

**T T R B A R N E S**  
chartered accountants

# T T R B A R N E S IN FOCUS

At last we have temperatures above freezing, and a little sunshine to boot. Give it a couple of months and it will be hosepipe bans and drought conditions. Well, it wouldn't be England if we weren't talking about the weather, would it? And the new edition of In Focus gives you the perfect excuse to put off the gardening and learn all about the new requirements of VAT on-line filing. This is not only our front page story (see below), but was also the subject of our recent seminar, held in conjunction with Sage software. More details overleaf.

Also in this issue, we have featured articles on the difference between employed and self employed individuals, a hot topic with HMRC at the moment, as well as suggestions to help you protect your business against fraud; and In Focus goes all 'Changing Rooms' with our article on colour branding your business.'

As usual, we have included our take on the Budget announcement.

By now we should all have a 'spring' in our step, and here at TTR Barnes, we are hoping that the forecast is for sunnier times ahead - oh, and a World Cup victory would be nice!

## VAT MAN IN CYBER SPACE!

Don't forget that from 1 April 2010, HMRC has begun the process of phasing out paper VAT returns. Businesses with an annual turnover of more than £100,000 (excluding VAT) will now need to file returns online and make payments electronically, for accounting periods beginning on or after that date.

In most cases, paying electronically will provide you with up to seven extra calendar days in which to pay. This means that you must ensure that cleared funds reach HMRC's bank account by the seventh calendar day after your standard due date

Meanwhile, businesses with an effective VAT registration date on or after 1 April 2010 will need to have returns filed and payments made online, regardless of their turnover.

After this date you will not receive any paper returns for completion and you may be liable to a penalty if you fail to file online.

In these circumstances, you will need to register your business for online filing, or alternatively, we can do this for you.

To register for online filing, you will need to have the following information available :-

- Your business name
- VAT registration number
- Principal place of business postcode
- Date of VAT registration
- Final month of last VAT Return submitted
- Box 5 figure of last VAT Return submitted

Once your business has been initially registered, you will receive a letter from the Inland Revenue within 7 working days containing an authorisation code, which enables the registration process to be completed.

The authorisation code is time sensitive and must be activated within 28 days of the date it is issued, otherwise it will expire and the whole registration process will need to be repeated.

Clearly, this will delay your online VAT registration and may mean that you are not able to file your VAT return electronically before the due date, which could result in a late filing penalty.

Please note that from 1 April 2010, for those businesses who continue to complete paper returns and pay their VAT by cheque, all cheque payments by post will be treated as being received by HMRC on the date when cleared funds reach HMRC's bank account.

This means that you must allow enough time for the payment to reach HMRC and to clear into HMRC's bank account no later than the due date shown on your VAT return otherwise, you may be liable to a surcharge for late payment.

Should you require any further advice in relation to VAT online registration and electronic filing, please contact either John Mutch or the Tax Department.

# That'll do nicely!

With the increased advent of electronic filing, the Inland Revenue is trying to encourage taxpayers to pay their taxes electronically. Electronic payment methods are of course safer and more secure, but unfortunately will spell the end for the excuse that 'the cheque is in the post'! Alternative payment methods include those set out below:

## Paying your Self Assessment by Internet or telephone banking

This method means that you no longer need a payslip as you can use your bank/building society services to pay by Internet or telephone banking. To make the payment you will need the following information:-

- Amount of the payment
- Account name 'HMRC'
- Account number 12001020
- Sort code 08-32-10
- Your reference as shown on the payslip followed by the letter 'K'

If using this payment method, your bank/building society should transfer the money direct to HMRC's bank account.

## Paying your Self Assessment over the Internet

You can pay by Debit or Credit card over the internet.

Go to [www.billpayment.co.uk/hmrc](http://www.billpayment.co.uk/hmrc) and follow the guidance.

## Paying Self Assessment by Bank Giro

If your bank or building society offers the Bank Giro service you can make a Self Assessment payment at your own bank branch by cheque or cash. HMRC treats any payment made by Bank Giro as electronic.

If paying this way:

- take your payslip to your own bank branch (other banks may refuse to accept it or may charge you for this service)
- make your cheque payable to 'HM Revenue & Customs only' and write your payslip reference after 'HM Revenue & Customs only'

## Paying Self Assessment at the Post Office

You can make a Self Assessment payment at the Post Office by cheque, cash or debit card without charge. HMRC treats any payment made at the Post Office as electronic.

If paying this way:

- take your payslip with you (otherwise you will be charged for using this service)
- make cheques payable to 'Post Office Ltd'

HMRC highly recommends that you make your Self Assessment payments electronically using one of the methods described above. Electronic payments are generally more efficient and secure, provided you use an accurate reference number.

However, if you still prefer to pay by post please:

- make your cheque payable to 'HM Revenue & Customs only' and write your payslip reference after 'HM Revenue & Customs only'
- detach the payslip and send it with your cheque to HMRC using the pre-addressed envelope, (which now requires a stamp)
- don't fold the payslip or cheque and don't fasten them with paper clips or staples or in any other manner

To allow for possible postal delays (for which HMRC is not responsible) please allow at least 3 working days for your payment to reach them.

If you would like any more information on the different methods available to settle your Self Assessment liability, please contact the Tax Department.

# Speaking to a Full House!

Few people would consider a seminar on VAT to be a good reason to jump out of bed on a cold Thursday morning, but fortunately many did, and there was a full house at the Business and Innovation Centre in Sunderland on March 11th, to hear Oliver Heaton from Sage speak about the new rules regarding VAT Returns, and show how Sage software can help to make this easier for businesses.

Following the announcement from HMRC, of the requirement to file VAT Returns on-line, and having a

long association with Sage, it seemed only logical to us that we should contact them and suggest a seminar to make sure as many people as possible who are affected by the change, will be prepared when the new rules come into force. Sage were enthusiastic about the idea, and judging by the attendance, you were too!

Oliver began by showing, step by step, the registration process, which needs to be done via the HMRC website, and then went on to illustrate how the Sage software can help to prepare, and submit VAT Returns.

As Sage Accounting Partners, we can offer advice, training, and discounted prices in respect of Sage products that



are suitable for your business, whether it is a case of upgrading, buying new software, or simply making more or better use of the version you already have. If you have any queries regarding Sage software, or VAT filing On-line, please contact Allan Smith, (seated in the front row of the photograph). For information in respect of seminars, past, present or future, please contact Karen Harding.

## Stop Press - Budget 2010

It has been described as a 'meddling' Budget as opposed to a 'ground breaking' Budget, but detailed below are some of the more relevant changes that have been announced:

No new increases in VAT, income tax, capital gains tax or national insurance. The inheritance tax threshold is frozen at £325,000 for a further four years.

No stamp duty for first time buyers for residential property purchases up to £250,000.

Annual Investment Allowance threshold to be increased from £50,000 to £100,000

Entrepreneurs' Relief lifetime limit to be increased from the first £1 million to the first £2 million of qualifying gains.

For company cars and vans with zero emissions, there will be no taxable benefit in kind on the provision of the vehicle for 5 years from 6 April 2010 to 5 April 2015.

The tax-free ISA limits will increase annually in line with inflation.

From 6 April 2011, people aged over 60 will qualify for Working Tax Credits if they work at least 16 hours a week.

The child tax credit to increase by £4 a week for one and two-year-olds from 2012.

Higher winter fuel payment for pensioners will be renewed for another year - worth £250 or £400 a year for over-80s.

The 3p fuel duty increase previously announced will now be phased in by 1p a month from April, another 1p in October and a final 1p in January 2011.

Duty on cider will rise at 10% above inflation, duty on beer, wine and spirits to rise 2% and tobacco duty will rise at 1% above inflation.



## Fraud on the Rise

Cases of fraud reported by UK Companies in 2009 resulted in losses of nearly £2.6 billion, according to BDO Stoy Hayward who conduct this survey every year. They believe that this is only the tip of the iceberg and the majority of frauds go unreported, or even undiscovered!

Almost one third of businesses have discovered fraud in the last two years, while nearly two thirds perceive fraud to be a risk in their industry. In the most part, fraud is only discovered when an internal audit is carried out, or from tip offs from employees or other stakeholders.

So how do you protect yourself, and your business from fraudsters?

1. **Keep control.** Prepare clear compliance and procedure manuals and instigate checks to make sure they are followed.

2. **Include your staff;** anti-fraud responsibilities should be part of your business culture. Fraud does not necessarily come from inside the business, but from suppliers, under-delivering and/or overcharging.

3. **Communicate.** Remind everyone of your company's anti-fraud policies on a regular basis. Everyone has day to day responsibilities, and frequent communication will keep awareness to the fore.

4. **Manage risks:** develop a risk assessment policy, and look to improve any weaknesses identified. Keep the policy up to date with regular reviews. A piece of paper in a filing cabinet isn't much protection.

5. **Check out staff and suppliers.** Just because it shouldn't happen, doesn't mean it couldn't happen. Checks can also improve your confidence in the staff you have, and their security, knowing that they are not always under suspicion.

6. **Training.** Trust and train staff how to recognise fraud, and give them procedures to follow so that they can easily (and confidentially) report it. They are your best eyes and ears across your business.

7. **Regulate.** Introduce regular internal checks of controls; improve things that aren't working (but don't forget to give compliments where they are).

8. **Cross check.** Regularly check account reconciliations and balances, cross checking these with management information. This is a good practice and helps confirm that your systems are working well.

9. **Report.** Investigate and monitor each incidence of fraud, using the police, and learn from it.

10. **Punish.** Impose a public policy for dealing severely with any perpetrators of fraud.

With any luck, none of this will be needed, but with two thirds of businesses affected, it's a distinct possibility, and if it does happen to you, at least you will be prepared.

## TTR Barnes.com has had a facelift!

To lighten the mood in the dark days of winter, the Marketing Team decided that it was high time the TTR Barnes website had a facelift, and so, there have been big changes at TTR Barnes.com. With a new look homepage, and new, more colourful, drop down menu options (check out the Services Tab!) we think the site looks great, and is easier to navigate.

The site carries up to the minute news on topics that affect the businesses we serve, and there are some very useful links to sites providing business information, advice, and funding

opportunities; you will find these under the Resources Tab. Factsheets are also available, on topics ranging from business startups to employment issues and ICT policies. Register with the website, and you will receive our monthly newsletter, making sure you keep up to date with news that affects you. You can also elect to receive reminders when tax payments are due.

Coming soon to the website is the Clientzone, which is a secure area that we can use to exchange documents on-line.



You will have your own secure area on the website, that you can use to transfer documents, such as Sage information, or excel calculations, that you would usually have to bring in, or send through the post, especially if they are too big for email. Watch this space, as we hope to have this facility up and running very soon.

## Are you really your own boss!

### Employed or Self employed

The distinction between employment and self employment is often a 'grey area' and one which is currently being challenged more often than most by the Inland Revenue.

HM Revenue & Customs, for the last few years, has been clamping down on so called 'self employed' consultants/workers, who largely work for one company/employer, and for all intents and purposes are 'employees' and should be taxed under the PAYE scheme.

Clearly, there are advantages to being classed as self employed, as there is much greater scope for claiming legitimate business expenses, with a view to reducing your profits and minimising your overall tax liability.

One important factor in deciding if you are employed or self employed is whether a payment is made under a contract of service, ie employment income or whether it is made under a contract for services ie self employment income.

Employment status is a matter of general (not tax) law and depends on

the overall circumstances, not just the form of the contract.

HMRC leaflets ES/FS1 (for workers) and ES/FS2 (for employers) outline the main points to be considered.

Factors pointing to employment are that:

You need to carry out the work yourself.

You have to take orders as to how, and where, and when to carry out the work.

You are paid a regular salary and are paid for overtime, sickness and holidays.

Factors pointing towards self employment are that

You risk your own capital and bear any losses.

You control whether, how, when and where you do the work.

You provide your own equipment.

You are free to employ others to do the work.

You are required to bear the cost of correcting anything that goes wrong and you regularly work for a number of different people.

None of these factors are conclusive and all circumstances will need to be taken into account.

The Inland Revenue has provided separate guidance for contractors in the construction industry, where special rules apply.

There are also special rules for agency workers, divers, office cleaners, lecturers, teachers and entertainers and further guidance is available on the Inland Revenues' website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

Please note that if you engage a worker it is your responsibility to determine his or her employment status.

For further help and advice on this matter, please contact the Tax Department.

## The colour of money!



Did you know that the colours you use for logos and marketing material can determine how customers view your company?

Research shows that firms who are smart with their use of colour can subconsciously speed up the sales process by influencing their customers!

### Blue

Blue is seen as trustworthy, dependable and fiscally responsible, which is why it is favoured by financial institutions to highlight their message of stability and to inspire trust.

### Red

Red is seen as aggressive, energetic and passionate. In a sporting arena, red is the colour most associated with winning, and analysis of England's Premier League found that football teams wearing red had a disproportionately higher rate of both winning home games and securing the title than teams wearing either yellow or orange.

### Green

Generally, green denotes health, freshness and serenity. However, the meaning of green varies with its many shades. Deeper greens are associated with wealth or prestige, while light greens are calming.

### Yellow

Everyone associates yellow with the sun. As such, it communicates positivity, light and warmth. Certain shades seem to motivate and stimulate creative thought and energy. Research shows that the eye sees bright yellows before any other colour, making them great for point-of-purchase displays.

### Purple

Purple is a colour favoured by creative types as it evokes mystery, sophistication, spirituality and royalty. Lavender evokes nostalgia and sentimentality.

### Pink

Hot pinks convey energy, youthfulness, fun and excitement and are recommended for less expensive or trendy products for women or girls. Dusty pinks are more sentimental, whereas lighter pinks are more romantic.

### Orange

Orange evokes fun and vitality and is often viewed as childlike. Research indicates that lighter shades appeal to an upscale market. Peach tones are reported to work well with health care, restaurants and beauty salons.

### Brown

This earthy colour conveys simplicity, durability and stability. However, it can sometimes create a negative response from consumers who relate to it as dirty.

### Black

Black is serious, bold, powerful and classic. It creates drama and sophistication. Black works well for expensive products, but can also make a product look heavy.

### White

White conveys simplicity, cleanliness and purity. The human eye views white as a brilliant colour, so it immediately catches the eye in signage. White is often used with infant and health-related products.

### Select colours that work across a range of formats

Marketing material increasingly includes a range of media: print, broadcast, web and even mobile. Careful thought is needed when selecting colours to ensure that they work across the range of different mediums. Certain colour tones which send a clear message in print may not necessarily reproduce the same effect on screen. Therefore, test the various options and ask the opinion of others before finally choosing your colour range.

## All change for ISA Subscription limits!

Since 6 April 2010, all individual savers aged 18 or over, who are resident and ordinarily resident in the UK have been subject to increased ISA limits as follows:-

- the overall subscription limit has increased from £7,200 to £10,200.
- the cash ISA subscription limit has increased from £3,600 to £5,100; and

- you can choose to invest the overall ISA allowance into a stocks and shares ISA.
- alternatively, you can invest up to £5,100 in a cash ISA and your remaining allowance into a stocks and shares ISA.

For further advice on ISA's, please contact Shaun Hasson of TTR Barnes Financial Services.

This reduces the risk to your capital, although, because of the mix of investments, bond funds can't guarantee a fixed return; aiming instead for a 'target return'. The main benefit of investments in bonds is that they will normally provide a stable, regular income; they are not generally designed to provide capital growth.

While bonds are generally considered less risky than holding shares in a company, there is still an element of risk involved. One of the main risks is that the company who sold the bond may not be able to pay the interest due or to pay the money back at the end of the term, for example if it has gone bust.

## Looking for a safer investment haven? The answer may be a Bond

At the moment, everyone is looking for a safer place to put their money, but with cash interest rates in the high street almost as depressed as the news, is there still an alternative to the sock under the mattress?

Well, perhaps.

A bond is effectively a loan to either a company, or the government. They usually pay a fixed rate of interest each year and aim to pay back the capital at the end of a stated period. Corporate and government bonds are traded on the stockmarket, which means that their value can rise or fall, so there is still an element of risk in this type of investment.

There are different types of bond investment, and these include:

- corporate bonds - which are issued by companies
- gilts - which are bonds issued by the UK government
- bond funds - which are pooled investments investing in a range of bonds

Corporate bonds are issued by companies as a method of raising money to invest in their business. They have nominal value, usually £100, and this is the amount that you will receive on the maturity date. They also pay interest each year, which will be stated when the bond is purchased, and is usually a fixed rate. Corporate bonds are bought and sold on the stock market and so, as stated above, their price can go up or down.

Gilts, or gilt-edged stocks, are bonds that are issued by the governments; these pay a fixed rate of interest twice a year. They are usually considered safe investments, as the government is unlikely to go bust or to default on the interest payments; however, there is no guarantee that all your capital will be safe under all circumstances. Gilts, like corporate bonds, are bought and sold on the stock market, and so their price can go up or down.

For those who don't want to put all their eggs in one basket, bond funds invest in several bonds (including corporate and government bonds) with different interest rates and different maturity dates.

As with individuals, companies have different credit ratings, and a company with a high credit rating is considered as a safer bet than those with a low credit rating. Lower rated companies will have to offer a higher rate of interest on their bonds in order to attract investors and to compensate for the higher risk associated with the investment.

In general, these risks are not considered to apply to gilts, as a government is expected always to pay in full, although there have been instances of certain countries having been unable to repay! The trade-off for the perceived lower risk of gilts is that they usually pay a lower rate of interest as a result.

Just like shares, bonds can be bought and sold on the stock market and so their price can vary from day to day.

Changes in the market price of a bond do not affect the amount you will receive if you hold the bond until it matures.

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You will only receive the nominal value of the bond, although of course this is in addition to any interest payment you have received during your ownership of the bond, irrespective of what you paid for it. If you paid less than the nominal value, then you will have made a capital gain when the bond matures, and alternatively, a capital loss if you bought the bond for more than the nominal value. It is important to bear in mind that this only applies if you buy a single corporate bond; bond funds invest in many different bonds, so there is no single maturity date for your investment, and you can hold the fund for as long or short a time as you wish.

TTR Barnes Financial Services Limited are Independent Financial Advisers offering a range of bond investment opportunities from the whole of the market, and would be able to discuss your attitude to investment risk and offer advice and recommendations to suit your financial needs.

For further information, please contact Shaun Hasson, George Farnan, or Graeme Wake.

## In a state over pensions!

Recent changes to the state pension mean that those who reach pension age on or after 6 April 2010 will encounter major differences in the system.

You are entitled to claim the basic state pension on reaching state pension age provided that you have paid or been credited with sufficient National Insurance contributions (NICs) throughout your working life. If you have not paid sufficient contributions you may be able to make up a shortfall in your contributions record by paying voluntary (Class 3) NICs.

Where the state pension age is reached before 6 April 2010 a man generally needs 44 qualifying years and a woman generally needs 39 qualifying years in order to qualify for a full basic state pension. However, if you reach state pension age after 6 April 2010, both men and women will generally need only 30 qualifying years for a full basic state pension.

Also from April 2010, the current system of 'Home Responsibilities Protection' (which protects entitlement to the basic state pension for those caring for a child or for someone who is sick or disabled by reducing the number of qualifying years needed) will be replaced by a system of weekly National Insurance credits.

The state pension age is currently 65 for men and 60 for women. However, for women born on or after 6 April

1950 it will gradually be increased from 60 to 65 between 2010 and 2020. Thus, by 2020 the state pension age will be 65 for both men and women. The state pension age is to further increase from 65 to 68 between 2024 and 2046. You can find your state pension age by using the state pension calculator on The Pensions Advisory Service website (see [www.pensionsadvisoryservice.org.uk/state-pensions/state-pension-age-calculator](http://www.pensionsadvisoryservice.org.uk/state-pensions/state-pension-age-calculator)).

As an example:

Louise was born on 4 June 1951. She wants to know when she will be entitled to start drawing her state pension, and how many qualifying years she will need in order to qualify for a full basic state pension.

Using the pension calculator she finds out that her pension age is 61 years, one month and two days and that she will reach state pension age on 6 July 2012.

As she reaches state pension age after 6 April 2010, she will need 30 qualifying years to receive the full basic state pension. She should obtain a pension forecast from the Pension Service (tel. 08456 060 265) to enable her to assess whether it is worth paying voluntary NICs.

For more information, please contact Shaun Hasson or Graeme Wake in Financial Services

# People at TTR Barnes



We do seem to be clocking up the milestones at the moment. While many firms are reporting higher turnovers of staff, at TTR Barnes, we are celebrating the staying power of some of our most valued members of staff. This time it's Geoff Talbot, erstwhile member of the Tax Department, who has reached 20 years of service with the firm. Joining the firm in February 1990, Geoff has

dedicated the last 20 years to making sure that clients' tax returns are completed, signed and submitted to the Revenue in time for the January 31st deadline, as well as providing advice to clients who need it. For the rest of us in the office, it's always a comfort to know that Geoff's desk drawer is a haven for those in need of an afternoon snack! Congratulations to Geoff, and the heartfelt appreciation of everyone in the office, and I am sure, many clients.

Our Congratulations go to Catherine Rodenby, who has passed her latest set of ICAEW exams, moving her a step closer to her ACA qualification.



Our sporting and sporty Receptionist, Sarah Riddell, is taking part in the Coast 2 Coast cycle ride this year for the second time. Sarah rides with a team of 40+ people, including husband Paul. The team ride to raise money for different charities, and Sarah and Paul will ride this year in aid of Macmillan Cancer Support. Between June 11th and 13th, they will be cycling the 143 mile route, setting off from Whitehaven and finishing at the sea front in Sunderland. Sarah completed the ride last year in about 18 hours over the 3 days and will hopefully be as lucky with the weather this June - there I go again with the weather! We would all like to wish Sarah and Paul Good Luck.

## Penalties: Late Tax Returns

Ever since the start of Self Assessment, the penalty for a late individual Return has been £100, but this has always been capped at the amount of the tax outstanding at 31 January and if there is a tax refund due, the penalty is reduced to nil. The capping process has never applied to Partnership Returns which must be filed online to avoid the penalty of £100 per partner.

However, the capping process for individual Tax Returns has been abolished by the Finance Act 2009, so

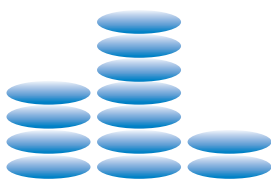
taxpayers will no longer be protected when submitting late Returns in the future, as the new rules are expected to apply from January 2011 onwards.

So there's no excuse for sending in your Tax Return information late - you have been warned!

For more information, please contact the Tax Department.

## NECC Sponsorship

Always committed to supporting Sunderland and its development, (not just the football team!), we were delighted when the opportunity arose to sponsor the NECC Wear annual dinner, held at The Stadium of Light on 8 April 2010. The firm has a longstanding involvement with the Chamber; David Cook regularly attends committee meetings, while David Barnes was chairman of the Wearside Branch for a number of years. By the time you read this, the event will have taken place, but for the moment, we are very much looking forward to what we hope will be an entertaining and inspiring evening .



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