed my time at the IFA beyond words. I am so grateful for the support, encouragement and friendship shown to me by so many members. I take with me many happy memories and am now looking forward to my wider group role with great anticipation. Good luck for the future.

David Woodgate.



ACCOUNTANCY

Audit standards

The International Auditing and Assurance Standards Board (IAASB) has published its revised international standard on auditing (ISA) 720. This has new requirements relating to "other information" and will apply to periods ending on or after 15 December 2015.

www.lexisurl.com/ifa-1185

TAXATION

Non-residents CGT

HMRC have published 23 "frequently asked questions" relating to the new capital gains tax charge on non-residents when UK residential property is disposed of.

www.lexisurl.com/ifa-1172

BUSINESS

Wage rises

A recent salary budget planning report by Towers Watson indicates that wages could rise by about 3% in 2015.

www.lexisurl.com/ifa-1178

BUSINESS

Government contracts

More than a quarter of the government's procurement budget, £11.4bn, was spent with small businesses in 2013/14. The government's contract finder website has been updated and the Public Contracts Regulations 2015 mean that:

- 30-day payment terms must be complied with by each business in the supply chain;
- an annual late payment report must be published by public bodies;
- the bidding process is simpler; and
- the procurement process is faster.

The UK is the first state to implement the EU Procurement Directive.

www.lexisurl.com/ifa-1175

REGULATORY

Company names

Companies house has updated its guidance on choosing a company name (www.gov.uk/choose-company-name) and its incorporation and names guidance notes.

www.lexisurl.com/ifa-1180

TAXATION

Scottish taxes

Various regulations came into force from 1 April 2015. The statutory instrument numbers and their subject are as below.

- SSI 2015/108: provisions of the Land and Buildings Transactions Tax (Scotland) Act 2013.
- SSI 2015/110: provisions of the Revenue Scotland and Tax Powers Act 2014.
- SSI 2015/123: a sub-sale development relief from land and buildings transaction tax (LBTT).
- SSI 2015/126: the tax rates and bands for the LBTT.
- SSI 2015/128: the date from which interest will run on unpaid devolved taxes.
- SSI 2015/129: the power to postpone tax penalties and interest relating to the LBTT.
- SSI 2015/130: record-keeping requirements for the Scottish landfill tax.
- SSI 2015/131: reclaiming tax from Revenue Scotland.
- SSI 2015/132: rules for Scottish tax tribunals.

www.lexisurl.com/ifa-1168

TAXATION

Corporate finance

HMRC's *Corporate Finance Manual* now takes account of new accounting standards FRS 101 and FRS 102.

www.lexisurl.com/ifa-1167

TAXATION

End of year tax

HMRC have started their end of year tax reconciliation and forms P800 and refunds will be issued over coming weeks.

www.lexisurl.com/ifa-1250

TAXATION

Employer Bulletin

HMRC have published *Employer Bulletin 53*. This contains information on the new tax year; expenses and benefits; reporting PAYE correctly and on time; shared parental leave and pay; and closing a PAYE scheme.

www.lexisurl.com/ifa-1170

TAXATION

Working tax credit

Revenue and Customs Brief 7/2015 has guidance on SI 2015/605. This updates the grounds of eligibility for working tax credits for the self-employed. Evidence that a trade is being carried on with a commercial basis – eg a business plan – will be required from new claimants.

www.lexisurl.com/ifa-1174

TAXATION

Pensions tax

A recent study of 2,000 people over the age of 55 across the UK, found that 85% of over 55s are unaware that an income tax liability may arise when they take a cash lump sum under the new pension freedom rules.

www.lexisurl.com/ifa-1179

REGULATORY

Countryside scheme

Foresters and other land managers could apply for woodland capital grants from 17 February 2015. The Countryside Stewardship scheme will open in July 2015 with additional capital items and options for existing woodland.

www.lexisurl.com/ifa-1187

Flexidraft

The IFA is pleased to announce that Flexidraft has become an IFA strategic commercial partner.

Flexidraft, part of Bibby Financial Services, is a flexible alternative to bank overdrafts delivering funding when one needs it.

Flexidraft has been designed to help to fill an increasing void in the market in terms of alternative funding solutions for SMEs and is a simple alternative to the bank overdraft.

Further details will shortly be available on the member-only page of the IFA website. In addition, Flexidraft are keen to attend IFA branch meetings and will be looking to understand the needs of members, your business and your clients.

The IFA looks forward to working with Flexidraft this year and beyond, to develop a mutually beneficial relationship.



TAXATION

EIS guidance

HMRC have published guidance on the changes to the enterprise investment scheme procedures announced in the March 2015 Budget.

www.lexisurl.com/ifa-1188

TAXATION

Company tax return

A new version of the company tax return (form CT600 (2015) version 3) has been published by HMRC and should be used for accounting periods starting on or after 1 April 2015.

www.lexisurl.com/ifa-1181

REGULATORY

Nuisance calls

From 6 April 2015, fines of up to £15,000 can be issued by the Information Commissioner's Office to organisations that break direct marketing laws.

www.lexisurl.com/ifa-1184

REGULATORY

Company secretaries

The Competition and Markets Authority has published brief advice for company secretaries on protecting a business from potential penalties for breach of competition law.

www.lexisurl.com/ifa-1195

REGULATORY

Deregulation

The Deregulation Act 2015 became law on 30 March 2015. The act contains a clause that may exempt some self-employed individuals from health and safety duties.

www.lexisurl.com/ifa-1171

PENSIONS

Pension scams

The Pension Liberation Industry Group has published a code of good practice: *Combating Pension Scams*. The Code applies from 16 March 2015 to all transfer requests processed on or after that date.

www.lexisurl.com/ifa-1166

IPA TEAM MEET KEY IFA STAKEHOLDERS

Members of the IPA management team met the IFA's strategic partners at a drinks reception held in Euston on 21 May. This was attended by members of IFA council, the local branch chair group and staff.

The event provided an opportunity for Andrew Conway, IPA chief executive officer; Lloyd Driscoll, director strategic partnerships; and Brett Maloney, chief financial officer, to meet and mingle with guests and staff informally.

Andrew provided an update on the transitional work that has been taking place since the IFA and the IPA came together on 1 January 2015. He thanked all those who contributed to the member engagement process that resulted in IFA members voting in favour of the amalgamation with the IPA.

David Woodgate was presented with a gift by Andrew in recognition of his work as chief executive, laying the foundations for the recovery and future success of the IFA. David spoke warmly about the future direction of the IFA and thanked the incoming chief executive officer, John Edwards, together with the IFA team for their unstinting support.

The role of the IFA council in governing the IFA was also recognised by Andrew with each elected member receiving a personalised global plaque.

Finally, as a symbol of the coming together of the IFA and IPA, Andrew and John exchanged global plaques that will sit in in the London office of the IFA and Melbourne office of the IPA.

TAXATION

Tax toolkits

HMRC have updated the following toolkits:

- National Insurance contributions and statutory payments;
- expenses and benefits from employment.
- capital gains tax for trusts and estates;
- capital gains tax for shares;
- capital gains tax for land and buildings;
- company losses;
- directors' loan accounts;
- property rental; and
- trusts and estates.

www.lexisurl.com/ifa-1176

REGULATORY

Environmental laws

The Environment Agency can accept enforcement undertakings from businesses that have made minor breaches of environmental laws. Note that these do represent a binding obligation and should be carefully drafted.

The Environmental Permitting (England and Wales) (Amendment) (England) Regulations SI 2015/324 came into force on 6 April 2015.

www.lexisurl.com/ifa-1182



Liz Jones and John Wright consider the options open to those who are seeking to release funds from a property-owning SIPP.

TEN SECOND SUMMARY

- 1 Self-invested pension plans offered various tax and financial advantages to business clients.
- 2 The flexibility of property investment in a SIPP may cause problems when it is desired to withdraw funds from the plan.
- 3 A review of the options available to those taking tax-free sums and pensions from a property-owning SIPP.

Pensions are this year's hot topic and the recent rule changes have seen the biggest changes to schemes for a generation or more. Over the years, pensions have proved an attractive and tax-efficient means of saving for retirement and this has been especially the case for those paying income tax at the higher rates. For such taxpayers who are also in business, the self-invested pension plan (SIPP) has proven to be particularly attractive. We suspect that since their inception, many businesses have transferred commercial properties into these plans or have used the funds within them to purchase such properties. The tax advantages were self-evident: the growth in the value of the property was exempt from capital gains tax, while the rent received in respect of letting it out – often to the pension beneficiary's own business – would be received without a tax liability.

After years of investing via the SIPP in this way, many beneficiaries are probably reaching

retirement. The recent pension reforms may mean that they are now thinking of drawing money from the plan and whether this can be done in a tax-efficient manner. However, it is difficult to take 25% of a property tax-free. Selling would facilitate this, but could keeping the asset in the SIPP produce further tax-free cash while benefiting from future rent and increasing property values? And how are the 25% tax-free entitlements calculated?

Tax free lump sums

The client's wishes must be taken into account and it would be wise to ask about their retirement plans. A request for a tax-free lump sum or pension commencement lump sum (PCLS) from a UK registered pension plan would create a benefit crystallisation event (BCE). HMRC rules state that, upon receipt of a request to draw a tax-free lump sum, the existing properties and other assets held in the SIPP must be valued. As long as there is sufficient liquidity, the tax-free cash could be taken from the liquid assets in the pension – the cash – and this can be done at any time during the period of up to 12 months following the date of the request.

The entitlement to a tax-free lump sum is based on the value of the fund at each BCE. For example, a fund worth £100,000 with £10,000 held in cash could generate a £10,000 tax-free lump sum immediately following a valuation of assets. The value of the tranche that would need to be crystallised would be £40,000. This is because the maximum tax-free cash is 25% of the crystallised fund, here the £10,000 cash available in the fund. Having taken the first £10,000 of tax-free cash from a £100,000 fund, the uncrystallised element would be the remaining £60,000.

Let's assume that, following payments of annual rents, 12 months later the fund has a further £10,000 of liquid assets. A further £40,000 could then be crystallised to generate a second tax-free lump sum of £10,000.

The amount of tax-free cash available from a final crystallisation in a further 12 months, once more rents had been received, would depend on the value of the uncrystallised assets held in the pension at that time. In other words, each BCE would require a new valuation and if, for example, the remaining uncrystallised tranche had increased in value from £20,000 in the above example to, say, £40,000, a further £10,000 could be taken as a tax-free lump sum.

What options are available to those who have a self-invested pension plan?



The options

There are several options that could be considered and some of these are briefly set out below, albeit the list is not exhaustive. Hopefully these will provide some indication of the possibilities and potential of SIPP investments.

Option 1

If there are insufficient funds to generate 25% of the total value of the plan to fund the tax-free cash payment in one go (as in the scenario above), then it may be possible to take some of the tax-free cash by crystallising a proportion of the portfolio depending upon the amount available within the fund. Although technically possible, some of the larger providers might not allow this because of the complexity of the administration. In particular, this may be the case when the majority of underlying assets are invested in multiple commercial properties.

The disadvantages of such an approach are as follows.

- It could prove expensive because the value of the plan must be confirmed at each BCE and all the properties under the plan would need to be valued each time a tax free lump sum was taken.
- It might take too long to deliver the amount of PCLS required.
- Some providers charge administration fees for BCEs.

The advantages are that, potentially, the pensioner can take more than 25% of the original pension value without selling any of the properties. This could occur in two ways.

- Future rent would be allocated proportionately to the crystallised and uncrystallised portions of the plan thereby increasing future tax-free lump sums from uncrystallised funds.
- Uncrystallised funds would benefit from future property value increases because the valuations are taken into consideration at each BCE.

Option 2

Instead of taking cash as the pension commencement lump sum, property or a proportion of it could be transferred (in specie) to the plan holder free of tax and they draw any income as taxed income (eg personal rental income).

The disadvantage is that the property is may not be as tax efficient if held outside of a pension. There are capital gains tax and inheritance tax issues if the property is disposed of or bequeathed and there will be an income tax liability on the rental income.

The advantages are that:

- the cost is lower than option 1 because there is only one set of fees to release the whole tax-free lump sum by way of in specie transfer;
- the rental income accruing in the pension can be withdrawn as taxed income without the need of an annual valuation as was required in option 1; and
- there is, potentially, increased flexibility to raise capital on property held outside the SIPP if liquidity in general is an issue.

Option 3

A "family SIPP" could be considered. By pooling funds under a family SIPP, family members or business partners merge their pensions into one collective pot. Liquidity can be created if the new funds are cash or conventional pension assets such as equities, and ownership of the illiquid commercial property assets can be transferred to other member(s) who have sufficient liquidity due to investment in traditional assets. In this way, cash can be created that can be withdrawn as a tax-free lump sum.

The advantages of this are as follows.

- This is a cost-effective and inheritance tax effective means of transferring property to another generation, assuming increased contributions for other family members to build their pension funds.
- Access to the tax-free lump sum is obtained without the sale of any assets.
- Family members continue to benefit from rental income as the properties pass between "family SIPP members".

The disadvantages are:

- the need to have a relative or business partner who will be willing to enter into such an arrangement with a suitable risk profile and sufficient assets; and
- the potentially increased SIPP costs.

Option 4

Liquid funds could be raised by borrowing to fund the tax-free cash. A SIPP can borrow up to 50% of the value of the fund and liquidity can thereby be created enabling the withdrawal of the required tax-free cash.

The advantages here are

- timely access to funds because the tax-free cash can potentially be withdrawn immediately and in one go; and
- there is no need to sell the properties to provide liquidity.

The disadvantages are:

- the additional costs associated with borrowing and administration; and
- the fact that some SIPP providers no longer permit borrowing and potentially this would limit capital raising for further property purchases and not the payment of tax-free cash.

Conclusion

As can be seen, there are several ways in which a pension fund can be crystallised to withdraw the funds either in one payment or gradually over time. However, each option brings with it both advantages and disadvantages and it is likely that these will determine how the individual in question wishes to proceed. Advisers might wish to review their client lists to ascertain how many of their business clients may require information or further advice on this topic so that they are prepared for the questions that may arise.



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Through the portal

Paula Tallon highlights the latest tax news from the IFA's online tax faculty portal.

TEN SECOND SUMMARY

- 1 Members of the Federation of Tax Advisers have access to the IFA's online tax portal.
- 2 Recent tax changes relating to private clients; eg pensions, capital gains tax, transferable allowances and the remittance basis.
- 3 Business clients may be affected by the new diverted profits tax, reporting obligations for employment intermediaries, corporation tax changes and the annual tax on enveloped dwellings.

In February 2014, the Institute of Financial Accountants (IFA) launched its new online tax portal. This is available to members of the IFA's tax faculty, the Federation of Tax Advisers (FTA), and all IFA/FTA dual members and is powered by award-winning independent tax firm Gabelle LLP.

The portal contains a number of useful resources, including a "tax news" section featuring articles written by Gabelle's experts. The commentary below, which summarises some of the key tax measures that came into effect from April 2015, enables readers to see the type of content that is available to members.

Private clients

Individuals saw various innovative tax changes in FA 2015, including those relating to pensions, capital gains tax for non-residents, the ability of married couples and civil partners to transfer part of their personal allowance and changes to the remittance basis charge.

Pensions flexibility

Individuals over 55 now have the flexibility to access their defined contribution pension savings as and when they want instead of having to take an annuity when they reach retirement age. The first 25% of any lump sum taken will be tax free and the balance will be subject to tax at the individual's marginal rate.

While this freedom of choice may sound attractive, it is worth noting evidence from the US where flexible drawdown has been available for several years. This shows that only about 19% of individuals take advice on their options at retirement and, as a result, individuals exhaust their pension savings by the age of 83 on average. HMRC indicate that they expect to raise additional tax of £5bn through the introduction of this measure.



In addition, the tax charges arising on the transfer or draw down of unused defined contribution pensions savings on death have been reduced, such that:

- if an individual dies before the age of 75, any unused defined contribution pension savings can be passed on without triggering a tax charge; and
- if death is after 75, a beneficiary can draw down the pensions savings at their marginal rate of tax or 45% if the amount is taken as a lump sum.

Capital gains tax for non-residents

Individuals, closely controlled companies and non-resident trusts disposing of UK residential property after 5 April 2015 will be subject to tax on any gains arising after that date. The default position is that the gains arising post-6 April 2015 are calculated by reference to a rebased market value from 6 April 2015. However, there are alternative methods available including time apportionment or taking the value over the whole period of ownership. Note that these alternatives are subject to differing rules where the annual tax on enveloped dwellings (ATED) applies.

The detail of the legislation and, in particular, the interaction with any ATED capital gains charge, the ability for non-residents to qualify for only or main residence exemption on their UK properties and the collection mechanism is complex. It is worth reading the legislation closely to ensure that a client's tax position is optimised.

The marriage allowance

Married couples where neither spouse is a higher or additional rate taxpayer are now entitled to



the marriage allowance (previously known as the transferable personal allowance). This allows one spouse to transfer up to 10% of their personal allowance to their spouse, saving the couple a maximum of £212 in tax in 2015/16.

Couples can register for the marriage allowance on the GOV.UK website and, where an election is made within the tax year, it is effective until it is revoked. Alternatively, it can be claimed in the tax return, but would then only be effective for the tax year of the claim.

Where either spouse was born before 6 April 1935, the couple will be entitled to the married couple's allowance (which works differently from the marriage allowance), but they will not be entitled to transfer any of their personal allowance to their spouse.

The remittance basis charge

Two changes have been made to the remittance basis charge (RBC) from April 2015.

- For non-domiciled individuals who have been resident in the UK for 12 out of the past 14 years and who claim the remittance basis, the RBC has increased from £50,000 to £60,000.
- A new RBC of £90,000 has been introduced for non-domiciled individuals who claim the remittance basis of taxation and have been resident in the UK for 17 out of the past 20 tax years.

HMRC are also consulting on whether to make a remittance basis claim effective for a minimum of three years, although the final legislation has not been published. If introduced, it is likely that this would take effect from April 2016.

Business tax

Business clients also saw some fundamental changes to their tax regime from April 2015.

Diverted profit tax

The introduction of a diverted profit tax (DPT) was announced in the 2014 Autumn Statement and came into effect on 1 April 2015. It is designed to counter aggressive tax planning by multinational groups that have put arrangements in place to avoid or reduce a charge to UK corporation tax. The charge, which is not self-assessed, is 25% of the profits that are considered to be artificially diverted from the UK.

The legislation is very complex, but does contain a number of specific exemptions, including for SMEs, companies with limited UK sales or expenses and for arrangements that give rise to loan relationships only.

Employment intermediaries

On 6 April 2014, the tax rules changed for employment intermediaries and agencies that engage and supply workers. However, the reporting requirements only came into force on 6 April 2015. Under these, intermediaries must submit quarterly reports providing details of all workers they place with clients where they do not operate PAYE.

The first report, for the period from 6 April to 5 July, must be submitted by 5 August 2015.

The report must be made using HMRC's template and uploaded onto the department's systems and should contain:

- the full name, address and postcode of the employment intermediary;
- the worker's personal details;
- the engagement and payment details; and
- the reason why the intermediary is not operating PAYE.

Because this is an area of increasing HMRC attention, it is worth ensuring that the reports made are timely and accurate.

Key corporation tax rates

From 1 April 2015, all companies pay tax at 20% regardless of their size. This means that the complicated associated companies rules, which were used to determine whether a company was liable to corporation tax at the main or marginal rate, are redundant. Consequently, these have been replaced with a simpler 51% group company rule which is relevant in limited circumstances, such as the long-life asset threshold.

The research and development tax reliefs available to companies have been increased from 1 April. SMEs are now entitled to an enhanced corporation tax deduction at 230%, while the above the line tax credit (for large companies and companies carrying on R&D on a subcontractor basis) is increased from 10% to 11%.

Annual tax on enveloped dwellings

A number of changes have been made to the annual tax on enveloped dwellings (ATED) from 1 April 2015.

First, a new banding has been introduced for properties valued at more than £1m on 1 April 2012 or acquisition if later.

Second, significant increases have been made to the annual charge. For example, for properties between £2m and £5m, the ATED charge for the year ended 31 March 2016 has increased from £15,400 to £23,350 – a 51.6% increase.

Finally, a new relief declaration return has been introduced. This allows one return to be submitted for each entity per relief, ie if an additional property qualifying for the same relief is acquired, an additional ATED return need not be submitted. In addition, there are transitional rules for the first year which extend the deadline for filing the 2015/16 return to 1 October 2015.

FURTHER INFORMATION

The online Tax Faculty portal can be accessed via the membership benefits section of the FTA website: www.fta.uk.com/members/existing-members/membership-benefits/.

For more information about Gabelle visit www.gabelletax.com or call the TaxDesk on 0845 4900 509.



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Pensions and PIPs

Don't be caught out by excess pension contributions. *Sandra Scott* explains the effect of the annual allowance for those in defined benefit pension schemes.

TEN SECOND SUMMARY

- 1 Substantial reductions in the annual allowance for pension contributions can cause problems for those in defined benefit schemes.
- 2 Unused annual allowance can be carried forward for three years.
- 3 Forward planning and awareness of limits can avoid problems.

The tax relief for pension contributions is subject to various restrictions: the £3,600 limit for those without earned income, the limit by reference to earnings and the lifetime allowance. In this article we look at the operation of the annual allowance. This is the maximum amount of pension savings that an individual can make each year that will benefit from tax relief. Before 6 April 2011, the annual allowance was £255,000 which, in practical terms, meant that very few people had their pension contributions limited by this rule. The limit was reduced to £50,000 on 6 April 2011 and further reduced to its current level of £40,000 on 6 April 2014. This can mean that members of defined benefit pension schemes with relatively modest pay increases can exceed the annual allowance. If that happens, an annual allowance charge may result.

Facts and analysis

Working out how much an individual can pay into a pension arrangement without incurring an annual allowance charge can be surprisingly complicated.

The period over which the annual allowance is measured is the pension input period (PIP) ending in the current tax year. When PIPs were introduced on 6 April 2006, the first PIP was deemed to start with the first contribution made on or after that date (for a money purchase arrangement) or when benefits first start to be accrued (for a defined benefit arrangement). The PIP ended on the anniversary of the start date.

For example, if Ms Saver already had a personal pension at 6 April 2006 and her next contribution after that date was made on 1 May 2006, her first PIP started on 1 May 2006 and ended on 1 May 2007.

The second and subsequent PIPs start on the day following the end of the first PIP and end on the anniversary of the first PIP. Thus, for Ms Saver,

these periods would start on 2 May and end on the following 1 May.

Coincidence and contributions

When introduced, the rules resulted in some confusion because, normally, the PIP did not coincide with a tax year. This means that a contribution could be paid in one tax year, but tested against the annual allowance in a subsequent tax year. So, in our example, if Ms Saver paid a contribution on 1 June 2015, this falls into the PIP ending 1 May 2016 (which is in the 2016/17 tax year). We must therefore ensure that Ms Saver has sufficient income to support her pension contribution in 2015/16 (checking to make sure that it does not exceed 100% of relevant UK earnings), but being aware that the contributions in the PIP ended 1 May 2016 will be tested against the annual allowance for 2016/17.

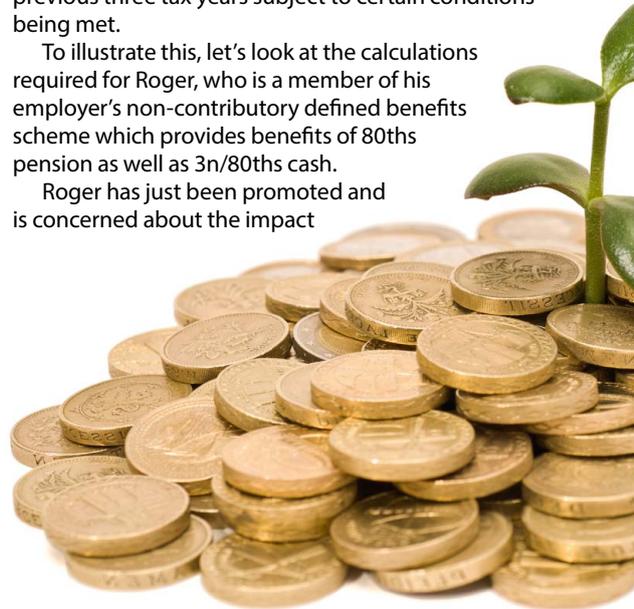
In 2011, the rules on PIPs were changed for new pensions where the initial PIP started on or after 6 April 2011. In such cases, the first PIP starts on the date of the first contribution (or when benefits first start to be accrued), but ends on the following 5 April unless an earlier or later end date is nominated. For example, if Mr Prudent makes his first contribution to a new personal pension on 1 June 2015, the PIP will start on 1 June 2015 and end on 5 April 2016 unless a different date is nominated.

Carry forward of relief

When the pensions annual allowance was reduced to £50,000 on 6 April 2011, carry forward was introduced. Broadly, this allows an individual to carry forward an unused annual allowance from the previous three tax years subject to certain conditions being met.

To illustrate this, let's look at the calculations required for Roger, who is a member of his employer's non-contributory defined benefits scheme which provides benefits of 80ths pension as well as 3n/80ths cash.

Roger has just been promoted and is concerned about the impact





of his new salary on the “deemed” contribution to his pension scheme. He also wants to know whether or not he can continue the contributions he makes to his own personal pension and whether there is scope for additional contributions.

His salary history is as follows.

Tax Year	Salary	Years of Service
2015/16	£70,000	30
2014/15	£62,000	29
2013/14	£60,000	28
2012/13	£58,000	27
2011/12	£54,000	26

The defined benefit scheme’s PIP runs from 6 April to 5 April. Roger has been making gross monthly contributions of £500 to his personal pension since 1 January 2007 (and the PIPs under his personal pension plan have previously been aligned with tax years).

When calculating the pension input amounts for a personal pension (or any money purchase arrangement) it is the actual contributions that are measured. With a defined benefits scheme, however, the actual contributions are irrelevant. Instead, a deemed contribution is used and this is based on the increase in the value of the pension over the period. The calculation for working out the deemed contribution to the defined benefits scheme is.

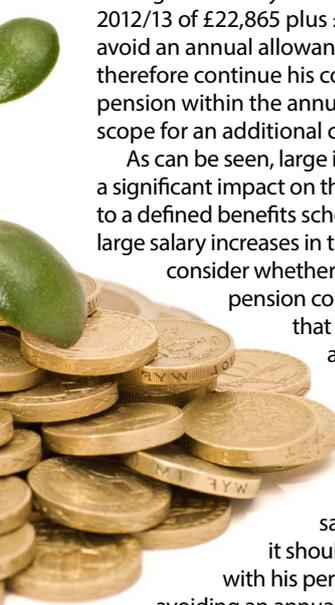
1. the value of the pension at the start of the pension input period;
2. multiplied by 16;
3. plus tax free cash (if accrued separately);
4. revalued in line with CPI at the September before the start of the tax year; and
5. deduct the value at 4 from the value at the end of the pension input period.

Roger’s calculation for 2015/16 would be as shown in **Pension Input Amount**.

Roger can carry forward unused relief from 2012/13 of £22,865 plus £9,735 from 2013/14 to avoid an annual allowance charge in 2015/16. He can therefore continue his contributions to the personal pension within the annual allowance and there is scope for an additional contribution.

As can be seen, large increases in salary can have a significant impact on the deemed contribution to a defined benefits scheme. If Roger is expecting large salary increases in the next few years he should consider whether to suspend his personal pension contributions to ensure

that there is sufficient annual allowance for his defined benefits scheme. However, carry forward amounts remain available from 2013/14 (15,373) and 2014/15 (16,748) so if large salary increases are unlikely it should be possible to continue with his personal pension contribution avoiding an annual allowance charge.



PENSION INPUT AMOUNT

<i>Pension value at the start of the year</i>	£	£
29/80 x £62,000 =	£22,475	
£22,475 x 16		359,600
Tax-free cash £22,475 x 3 =		<u>67,425</u>
		£427,025
£427,025 increased by CPI of 1.2%		<u>5,125</u>
Total		432,150
<i>Pension value at the end of the year</i>		
30/80 x £70,000 =	£ 26,250	
£26,250 x 16 =		£420,000
Tax-free cash £26,250 x 3		<u>78,750</u>
		498,750
Deemed contribution (£498,750 – 432,150) =	£66,600	
Plus: Gross monthly contribution personal pension premiums		
£500 x 12 =	<u>£6,000</u>	
Total pension input =	£ 72,600	

Summaries

<i>Pension Input Period</i>	<i>Pension Input Amount</i>	<i>Annual Allowance</i>	<i>Annual Allowance Available</i>
2015 – 2016	£72,600	£40,000	(£32,600)
2014 – 2015	£23,252	£40,000	£16,748
2013 – 2014	£24,892	£50,000	£25,108
2012 – 2013	£27,135	£50,000	£22,865

If there is an annual allowance charge, in the first instance Roger must pay the charge via self-assessment. The excess contribution over the annual allowance is added to his income for the tax year and he will pay tax on the excess at his marginal rate. However, if the charge exceeds £2,000 the scheme can pay the charge, with a proportionate reduction in his benefits at retirement.

Next steps

Where a member of a defined benefits scheme exceeds the annual allowance, the scheme administrator is required to inform them by 5 October following the end of the tax year. They will provide the deemed contributions for the tax year in question, plus the previous three tax years. The member must then work out whether there is an annual allowance charge, how much it is, and make arrangements to pay it.

Although this is useful information, it is always going to be historical and, in effect, is telling the member about the potential tax charge they have already incurred. There is thus an opportunity for the adviser to provide an important added value service here. By making an estimated projection of likely earnings and contributions the adviser can calculate whether it is likely that the annual allowance will be exceeded as a result of a salary increase. Advice can then be given on the allowable level of any additional pension contributions before an excessive amount is paid.



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Doing the laundry

Jenny Mair explains the important role of the money laundering reporting officer in preventing a firm from becoming unwittingly involved in illegal transactions.

TEN SECOND SUMMARY

- 1 The importance of the MLRO.
- 2 Factors to consider and information to provide when making a suspicious activity report.
- 3 Obtaining the consent of the National Crime Agency.

Businesses covered by the Money Laundering Regulations SI 2007/2157 must have controls to prevent them from being used for money laundering purposes. Such businesses must appoint a nominated officer or “money laundering reporting officer (MLRO) as part of that operation.

The MLRO should be a partner or senior person within the practice and they should be authorised to make decisions independently. A deputy money laundering officer (DMLRO) may be appointed to act when the MLRO is absent from the office on a regular basis or during periods of annual leave.

The MLRO is responsible for deciding whether or not an internal report is submitted to the National Crime Agency (NCA) by way of a suspicious activity report (SAR). When submitting such a report, the MLRO should ensure that the person making the internal report is not named. Staff should be made aware of the reporting procedures and the importance of their internal reporting obligations.

The MLRO is also responsible for ensuring that client-facing staff are fully trained and this training should be carried out on an annual basis. The Money Laundering Regulations, Part 3 para 21 state that “a relevant person must take appropriate measures so that all relevant employees of his are:

- a) made aware of the law relating to money laundering and terrorist financing; and
- b) regularly given training in how to recognise and deal with transactions and other activities which may be related to money laundering or terrorist financing.”

Reporting

If an internal report has been received, the MLRO is responsible for deciding whether to submit a SAR to the National Crime Agency. Factors to consider are as follows.

- Is there knowledge or suspicion that the person is engaged in money laundering?

- Can the person be identified or is there knowledge of the whereabouts of the laundered property?

It is important that the SAR is submitted promptly and that as much detail as possible is provided. A high proportion of reports do not include sufficient evidence and this can have a profound effect on the ability of the UK Financial Intelligence Unit (UKFIU) to process the report. Wherever possible, include the following details.

- The business making the SAR including an internal reference.
- The business being reported including: full company name, company registration number, addresses of registered office and trading premises including postcodes, email addresses, web addresses, tax and VAT registration numbers.
- Information on reported individuals including: full names, dates of birth, full addresses including postcodes, telephone contact numbers, email addresses, National Insurance numbers and passport numbers.
- Bank transaction details if known, including sort code and account numbers.
- Information relating to the knowledge or suspicion of money laundering, providing an explanation of any technical terms.
- The crime reference number, if the matter has been reported as a crime.

SAR online

The quickest and easiest way to submit a SAR is online via the National Crime Agency website (www.nationalcrimeagency.gov.uk). Registration is simple and requires an email account, which becomes the user's SAR online ID. On completion, a welcome pack contains guidance documents on submitting SARs, useful contacts and a glossary of terms. This can be used to identify the specific category of activity that is being reported, which assists the law enforcement agencies to distribute the report to the relevant department.





Once the report has been submitted, it is acknowledged immediately by email with a unique reference.

Remember that SARs are for reporting suspicious activity, not a means of obtaining guidance and advice from the National Crime Agency. For assistance in such matters, the supervisory body should be contacted. The IFA is recognised as a supervisory authority for supervising the compliance of IFA and FTA members in practice with the money laundering regulations.

It is always important to remember that failure to disclose is an offence under the Proceeds of Crime Act 2002, Part 7. Section 330 ("Failure to disclose: regulated sector") states:

1. A person commits an offence if each of the following three conditions is satisfied.
2. The first condition is that he:
 - a) knows or suspects; or
 - b) has reasonable grounds for knowing or suspecting, that another person is engaged in money laundering.
3. The second condition is that the information or other matter:
 - a) on which his knowledge or suspicion is based; or
 - b) which gives reasonable grounds for such knowledge or suspicion, came to him in the course of a business in the regulated sector.
4. The third condition is that he does not make the required disclosure as soon as is practicable after the information or other matter comes to him.

Consent

In some circumstances an adviser could be committing a money laundering offence by completing a transaction on behalf of a client. In such cases, when submitting the SAR, the consent of the National Crime Agency should be sought to continue with the transaction.

The agency must respond within seven working days of the first working day after receipt of the report. If a response is not received from the agency within these seven days, the adviser can assume that they have consent and can proceed with the transaction. In fact, the agency's average response time is just over three working days.

If, within the seven-day period, the National Crime Agency gives notification that consent is not granted, a further 31-day "moratorium period" must elapse before the transaction is processed. If the moratorium period expires the activity may proceed. However, in some cases the National Crime Agency will refer a report to other law enforcement agencies (for example, the police) and the adviser may be contacted by them. In such instances, the activity will not be able to continue.

The Proceeds of Crime Act 2002, s 335 ("Appropriate consent") states:

1. The appropriate consent is:
 - a) the consent of a nominated officer to do a prohibited act if an authorised disclosure is made to the nominated officer;
 - b) the consent of a constable to do a prohibited act if an authorised disclosure is made to a constable;
 - c) the consent of a customs officer to do a prohibited act if an authorised disclosure is made to a customs officer.
2. A person must be treated as having the appropriate consent if:
 - a) he makes an authorised disclosure to a constable or a customs officer; and
 - b) the condition in subsection (3) or the condition in subsection (4) is satisfied.
3. The condition is that before the end of the notice period he does not receive notice from a constable or customs officer that consent to the doing of the act is refused.
4. The condition is that :
 - a) before the end of the notice period he does not receive notice from a constable or customs officer that consent to the doing of the act is refused; and
 - b) the moratorium period has expired.
5. The notice period is the period of seven working days starting with the first working day after the person makes the disclosure.
6. The moratorium period is the period of 31 days starting with the day on which the person receives notice that consent to the doing of the act is refused.

Note that each transaction requires its own separate consent.

The National Crime Agency may grant consent for an illegal transaction because they may wish to track it. In such circumstances, the client must not be informed that a SAR has been submitted and nor should consent be discussed. This would constitute "tipping off". If the agency does not grant consent, then the adviser will be committing an offence if they proceed with the transaction.

Conclusion

Further information on the anti-money laundering regulations can be obtained from the National Crime Agency. However, to protect themselves and their practice, advisers should always submit a SAR if they are in any doubt about whether to carry out a transaction.

FURTHER INFORMATION

National Crime Agency:
www.nationalcrimeagency.gov.uk

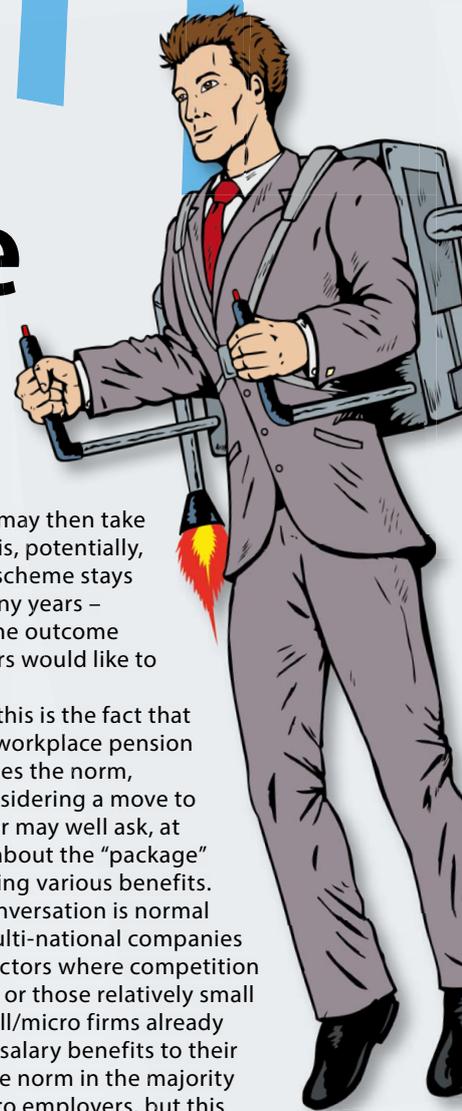


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Plan for the future

With auto enrolment staging dates rapidly approaching, *Neil Mutton* advises employers to plan early to motivate their staff.



TEN SECOND SUMMARY

- 1 Has too much emphasis been placed on the short-term legalities of auto-enrolment at the cost of consideration of the longer-term benefits?
- 2 An employer's pension scheme should be an attractive benefit when recruiting new talent.
- 3 Accountants should be encouraging their clients to plan ahead.

The sad thing about auto enrolment is that, to date, the majority of the communication and industry focus has been spent on the implementation process rather than the real point and benefit. This is to help employees save for their retirement, which is of course a very good thing indeed.

A workplace pension being in place, possibly for the first time, is the outcome of the process, but what sort of pension scheme will be in place and will this meet the needs of the workforce in the business? Will it meet their aspirations or, in any way, be a motivational employee benefit? Or will it merely tick a box for the employer that infers "I am compliant"?

While meeting the compliance, administration and general employer duties associated with the automatic enrolment legislation is the first priority of many employers, this should quickly turn to the question "is this pension going to provide a real benefit for my staff?"

As with all things in life, the benefits provided should be the best that are available for the budget provided, rather than driven by "time to go" because the planning has been all too late.

In truth, ignoring the written "nudges" by The Pension Regulator to act, in reality from 18 months away, could determine the pension scheme(s) available in the first instance. Once a scheme is set up, business focus moves to other

issues. Apathy may then take over and what is, potentially, a sub-optimal scheme stays in place for many years – probably not the outcome many employers would like to consider.

Worse than this is the fact that once having a workplace pension scheme becomes the norm, individuals considering a move to a new employer may well ask, at the interview, about the "package" on offer including various benefits. This type of conversation is normal in large and multi-national companies operating in sectors where competition for staff is high or those relatively small number of small/micro firms already providing non-salary benefits to their staff. It's not the norm in the majority of small or micro employers, but this may change as workplace pensions are implemented in more than 1.3m employers over the next 24 to 36 months.

If we think about job interviews today, job responsibilities are key. The question of whether they will fit in is probably at the front of the potential employee's mind and options for career progression are essential. These issues lead to discussions about salary.

All being well, the candidate can be motivated to join a firm. But it's not stretching the imagination too much to consider that, in the future, employer/employee discussions will shift to wider benefits being provided and, specifically, employer pension contributions and the name of the pension scheme provider. It would be a brave employer who thinks this would not be important. After all, which employer does not want to attract and retain the best talent available to them? Do they really think



that making the minimum level of contributions into a poorly performing pension scheme will help attract a high-quality individual away from an employer making higher contributions into a well performing pension scheme provided by a household name pension company?

Of the professional services who advise a business, accountants have a strong “trusted adviser” role with their employer clients.

Accountants are themselves trying to learn the auto enrolment legislation and, with this in mind, they should also be nudging their employer clients to plan ahead; six to nine months in advance is ideal.

Many of the mainstream pension scheme providers have two practical factors by which they decide whether to offer terms to a given employer:

- the average contributions being paid in over a year across the workforce; and
- the remaining time before the employer’s staging date.

Commerciality drives the first factor and practicality drives the second.

Already, rather than following the advice in letters from The Pensions Regulator’s to plan early, some employers are already deciding to leave all actions to the last minute.

Even if, ordinarily, the mainstream pension providers would be willing to offer pension terms to an employer based on average contributions being high enough, the provider would probably refuse to proceed if there was, say, fewer than three months to go to a staging date.

Our experience is that this “three months to go” limit is being rigidly applied and the pensions industry cannot be blamed for this approach. There are still 1.3m firms that have yet to reach their staging date. As a result, there should be plenty of organised and “well-contributing” employers still in the pipeline to allow the pension providers to meet their commercial objectives for 2016, 2017 and beyond.

Of course, the auto enrolment legislation demands that there must be a solution available so that the employer meets their duties; even for a one employee business where the employer wishes to make minimal contributions and where the employee subsequently opts-out after being enrolled. NEST, the master-trust provider, was set up with this public service obligation in mind.

Plan ahead

So the key phrase for every employer is plan. Plan the contribution levels and longer term budget increases. Plan how the administration and record keeping will be done (eg payroll provider using their software). Plan to educate the workforce about why saving for retirement is a very good thing and why, when those enrolled notice their take-home pay has reduced, that it’s not a surprise; they have already been forewarned that the first of their pension contributions will be taken out.

In general terms, individuals should always take responsibility for their own lives and not rely on others to take responsibility for them. This includes, of course, how the individual will fund their decades of retirement. With the state no longer able to do this, the onus will quickly shift to employers becoming, for the employed population, the first or even the only provider of their pension solution. This therefore needs to be the best solution that budgetary and other factors can provide.

Will this be enough to retire on and meet the aspirations for retirement an individual has, whether 25 or 55 years old? Only the individual knows, but we all have the right to decide for ourselves what to do with our own money.

Further pension legislation has now changed to enable this to happen. The counter argument is that few of us know what is best and even fewer can make informed decisions well enough to guarantee an appropriate income, and none of us know what’s going to be enough.

History teaches us that, in general, pension pots are never big enough. It is therefore a safe assumption that we will all need to be clever going forward and also that a workplace pension, probably started because of auto enrolment legislation, is unlikely to be enough.

Employers must understand the legislation to make sure that they comply with their duties, budget and build repeatable processes; but it’s so much more than that.

I often use a phrase “start with the end in mind”. When thinking about auto enrolment, this means planning to provide the best pension scheme that’s possible. This will provide a real employee benefit that may go some way to attracting and retaining the best talent possible. Naturally, it will also give them the best chance of the retirement they wish for.



Neil Mutton has over 20 years of global corporate experience primarily in the pharmaceutical industry at Lilly Industries, Pfizer and GlaxoSmithKline before joining the financial services industry in 2008. Neil is both a director of Q&A People Matter and also a partner in their affiliate financial services business Ablestoke Financial Planning LLP. Neil leads on the automatic enrolment solution requirements within the business.

Outside of work, Neil has had the experience of managing within the social and sporting sphere; he was captain of Wentworth Golf Club in 2008 where he has been a member for 16 years.

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Sharing solutions

Practical hints and tips on accountancy, tax and general business matters.

CASTE DISCRIMINATION

The subject of discrimination on the grounds of caste has recently been brought to the fore in the case of *Chandok v Tirkey* at the Employment Appeal Tribunal in 2014.

At the moment, caste is only protected under the Equality Act 2010 where it is treated as a protected characteristic and is therefore fairly difficult to prove. Following this case, the UK government carried out a consultation that will give way to legislation, which is expected to come into force in 2015. This will make caste discrimination unlawful as a stand-alone offence outside of the Equality Act 2010. This is particularly relevant to employers who are predominantly populated by ethnic minority workers where the likelihood of conflict could arise.

*Justine Riccomini,
employmenttax.com*



APPRENTICESHIPS

Since December 2013, it has been known that, with effect from 6 April 2015, employers would not have to pay National Insurance contributions on payments to an employee under 21 years old with earnings below the upper earnings limit (currently £805 per week).

In the 2014 autumn statement, the government confirmed that, from 6 April 2016, it would extend this exemption to apprentices below the age of 25. This represents a substantial saving for employers of more than £4,000 a year for each apprentice.

The day before Budget 2015, it was also announced that there will be a new digital apprenticeship voucher system. Under the new system, which is being developed by the Skills Funding Agency, employers will register details of their business, the apprentice and apprenticeship standard. The system will then calculate the amount of training discount available and generate a voucher code that can be passed on to the training provider. In turn, the provider can reclaim the cost of training from the Skills Funding Agency. The new system should be fully implemented from 2017.

It was also announced that there will be a 57p increase to the national minimum wage for apprentices from October 2015 to £3.30 an hour. This represents a 20% increase in the apprentice rate. This is the largest ever increase and is more than the 2.6% recommended by the Low Pay Commission.

These announcements mean that the apprenticeship scheme may be of even more benefit to small businesses. These measures follow on from previous attractive incentives for employers with less than 50 employees such as the grant of £1,500 for each of up to 10 apprentices aged 16 to 24.

The Skills Funding Agency website is at: www.gov.uk/government/organisations/skills-funding-agency.

*Ellie Brown,
Brown Bear Taxation Ltd.*



SECURE YOUR BUSINESS DATA

Those of us in business should know the importance of backing data up and of having a disaster recovery plan, but do we test these? Some tips from a recent talk on this subject are as follows.

- Check that data back-up is working.
- Think about security on portable devices which may be lost, stolen or damaged. Long thread e-mails contain too much information that might be useful to others. Try to start a new thread.
- Buy the best antivirus software and change passwords regularly.

Finally, check your insurance.

*Geoffrey Rogers,
Geoffrey Rogers, Chartered Accountants.*





ZERO-HOURS CONTRACTS

The government's prohibition on exclusivity clauses in zero hours contracts came into force on 26 May 2015 by way of the Small Business, Enterprise and Employment Act 2015, s 153.



While the aim of this ban is to provide protection for low paid employees, another area where this might have an impact is in relation to consultancy arrangements for higher-paid employees. It is not unusual for these to be structured on a "zero hours" basis and, in light of the new legislation, it may not be possible to enforce a restriction on a consultant working for anyone else. This could be problematic. The prohibition only applies if a consultant is engaged as an "employee" or "worker". It will not apply if they are genuinely carrying on their own business and the engagement is with a client or customer and not an "employer", nor will it apply if the contract is not a zero hours contract.

Accordingly, for consultants where there may be an issue over non-compete restrictions, businesses should focus on establishing either that they are genuinely running their own business (it may help to contract through a limited company entity) or structure the contract as a minimum hours or guaranteed hours contract.

The government may bring out further regulations, so advisers should watch out for these.

*Sue Gilchrist,
Pinsent Masons.*

THE HASTINGS BASS PRINCIPLE

The decision of the Supreme Court in *Pitt v Holt* [2013] UKSC 26 was pretty much the last word on mistake and on the limits of the Hastings Bass principle.



In the autumn, the case of *Wright v Nat West Bank Plc* reviewed the guidance from the Supreme Court in deciding whether they were able to exercise their discretion to rescind a disposition on the basis of a unilateral mistake. The High Court said that such a mistake cannot be a pure question of fact nor can it have arisen out of inadvertence or ignorance. The causative mistake must be so grave that it would be unconscionable for the court to refuse relief. The High Court has again considered this principle (and in particular the observation of Lord Walker who in 2002 wondered why the courts, rather than the parties' professional indemnity insurers, should have to pick up the pieces when a mistake had been made).

In the case of *Freedman v Freedman & Others* [2015] EWHC 1457, Mr Freedman settled money on his daughter (not for any tax purpose, but purely for personal and family reasons) having been advised that no inheritance tax liability would arise because of the life interest of his daughter. Unfortunately, the advice had overlooked the fact that since 2006 such a gift would be a lifetime chargeable transfer giving rise to an immediate 20% charge. This had such a serious effect on the family's financial situation and their relationships that the High Court thought this was properly described as grave. The settlement was created primarily for the protection of his daughter rather than the other beneficiaries. The large tax liability which arose was extremely serious and the court decided it would be unconscionable for the other beneficiaries to profit from this mistake and the settlement

was accordingly set aside on the grounds of equitable mistake.

This does not break new ground, but confirms the principles established by the Supreme Court in *Pitt v Holt* which are lifesaving in the right circumstances. HMRC opposed the application not it seems out of any particular wish to disadvantage the applicant, but just to ensure that all the relevant arguments were fully articulated before the court.

*Peter Vaines,
Squire, Patton Boggs.*

VAT ON CAR DERIVED AND COMBI VANS

It will have not escaped the canny adviser and businessman's attention that the VAT treatment for a van is far superior to that of a car. It is therefore essential that those purchasing a new vehicle and those advising them are clear on the distinction. Help is at hand because a six-page list available from HMRC details makes and models of cars and combi vans. This is a very useful guide to ascertain whether a vehicle is a car or a van and as a result whether or not input VAT can be reclaimed.



The tax position is that VAT can normally be reclaimed in full if the vehicle purchased is a commercial vehicle, ie a van. If the vehicle is a passenger car, VAT cannot be recovered unless the use is "exclusively for the purposes of a business". Generally speaking, therefore, VAT will not be recoverable on the purchase of a car.

HMRC's VAT guidance states:

"Motor car means any motor vehicle of a kind normally used on public roads which has three or more wheels and either:

- is constructed or adapted solely or mainly for the carriage of passengers; or
- has to the rear of the driver's seat roofed accommodation which is fitted with side windows or which is constructed or adapted for the fitting of side windows."

The guidance does not go as far as specifically defining "commercial vehicle", but the definition of a car excludes:

- vehicles capable of accommodating only one person or suitable for carrying twelve or more people including the driver;
- vehicles of more than three tonnes unladen weight;
- caravans, ambulances and prison vans;
- special purpose vehicles such as ice cream vans, mobile shops, hearses, bullion vans and breakdown and recovery vehicles;
- vehicles constructed to carry a payload of one tonne or more.

It follows therefore that if a vehicle does not match the definition of a car by default it may be deemed to be a van. Looking into the detail, some car derived vans will not meet the definition of a car for VAT purposes due to having metal side panels to the rear of the front seats or not having rear seats or having a load area which would be completely unsuitable and unsafe for carrying passengers etc.

Following recent developments in the car derived van market HMRC have published a clarification because some vehicles with a small payload of less than one tonne have clouded the distinction between cars and vans. This can be found at: www.GOV.uk-car-derived-vans-and-combi-vans.

*Julie Butler FCA,
Butler & Co.*



Pension pros and cons

Andy James considers at the pros and cons of holding annuity products or entering into drawdown following the recent pension reforms

TEN SECOND SUMMARY

- 1 The introduction of the pension drawdown facility will provide pensioners with greater income flexibility.
- 2 Annuities may still be attractive for those who require certainty, but may be combined with a drawdown element.
- 3 Major changes in the pension regime mean that advance planning may be beneficial, particularly with regard to inheritance tax.

The new tax year has brought plenty of change with it. Most notably, the new pension rules are now up and running – reforms which allow much more freedom for savers to spend their retirement savings as they choose once they reach 55 years of age.

As always, however, further change is on the horizon. Those still saving for their retirement will need to be aware that the lifetime allowance for pension savings will reduce to £1m from April 2016. Further, the previous government was considering whether to allow anyone with an annuity to sell the income stream for an upfront cash sum.

Annuities and income drawdown

For those thinking of how best to generate an income in retirement, purchasing an annuity or entering into

drawdown will be the two main options. Here is a brief explanation of these two routes.

An annuity is bought from an insurance company and provides, in most cases, a guaranteed income for life. This income is taxed at the annuitant's marginal rate.

There are various types of annuity offering different features. For example, the annuity might pay the same income year after year or could gradually increase over time. Purchasing an annuity is therefore a long-term decision about the saver's future income and care should be taken to ensure that the right choice is made for the saver and their family.

On the other hand, income drawdown allows the saver to take an income directly from their pension savings. Any income withdrawals are taxed at the marginal rate. A particularly attractive feature of drawdown is that the saver can take as little or as much income as they like, whenever they like. This flexibility allows the saver, for example, to take more income in their early retirement years when they may be more active and a smaller income further down the line, when perhaps they are slowing down a little.

One thing to note about drawdown is that the pension savings remain invested in the chosen investments. This option is, therefore, not without risk – the pension income can be affected by how well those investments perform.

A 25% tax free lump sum can be taken with either the annuity or income drawdown options. The annuity, for example, would be purchased after the lump sum is withdrawn from the pension pot.

Pensions and beneficiaries

Lifetime annuities die with the pensioner and cannot be passed on following their death. However, an annuity may be purchased that will make payments to beneficiaries after the pensioner's death. Under the new rules, if the saver dies before reaching the age of 75, having chosen to provide an annuity for their beneficiaries, the payments will be tax free.





One of the big advantages of drawdown is that the remaining pension fund can be inherited by the saver's beneficiaries. Even if the saver dies after age 75, their beneficiaries will only be taxed at their marginal rate if they take an income from the pension. A tax charge of 45% will apply if benefits are taken as a lump sum, although this changes from 2016/17 when the beneficiary's marginal rate of income tax will apply. Furthermore, the new rules mean that a pension which is passed on can be further inherited on the death of the saver's successor.

This is good news for those wishing to pass on assets to the next generation. Pensions are now much more efficient from an estate planning perspective. One consequence is that the saver now needs to think about how they pass on their assets much earlier in their lifetime. This is because the way the pension is taken may affect how easy or difficult inheritance tax planning is in the future.

MIKE'S PENSION

Mike has a pension fund worth £280,000 and, having ceased employment, he has no other income. Mike wishes to drawdown the whole amount in 2015/16. He takes £70,000 as tax free cash, the maximum 25% allowed for an individual, and the remaining £210,000 would be taxed as follows.

Taxable	Tax liability
£31,785 at 20% =	£6,357
£118,215 at 40% =	£47,286
£60,000 at 45% =	£27,000
Total	£80,643

Mike will lose his personal allowance of £10,600 because his income for the year exceeds £100,000. The total tax payable by Mike is £80,643, an effective tax rate of just over 38%.

If Mike took the same fund out over a number of tax years he could keep his personal allowance and not pay any higher or additional rate tax at all. At current tax rates it would take Mike another five years to do this. Mike can still take the £70,000 tax free lump sum in the first year. Spreading the £210,000 evenly over five years would provide a taxable income of £42,000 a year. Using current tax rates, this would then be taxed as follows.

Taxable	Tax liability
£10,600 (personal allowance) =	0
£31,400 at 20% =	£6,280
Total	£6,280

Using some straightforward financial planning, and if we assume that allowances and tax rates remain the same, the total tax payable over five years would therefore be £31,400 (£6,280 x 5); an effective rate of tax of just 15% (14.95%) and a tax saving of nearly £50,000.

Annuities

The main attraction of a lifetime annuity is certainty. The saver knows that they will receive a guaranteed income for life and an annuity is therefore particularly useful to ensure that essential expenditure is covered. They can also be very attractive for those who wish to provide for their spouse and who require some protection against inflation through escalating payments.

The two main drawbacks of annuities are the lack of flexibility and the fact that income can only be passed on to a beneficiary named when the annuity is first purchased.

Drawdown

Income drawdown has two main attractions. First, it is highly flexible so income can be varied to match needs over the years. It can also be tailored to the saver's particular income tax position. For example, income could be drawn up to the pensioner's personal income tax allowance while supplementing this with income from other sources such as ISAs. As previously mentioned, drawdown can be a very efficient way of passing on wealth.

The big disadvantage is uncertainty. If too much is taken too soon, the pension fund could be exhausted before the pensioner's death. Future income can also be affected by how well or how poorly the underlying investments have performed.

One of the great things about the new pension freedoms is that a saver can use some of their pension savings to purchase an annuity while the remainder is used to provide drawdown income. For example, this strategy allows the saver to generate a guaranteed income to cover their essential expenditure while giving them the flexibility to top up this income as required from a drawdown account.

One lump sum?

With all the news of pensioners using their fund to buy a Lamborghini or to go on an extended world cruise, clients may be asking themselves "If I can take my full pension as a lump sum, why don't I just do that?" However, the new pensions flexibility brings with it additional responsibility. Taking the funds in full will rarely be the best option, not least from a tax point of view.

In the example of *Mike's Pension*, Mike could take all his funds at once, but in return he would suffer a considerable income tax charge.

Conclusion

With increasing life expectancies, savers may be depending on their pension income over a long period of time. Whether an annuity or drawdown is right for the client will largely depend on their particular circumstances and the risks they are willing to take with their retirement income. A qualified financial adviser can help them make the right decisions about how to structure this income.

FURTHER INFORMATION

Examples of how tax may apply are based on our understanding of proposed/current tax legislation. Whether any tax will be payable and at what level it is charged will depend upon individual circumstances and may be subject to change in the future.

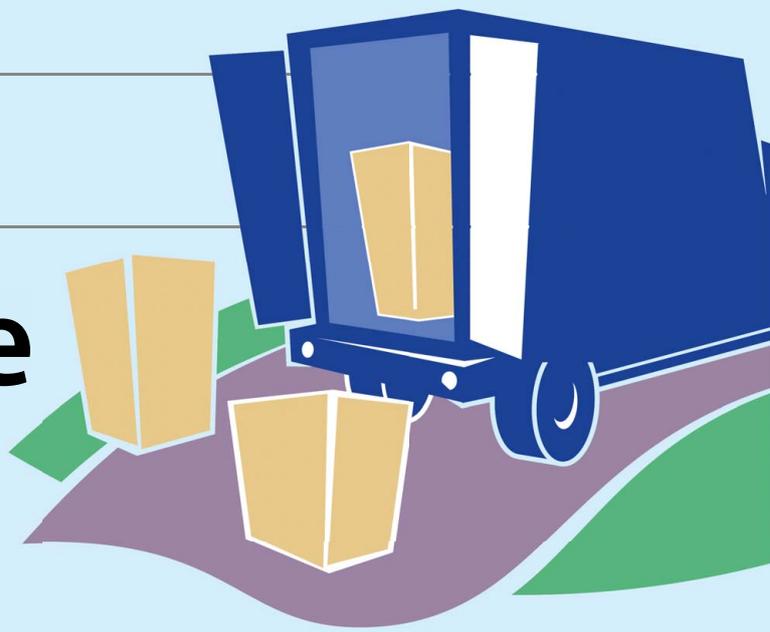


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On the move

Following the IFA's head office move, *Lucy Sharp* and *Russell Clemence* share their top ten tips for relocating an office.



TEN SECOND SUMMARY

- 1 Advance preparation is the key to a successful office move – allow several months to plan and arrange matters.**
- 2 The office move may be an ideal time to review business processes and requirements.**
- 3 Do not forget the essential requirements of tea and biscuits.**

After almost 35 years, the IFA moved out of its head office at Burford House, Sevenoaks on 17 April 2015 and relocated to new offices at The Podium, Euston, London. Business operations successfully restarted on 21 April 2015.

A business trying to move office without having a clear direction is asking for trouble. A successful office move requires detailed co-ordination, meeting of deadlines and juggling a multitude of tasks. This can prove stressful if it is not handled effectively.

With the process of closing down one office and relocating to a new office fresh in our minds, we wanted to share our experiences and translate them into our "top ten tips". These may be of particular interest to small businesses, which often find themselves having to move premises as they develop and grow.

The process of planning the relocation of the office had begun two months earlier and although the many "office move guides" we studied beforehand were very useful, we wanted to provide the tips that we feel are the most important to bear in mind.

1. Develop a brief

Establish the requirements for the new office, in terms of reasons for wanting to move, office facilities required, the amount of space needed to accommodate desks, meeting rooms, reception area, storage and expansion. The location, type of premises – whether to buy, lease or rent and length of commitment – are also important.

2. The move strategy

Having found a new location, develop a move strategy and implementation plan.

Assembling a suitable and competent relocation team to plan and drive the activities associated with the move is a key task. Two months before we moved, Russell Clemence, the IFA's marketing

and communications director, accepted the role of project leader and moved swiftly to appoint Lucy Sharp, an occupational psychology MSc graduate, as project assistant.

Working together, they identified the key dates associated with the move. Input was sought from key decision-makers on the important drivers, requirements and constraints, and support was secured from internal departments. These were all vital precursors to developing the move plan.

The smooth running of the IFA move project was underpinned by the week dedicated to developing a detailed project plan. This was divided into five sections: key dates; budget planning; Burford House office close down; removals and disposal of contents; and preparing and setting up the new office.

Each section of the plan included every task that needed to be fulfilled, the steps leading up to them, and the dates each task needed to be completed.

The project plan brought together the structure, focus, checks and balances to the multiplicity of tasks and provided the road map to implement them. It also enabled all stakeholders to monitor progress and be aware of what tasks remained as the project progressed.

3. Choose the service providers

Moving offices often requires the appointment of external service providers to help facilitate all aspects of the move and these should be chosen carefully. The teams will typically include a property agent, property solicitor, office planner and an IT and telecommunications specialist.

For example, based on predetermined selection criteria, the IFA reviewed three removals companies. This resulted us in appointing a local firm, Britannia Bearsbys of Kent, who provided an end-to-end service. Their work included moving possessions, waste disposal and archive storage, which contributed to the flexibility they were able to provide. Consequently, when last minute changes happened (always likely in an office move situation) they were able to cater for them.

4. Office service providers

If an office has been occupied for a significant amount of time, the number of service providers – gas, electricity, water, bins, CCTV, fire extinguishers, secure waste disposal – starts to add up and contractual relationships must be managed carefully.



It is imperative that all contractual matters are assessed at the outset to allow enough time for cancellations and transfers to the new office. Although we reviewed contracts and invoices relating to office service providers from the outset of the project, there were still issues relating to the building that cropped up right up until our move date.

Our plan allowed a buffer period between moving and the date we needed to hand over the keys to Burford House, providing the necessary flexibility and time to resolve these unforeseen issues.

5. The lease or sale agreement

Before vacating the existing premises, it is important to establish and understand current obligations and liabilities in relation to any agreements that may exist with a landlord or serviced office provider or, if the office premises have been sold, with the new owner. It may be appropriate to appoint a property agent or property solicitor to advise on these issues.

6. Maintenance and repairs

When any maintenance work or tasks requiring the removal of items from the office (signage, plaques etc) have been identified obtain two or three quotes from different handymen and agree the schedule of work and timing of this work.

Not only do these separate quotes provide a comparison of costs and services but, if unforeseen circumstances occur with the contractor, there is a potential plan or second person who can be brought on board. Also, bear in mind the possibility of unforeseen maintenance tasks and check the contractor's availability to complete these at short notice.

7. Planning the new space

After a month of drawing floor plans and liaising with our new serviced office provider from afar, we made arrangements to visit the new office to plan the positions of desks, storage areas and IT facilities.

Bringing together the relocation and senior management teams and our office provider enabled us to complete the office space planning and ensure that expectations on all sides were managed and reset where necessary.

Physically being in the new office makes all the difference. It is then possible to visualise the best fit for furniture and take into consideration the location of electrical sockets and network ports. A tape measure to accurately measure wall and floor space is also advisable.

8. Storage requirements

Be realistic about the amount of storage that will be needed. Compare the existing storage space and the space that will be available at the new office.

A SUMMARY OF THE IFA OFFICE MOVE PROJECT PLAN

1. Key dates
2. Budget planning
3. Burford House office close down
 - Legal, administrative, information and communications technology considerations.
 - Maintenance tasks.
 - Inventory of contents.
 - Determine contents to be relocated, placed in archive storage or disposed of as secure waste/unsecured waste.
 - Identify and contact office service providers and key stakeholders.
 - Inform IFA members of office close down/relocation arrangements.
4. The removal/disposal of contents
 - Relocation of items/paperwork/files to archive storage.
 - Disposal of items/paperwork/files from Burford House.
 - Relocation to new premises at Euston.
 - Moving out day/moving in day.
 - Post move activities/old office handover.
5. Setting-up the new office
 - Organising paperwork, files and stationary storage.
 - Office space planning and location of desks and office furniture.
 - Information and communications technology requirements and set up.
 - Ordering office furniture, equipment, telecoms

At Burford House, there was an excess of space, so we downsized when relocating to Euston. This meant very careful organisation of the storage units and the use of off-site archive storage for older documents.

Although this provided some challenges, it facilitated a root-and-branch review of the material that had accumulated at Burford House. Business requirements were redefined and a reorganisation enabled us to dispose of files and furniture that were no longer needed.

View the office move as a fresh start and an opportunity to embark on a change of management process that will increase performance and motivation.

9. IT and telecom requirements

When business operations are highly dependent on IT and phone systems – and which are not nowadays – these services must be prioritised during the office relocation.

Make sure that the IT and telecom requirements of the business can be replicated at the new premises.

10. Provide refreshments

Finally, and most importantly, make sure that the following are ready to hand: tea; coffee; sugar; milk; biscuits and a kettle. In our experience, very many hot drinks are consumed during an office move. Tea appears to be essential to keep the company's removal team refreshed and happy and able to cope with all the physical work that must be undertaken.



Russell Clemence is the marketing and communications director of the Institute of Financial Accountants. He directs the marketing, communications, event management and public relations team. Russell can be contacted by email at: russellc@ifa.org.uk or telephone: 07876 390 530.



Lucy Sharp is a recent graduate with a masters degree in occupational psychology. She joined the IFA in February to form the relocation team with Russell Clemence. She is now working on her next project, a data cleanse of the IFA system.



Pain-free pensions

David White explains how accountants can avoid the main auto enrolment pain points when supporting SMEs with the process.

TEN SECOND SUMMARY

- 1 This is an important year for auto enrolment and will see the biggest number of companies staging to date.
- 2 A pension scheme may be required even though there are no current members.
- 3 Postponing a decision regarding auto enrolment may cause problems.

It may feel like pensions auto enrolment is old news. Companies have been staging for almost three years and the topic has been a source of news and debate within the financial industry since the scheme's inception in 2012. However, in reality, auto enrolment is just getting warmed up. So far, only 3% of the UK's businesses have "staged" – ie have become responsible for automatic enrolment duties – and 2015 is a landmark year for auto enrolment for both businesses and their accountants. It marks the biggest number of companies staging to date and will see the UK's army of 1.2 million small businesses beginning to implement their workplace pension schemes.

Auto enrolment is absolutely essential to get the nation saving for retirement, but its implementation has not been plain sailing. The number of firms who have faced fixed penalty notices for non-compliance has rocketed from just three to 367 in the past six months. This uphill struggle is only expected to intensify as smaller businesses with fewer resources than their larger counterparts embark on the process.

What does this mean for accountants? As a trusted business adviser, companies will expect their help with this task. According to research from The Pensions Regulator, eight in 10 SME employers have consulted or are planning to consult a business adviser for assistance. So here are the top ten auto enrolment traps that advisers should watch out for and avoid.

1. Declaring compliance

Every business (even those that don't have any employees to enrol) must complete the declaration of compliance, to confirm to The Pensions Regulator that the firm has complied with its duties. However, according to data from the Regulator, just 55% of accountants are aware that this needs to be completed and more than a fifth

(21%) do not intend to complete the declaration of compliance or will refer it to another professional.

Even for those fully aware of the task, completion is another issue entirely. Businesses must have 20 separate pieces of information to complete the declaration, including a Government Gateway user ID, a letter code from the Regulator and a pension scheme registry number. Gathering this information is a colossal task in itself and accountants may be asked to complete the declaration for multiple clients. It will be key to develop both the knowledge and resources to deal with the declaration, or find a solution that does so, to avoid clients being hit with fines for non-compliance.

2. Keeping it in the family

Many of the nation's SMEs are made up of husband and wife teams and although many of those will deliberately pay themselves low wages plus dividends to optimise their tax position, they still have an auto enrolment responsibility. They must assess workers and, unless both are directors, a pension scheme must be available for use if required. However they may find it difficult to find a scheme if there is no prospect of them paying any contributions.





3. One-man bands

One-man band businesses do not have any auto enrolment responsibilities until they take on their first employee. But it will be easy to forget that they will need to implement a scheme if and when they do make that first hire – even if that's on a short-term or part-time basis. As their accountant, it will be important to make them aware that they will need to be auto enrolment ready when this happens – and be ready to helping them with the process as well.

4. Opting-in

The Pension Regulator's latest compliance bulletin (www.lexisurl.com/TPRQB) provides a great example of how many businesses are unclear of the rules when it comes to staff who are not eligible to be automatically enrolled, but who can choose to join or opt into a pension scheme. A cleaning business that was broadly aware of auto enrolment assumed that because most of its staff were "low paid" they did not have any duties – this is not the case. All those categorised as "entitled workers" or "non-eligible jobholders" have the right to join the scheme. This includes staff who may only work a few hours a week.

5. The payroll puzzle

As an accountant, it is likely that an essential part of assisting with auto enrolment will be integrating this with a company's payroll. An accountant handling payrolls for 150 clients, could be faced with endless combinations of pension providers and auto enrolment rules. This would mean uploading data 150 different times, in completely different formats, to different providers with different rules. Not only is this a tricky task, it is the key interface for the contributions to be made. It is therefore the area where problems are most likely to appear.

6. The pension scheme

Each business must choose the scheme in which their employees' money is invested. That is a big responsibility and help may be requested. Should they choose a master trust or a group personal pension (GPP)? Which default fund is appropriate for their workers? Choosing the all-important scheme is a challenge for many businesses and accountants alike.

7. Postponement

The challenge does not end when a decision has been made as to which scheme offers the best deal. It is vital to make sure it is promptly implemented. Many businesses think that postponing auto enrolment for three

months buys valuable time. However, employees can choose to join the pension scheme during this postponement period, meaning employers must have a pension scheme set up from their staging date. Accountants should be absolutely clear what the rules are around postponement – this is likely to be a hurdle at which many businesses will fall.

8. Freelance staff

When it comes to who to auto enrol, this is something of a minefield, with "workers" a wider category than "employees". People are assessed according to their age and earnings every pay period, meaning there is no hard and fast rule when it comes to groups like freelancers and part-time employees.

Employers have auto enrolment duties to anyone who works for them, including people who are on short-term contracts and provide personal services and where the nature of the work is set by the employer. For example, a freelance professional employed for three months to overhaul the office IT system would have to be assessed and potentially enrolled into the pension scheme.

9. Employees on leave

Regardless of the contract type or contracted hours, any worker under 75 could meet the criteria to be automatically enrolled or could choose to join the scheme. People on paid leave such as holiday, sabbaticals, parental leave, sick leave, or other types of paid leave still count as workers and must be assessed for auto enrolment and potentially enrolled into the scheme.

10. Ignorance is bliss

Our recent survey of over 500 small business leaders, whose companies are staging between 2015 and 2018, showed that just 24% would find time to implement auto enrolment and make it a success. Almost a fifth (19%) will leave auto enrolment until the last minute due to other business priorities and a worrying 11% admitted to not knowing what auto enrolment is.

Accountants have a responsibility to ensure that their clients are aware of their impending staging dates and what needs to be done to ensure compliance.

Conclusion

Businesses cannot risk getting auto enrolment wrong, but neither can their accountants. With many businesses struggling with the legislation it is essential that business advisers are not only on hand to offer support, but also to raise awareness of the main hurdles and how to overcome them.

Finding a solution that will help both the accountant and their clients to navigate the auto enrolment maze will allow real value to be added for clients who should then avoid the dreaded auto enrolment traps.



David White is managing director of Creative Auto Enrolment. He has more than 20 years' experience in the financial services industry and has been advising businesses on auto enrolment since its inception in 2012.

Creative Auto Enrolment has a one-stop online solution that handles almost the entire auto enrolment process. The service is free to both employers and accountants and takes a matter of seconds to complete. For more information visit www.creativeautoenrolment.co.uk or call 0845 619 0508. [lexisurl.com/TPRSD](http://www.lexisurl.com/TPRSD)



A funny thing...

... happened on his recent visit to Australia, writes *Marco De Vincentis*.

TEN SECOND SUMMARY

- 1 A warm and professional welcome at an IPA conference.
- 2 A high level of technical expertise.
- 3 IFA and FTA members should benefit from the amalgamation.

A little while ago, I had the good fortune to be able to spend some time in Australia. While staying at a hotel on Circular Quay in Sydney I noticed that a two-day conference was being held there by the Institute of Public Accountants (IPA). Knowing that our own institute had only recently completed its amalgamation with the IPA I was intrigued to investigate and find out anything I could about our sister institute from “down under”.

I approached the members’ reception area of the conference room where about 150 delegates were waiting before the commencement of their seminar. I explained that I was from the UK and that the IFA had recently joined together with their institute. I am very happy to report that their reaction was overwhelming. I was greeted with great professionalism, not to mention warmth. I stood talking to members of the IPA for nearly an hour because they were as interested in me and my own institute as I was with them and theirs.

I was invited several times to attend their course free of charge in full (or in part), however because of my limited time in Sydney and family commitments I reluctantly had to decline their kind offer. Nevertheless, I was supplied with a free but full set of course notes (which consist of more than 650 pages) and was encouraged to take these back with me back to the UK to show other IFA members.

Some trepidation

I will admit that when I first heard of the proposed association between the IFA and the IPA I was somewhat sceptical. What could an organisation based on the other side of the world have to offer?

I consider myself a fairly typical IFA and FTA member. I have run my own practice for almost

20 years, having started my career as an employee in a mid-tier accountancy firm. Over the past two decades I and my team have built a thriving practice which deals with clients ranging from small sole traders to substantial limited companies. What benefit would the IPA bring to me and my ?

I would like to reassure all IFA and FTA members that, having met their members, I came away with an excellent impression. In my, albeit limited, experience, the IPA and its members came across as one of the most credible, well-organised, respected and professional accountancy bodies that I have every had the pleasure of associating myself with.

Highly regarded

This impression was subsequently reinforced when I spoke to colleagues who work for one of the “big four” accountancy practices in Australia. They confirmed that the IPA is highly regarded among accountancy bodies on that side of the world.

What impressed me most about the IPA conference – and which was reinforced by my subsequent detailed examination of the accompanying notes – was the level of technical expertise that was on offer to their members.

Continuing professional development will be important to any member who is seeking to develop and improve their own business and, by extension, the businesses of their clients. As a sole practitioner myself – albeit supported by other qualified members of my team – it is easy to feel somewhat isolated. Attending local branch meetings is of benefit, but I am sure that we all take technical advice from elsewhere as well. The more support that we can obtain in this regard the better.

Very astute

In conclusion, my impression of the IPA was very positive: a welcoming body that is technically astute. To a business providing a range of services to our clients – payroll, bookkeeping, statutory compliance, accounts, tax returns – and which is looking to move forward into cloud accounting, something that is increasingly popular in Australia, our future together looks great.

Well done to the IFA, our association with the IPA is a job well done.



Marco De Vincentis

trained at Haines Watts in Birmingham before setting up MD Associates which will be celebrating 20 years in practice next year. Its seven members have more than 140 years of accounting and tax experience between them.

The practice has grown organically purely from referrals from banks, solicitors, insolvency practitioners, surveyors, financial advisers and, of course, existing clients.

Marco is married to Sabina, who also works in the practice as head of payroll, and they have two children.

Marco can be contacted by email at Marco@mdassociates.org.uk or visit: www.mdassociates.org.uk.



More meetings

Adam Lizzimore sets out the forthcoming branch meetings and reports on the institute's recent work and developments.

TEN SECOND SUMMARY

1. The dates and details for forthcoming local branch meetings.
2. Consideration of future qualification requirements to attract new members.
3. Thoughts for future developments from the IPA's chief executive officer.

Branch chairs from across the IFA local branch network met with the IFA management team on 21 May 2015 to review local branch activities. This took place against a background of a greatly expanded branch network that now covers the entire UK.

The meeting covered various areas which included:

- a review of the performance of the branches;
- consideration of member feedback from across the network;
- determining the timescales and processes for organising and promoting meetings; and
- examining how the ambassadorial role of local branch chairs could be improved.

There was also a debate to determine what the IFA and FTA must do to increase the appeal of its offering. The aim of this is to grow the membership base and a free-flowing discussion took place around the range of IFA qualifications that the IFA and the FTA needed to offer to attract more students.

The value of the IFA's strategic partners, the benefits that they provide and their value to members were also discussed.

Raising standards

As part of the IFA's on-going commitment to raising professional standards, the local branch chairs were provided with more insight on the work that the IFA was undertaking. This work is in the fields of continuing professional development (CPD), anti-money laundering and practice assurance; all of this information was well received.

The meeting coincided with a visit from the IPA senior management team. Andrew Conway, the IPA's chief executive officer, took the opportunity to share his thoughts on the progress that has been made in the transitional work that has taken place since the beginning of the year and the focus that is being applied to develop the wider group to achieve greater efficiency, effectiveness and member value.

THURSDAY, 30 JULY 2015 (9:30AM – 4:30PM)

London – Business Development Workshop

This one day event is focused on how a sole practitioner or small practice can gain new clients. The programme is supported with excellent materials and step-by-step guides that help drive your business and filled with tips and tricks to enhance your chance of gaining clients.

[CCT Venues Barbican, London](#)

Aldersgate House, 135 – 137 Aldersgate Street, London EC1A 4JA

Confirm attendance at: www.ifa.org.uk/events/national-events/

WEDNESDAY, 29 JULY 2015 (6:00PM – 9:00PM)

Northants, Beds & Herts branch

Tax Investigations
Anti-money laundering
[Holiday Inn](#)

500 Saxon Gate, Milton Keynes, MK9 2HQ.

Confirm attendance at: www.ifa.org.uk/events/branch-events/

TUESDAY, 21 JULY 2015 (6:00PM – 9:00PM)

West of England & South Wales Branch

Provisional date
Programme to be confirmed
[The Bristol Golf Club](#)

St Swithins Park, Blackhorse Hill, Almondsbury, Bristol BS10 7TP

Confirm attendance at: www.ifa.org.uk/events/branch-events/

WEDNESDAY, 22ND JULY 2015 (5:00PM – 8:30PM)

Devon & Cornwall Branch

Provisional date
Programme to be confirmed
[Plymouth Albion Rugby Club](#)

Brickfields Recreation Ground, 25 Damerel Close, Plymouth PL1 4NE

Confirm attendance at: www.ifa.org.uk/events/branch-events/



WEDNESDAY, 17 JUNE 2015 (5:00PM – 8:00PM)

Scotland Branch

Alistair Dean, ADLP Solicitors and **Donna Reynolds**, CCW Business Lawyers. Legal issues.
Richard Simms, FA Simms. How to spot insolvency warning signs.
Graeme Fernie and **Phil Reville**, Estate and Asset Protection Ltd. Wills, power of attorney, trusts and inheritance tax planning
Glasgow Caledonian University
Cowcaddens Road, Britannia Building, Glasgow, Lanarkshire G4 0BA
Confirm attendance at: www.ifa.org.uk/events/branch-events/

TUESDAY, 30 JUNE 2015 (7:00PM – 9:00PM)

Northern Counties Branch

Provisional date
Programme to be confirmed
UNW LLP Chartered Accountants
1st Floor, Citygate, St James Boulevard, Newcastle upon Tyne NE1 4JE
Confirm attendance at: www.ifa.org.uk/events/branch-events/

TUESDAY, 14 JULY 2015 (6:00PM – 9:00PM)

East Midlands Branch

Inheritance tax
Capital gains tax
Stoney Croft Hotel
Elmfield Avenue, Leicester LE2 1RB
Confirm attendance at: www.ifa.org.uk/events/branch-events/

MONDAY, 15 JUNE 2015 (6:00PM – 9:00PM)

Essex Branch

Paula Tallon, Gabelle: IR35
John Hood, Gabelle: HMRC Enquiries
Bishops Hall Park
Elizabeth Road, Brentwood, Essex CM15 9NP
Confirm attendance at: www.ifa.org.uk/events/branch-events/

MONDAY, 3RD AUGUST 2015 (6:00PM – 9:00PM)

London Branch

Provisional date
Programme to be confirmed
The Wesley
81–103 Euston Street, Euston, London NW1 2EZ
Confirm attendance at: www.ifa.org.uk/events/branch-events/



The dawn chorus

Adam Lizzimore welcomes a new day and a new dawn for the IFA, but with a continued focus on SMEs and SMPs.



TEN SECOND SUMMARY

- 1 Six new regional branches need the support of their local members.
- 2 The general election – what does it mean for IFA and FTA members.
- 3 The EU referendum is planned and the IFA would like to hear members' views.

In the couple of months since the previous edition of *Financial Accountant* a leadership change has taken place at the IFA. However, we will continue to pursue our aim to represent accountants and tax professionals as a credible "Voice of the SME", building on the foundations that have been established over recent years.

The enlarged local branch network provides a vital two-way communications channel that provides members with free access to continuing professional development on SME-focused technical and business topics, as well as expanding their business networks.

The member feedback and engagement sessions at each branch meeting enable the IFA to hear the voices of their members, so we can better represent them when we engage with, lobby and influence decision and policymakers on SME and SMP matters.

With six local branches recently established in Northants, Bedfordshire and Hertfordshire, East Midlands, North West Midlands, South West Midlands and West of England and South Wales, the chairs need local members to show their support by attending meetings.

The general election

The result is in, but what does it mean for small business?

The business community has greeted the general election result of with cautious optimism. Following promises made by the Conservative party in their manifesto, the new government is likely to implement a series of initiatives to support the growth of start-ups and SMEs. This is in addition to the initiatives stemming from the Small Business Act 2015, which was introduced in the previous parliament to increase the investment opportunities available to small enterprises and a review of "red tape" regulations that currently inhibit innovation.

The new government aims to treble its start-up loan programme, enabling entrepreneurs to

borrow up to £75,000, and to commit greater resources to the technology sector to strengthen the UK's digital economy.

The EU and its future

With the Conservatives committed to holding a referendum on the UK's role within Europe, what would be the impact of quitting the EU?

The IFA wants to hear from its members on the biggest concerns that they may have and how these may affect them and their businesses.

We would ask members to get in touch through their local branch or send thoughts on this subject direct to the IFA by email to: talktous@ifa.org.uk.

Accountex 2015

How many IFA and FTA members were among the 5,000 accountancy professionals who attended Accountex 2015 on Wednesday and Thursday, 13 and 14 May? For the IFA and FTA, it was a very successful event.

Mujibur Rahman, the IFA south west midlands branch chair, presented his topic, "The transition from business to private practice", to a capacity audience in the practice growth theatre.

We wish to thank not only Mujibur for his powerful presentation, but also all IFA and FTA members, other interested financial professionals and students who visited our stand.

We trust that everyone received a warm welcome and were provided with the information that they required. As part of our engagement process, we shall continue to keep in touch with prospective IFA and FTA members and students to enable us to provide more insight on how we operate and why we focus on SME matters.

2015 IFA and FTA Conferences

Over the coming weeks we will provide IFA and FTA members with more details and dates of our planned conferences that will take place in the second half of 2015. These will be a great opportunity for members to hear from industry experts on areas that will help financial and tax professionals employed in micro and small businesses or who are in practice advising micro and small businesses clients.

Members should keep an eye open for future communications on IFA 2015 events to ensure that they are guaranteed attendance.



Adam Lizzimore is the marketing and communications executive of the IFA. As part of his role, he coordinates the activities agreed with local branch chairs to support branch activities, including the promotion of local events and website content. He can be contacted by phone on 01732 467131 or email: adaml@ifa.org.uk



Teambuilding tips

Liz Needham reflects on the importance of teambuilding when starting a new small business.

TEN SECOND SUMMARY

- 1 Recognise the change processes that will affect how a team functions.
- 2 The importance of the leader's ability to communicate vision and objectives to team members.
- 3 Delegation enhances the career development of all those involved in sharing responsibility.

Once they have been established, many businesses will, sooner or later, require assistance. This may be in the form of self-employed contractors or more permanent employees. Even for the individual who does not need such assistance, they will still require help from other professionals. Having gone through this process myself, it occurred to me that some of my thoughts and experiences may be of interest to others who are about to embark on a new business venture. Setting up a new business and a new team is always a daunting prospect.

An ongoing process

When starting any new business, it is essential to have the right team on the ground to assist with the process. As a small business, this team might initially consist of the small business manager at the bank and an external accountant. As the business grows, these people are still part of the team, but there may be new members to consider, such as employees.

All teams go through a change process when they are first formed and when significant events occur. This might be a new member arriving, a key member leaving, a change of scope, increased pressure from outside or a change in organisational culture. A growing business may experience all of these changes and will need to incorporate them into the management of the team tasked with helping the business to function successfully.

Smarter teambuilding

A team is only as strong as its weakest link and putting together a team should take time and be subject to a "smart" analysis of business objectives. These goals should be: Specific, Measurable, Achievable, Realistic and Time-scaled.

Understanding the needs of the business will better prepare the proprietor for team selection, and learning the strengths of potential team members will be the determining factor when the time comes to build a successful team. Each member should be prepared to be accountable for his or her own performance in relation to the team and all should share the overall objectives and vision.

When establishing a team it is necessary to determine the role of each member and how the fulfilment of those roles feeds into the overall objectives of the team. My business employs a team of people with a range of qualifications, but each member must complete their tasks successfully for the team to function as a whole.

Research has found that the effectiveness of work groups in the financial services industry is related to the characteristics of job design, interdependence between team members, organisational context, team





FURTHER READING

Making Sense of Change Management. Cameron and Green – Kogan Page Ltd.

Relations between work group characteristics and effectiveness: Implications for designing effective work groups. Campion, Medsker and Higgs.

Personnel Psychology. Riding and Rayner.

Self Perception, Ablex Publishing, Westport, Connecticut.

Be More Assertive: Teach Yourself. Hayman – Hodder Education, Oxon.

People and Self Management. Palmer – Taylor and Francis, Oxford.

Effective Leadership in the Early Years. Siraj-Blatchford and Mani – Institute of Education, London.

Leadership Skills in the Early Years. O’Sullivan – Continuum International Publishing Group, London.



Liz Needham FFA
FFA FIAB has worked in bookkeeping and accountancy for almost 20 years. She has been employed both in practice and in private industry and has also spent time working within the banking and government sectors.

Liz is a fellow of the Institute of Financial Accountants, a fellow of the International Association of Bookkeepers and a fellow of the Federation of Tax Advisers. She can be contacted by email at liz@needhamaccountancy.com or visit: www.needhamaccountancy.co.uk



processes and composition. This was also the case with professional knowledge worker groups. Thus, an important factor in determining whether a team will be effective is the inter-relationship between the roles occupied by members and how they complement each other.

The team leader

The selection of leader is important. Ultimately, it may be that the original proprietor is not the person to lead the business. An inventor with a brilliant technological idea may have no business acumen and it would be sensible to employ someone else to ensure that the commercial side of the business was executed as prudently as the research and development side.

Knowing the weaknesses in a team (including one’s own) is a skill that must be learned if success is to be achieved. Weaknesses are what we do less well and we all have them whatever we may think. The trick is to recognise and accept them, and to find out how we can work around them so they do not prejudice the success of the business.

Most business proprietors will decide that they are the best-placed person to lead the team that they are establishing, but it is worthwhile acknowledging that this may change as the team develops further.

Communication skills

It may seem obvious, but communication – or the lack of it – has a disproportionate significance.

Leaders who encourage and create effective communication among their staff are more successful at imparting their vision. Consequently, this vision is better understood and thus embedded more consistently by staff in all areas.

Open and clear communication is the most important building block in the team-building model and work on this should be included in team-building sessions. If communication can be improved, many other issues will be eliminated – or at least reduced.

Many of us will have undergone this learning curve as we put a team together. For the sole trader or “one-person company” working on their own and with little day-to-day responsibility to others it is easy to neglect the communication of vision and ideas when subsequently working in a team. This culture can leave other members unclear about their role so the leader must learn to convey their thoughts and actions clearly.



Delegation

The delegation of responsibility is another critical area when building a team. There are two sides of the coin here: a willingness by the leader to delegate and of the team member to take on the task. As with communication, the “one-man band” can find this problematic. Business growth can result in a team being formed, but the owner may find it difficult to devolve responsibility for tasks. They may find it difficult to trust anyone else to perform the tasks to their standard.

The “worst case scenario” is where, when tasks are delegated, the owner is setting up the other team members to fail. If it is any consolation, research has found that this is not unusual. Many managers consider themselves indispensable, believing that they are the only people capable of performing certain activities or making decisions. Those who try to do everything themselves will be ineffective managers and are more likely to be dispensable.

The reality is that effective and appropriate delegation is good for both the team leader and the member to whom the task is delegated. It shows that the former has confidence in the team and also increases involvement, interest and challenge in the task at hand. This results in increased job satisfaction, motivation, self-esteem and valuable experience, all of which improve output. Once the importance of delegation is understood, the development of the team can progress.

Conclusion

From my own experience of running a business with the help and cooperation of a team, improved communication and delegation have been at the forefront of success in this regard. However, communication and delegation are matters that must have an ongoing role so that they continue to enhance the performance of the team and thereby the business itself.

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