

# New VAT specialist joins WK

Wilkins Kennedy has expanded its VAT department with the appointment of **Kevin Martin** as VAT Assistant Manager.



Department at the firm's London office. He will assist in leading the direction and delivery of VAT and other indirect tax advisory services to a broad industry range of domestic and international clients across Wilkins Kennedy's 12 regional offices.

Wilkins Kennedy's VAT specialist markets include: the property and financial services market, corporate finance and charity and not-for-profit sectors. Kevin's new role will include: supporting the VAT partner in advising and operational compliance, department and resource development and expanding the existing client base.

Kevin Martin, VAT Assistant Manager says, "A number of important VAT legislative changes have taken place within the last year with the introduction of the VAT Package at the beginning of 2010. However, there are a number of changes being implemented on a 'staggered' basis over the coming years and we are advising our clients to prepare for this. As VAT specialists, we cost effectively support our clients day to day in compliance issues and software advice, as well as advising on the validity of VAT assessments, investigations and penalties. Our wide ranging existing client portfolio includes: Blue chip organizations, SMEs, high net worth individuals and overseas clients with European interests."

Andy Dawbarn, VAT Partner, says, "Wilkins Kennedy is continuing to expand despite the challenging economic environment, and continues to attract highly skilled and motivated professionals to the team. We would like to warmly welcome Kevin to the firm."

Kevin, 27, from Harlow, joins Wilkins Kennedy from an Associate position at global professional services firm Alvarez & Marsal, and previously held a position as Senior at Baker Tilly. He has also worked at two of the "Big Four" firms and gained a wealth of international experience working across Europe and in New York.

Reporting to Andy Dawbarn, VAT Partner, London, Kevin will be based within the Tax

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## Frequently asked questions and answers

**Q** Does a director using a service address at Companies House still have to disclose their residential address to them?

**A** Yes, the residential address is held on a separate register, which is not made public.

**Q** Is stamp duty payable on a purchase of own shares?

**A** Yes at 0.5% rounded up to the nearest £5.00 on the consideration paid for the shares.

**Q** What company information needs to be disclosed on invoices?

**A** For all company documents the following basic information needs to be disclosed:

- Company name and number (including any trading name)
- Place of registration, i.e. England and Wales, Scotland, etc.
- Registered office address
- VAT Number
- Membership of any trade or professional body
- Contact email address
- The above applies to all companies, LLP's and registered branches of foreign companies. Further disclosures are required in certain circumstances.

**Q** Can I form a new company with the name "xxxxx", I have checked at Companies House and the company using this name has been dissolved?

**A** The rules relating to use of names are more stringent under the 2006 Companies Act and it cannot be automatically assumed that a name on the dissolved register can now be used.

**Reminder: Please note that the 14-day concession period for resubmitting accounts after the filing deadline has been rescinded and no longer applies.**

## Hitting the Aspire charity fundraising target!

Following a successful year of fundraising, Wilkins Kennedy is pleased to report a fundraising total of £28,314.39 for national spinal injury charity Aspire, exceeding their target of £25,000.

The funds raised by Wilkins Kennedy have been used to furnish and adapt an Aspire House in Islington, the 20th of its kind in the United Kingdom. The three-bedroomed flat has been designed to help those suffering from spinal injury as a short-term solution after leaving hospital, while their own property is adapted.

Some patients face the prospect of an extended stay in hospital or a move to a nursing home, but the new accommodation allows the patient to live independently and adapt after their life-changing injury.

A team from the London Bridge office visited the flat in January to construct the flat packed furniture, prior to the first tenant taking up residence. The tenant, Stephen, is in his late forties and was injured in a motorbike accident last year, damaging his spinal cord that has left him paralysed from the chest down. He spent

eight months in hospital and will be living in the Aspire Islington House for a few months.

Sarah Johnson, Chair of the Fundraising Committee, says, "The flat will be our legacy to Aspire and will benefit many tenants with spinal injuries in the future. This is an amazing achievement and Aspire are so grateful to everyone who has helped fundraise towards this total. I would also like to say a big thank you to all of the charity committee in rallying support for our charity of the year, and helping exceed our target."



**London office staff assembling flat packed furniture at the Wilkins Kennedy Aspire House in Islington. L to R: Michael Trotter, Adam Hayzelden, Joanna Bliault and Leanne McGowan**

### Offices at:

London, Amersham, Ashford, Egham, Guildford, Hertford, Orpington, Reading, Romsey, Southend-on-Sea, Winchester, Falkland Islands

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# wknews

## Welcome

Welcome to the Spring edition of Wilkins Kennedy News, filled with our latest news and updates including information about Retention of Title if a customer goes bust, an in depth feature on the latest VAT advice and news of the latest appointment in the growing VAT department.

This newsletter also explores answers to some frequently asked questions and offers an update on our successful fundraising for our spinal injury charity Aspire.

A multitude of changes to financial legislation are expected throughout 2011. We will be able to see some of the results of George Osborne's Comprehensive Spending Review, and discover how the cuts and legislative changes are affecting businesses on a national and local level.

**If you have any questions or would like any more information on any of the topics discussed in this newsletter, please contact your local Wilkins Kennedy office for further details.**



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## Retention of Title ("ROT")

Clients always ask me what they can do when a customer goes bust. My first question is do you have a retention of title clause, the answer is either what's that or no! I have detailed below a quick overview of ROT as the power of an appropriate clause should not be underestimated.



A second type of clause is known as an "all monies". This is where the supplier retains ownership of the goods until all debts have been paid or any other obligation is met.

### iii) Matters to be considered in relation to making an ROT claim

At the very minimum the following must be satisfied:

- **That the wording of the clause includes the goods or monies being claimed;**
- **That the clause has been incorporated into the contract;**
- **That any goods claimed can conclusively be identified; and**
- **Where the clause is not an "all monies" clause that the goods supplied relate to an unpaid invoice.**

### ii) What is retention of title?

A "retention of title" clause is a clause that allows the supplier to retain ownership over the goods supplied until such time as certain conditions are met, thus providing the supplier with a form of security against the buyer's default or insolvency. A retention of title clause is sometimes known as a "Romalpa" clause or a reservation of title clause.

To be valid, it is imperative that the retention of title clause is incorporated into the contract that exists at the time of supply. This may be included in the "small print" on the front or rear of the purchase invoice or delivery note.

### ii) Types of clauses

The simplest type of clause has the sole intention of allowing the supplier to retain ownership of the goods until the purchaser makes full payment for those particular goods.

This is one of a number of measures that will help to ensure that a client limits the impact of a customer becoming insolvent.

**For further information please contact your local restructuring and recovery partner.**

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# Easing the VAT burden...

Here, Associate **Fred Coleman** explores how to ease the VAT burden through organising administration, maximising relief opportunities and exploring some of the different schemes available



that any involvement within the VAT mechanism can be difficult for businesses.

As such, it is perhaps now more important than ever for businesses to look to utilise any "reliefs" within the VAT system that may help to ease the burden, whether financial or administrative. Listed below are some of the options that may help.

## Cash Accounting

Probably one of the most beneficial schemes available to small/medium sized businesses. This allows businesses with an annual turnover of less than £1.35m to simply account for VAT on a receipts/payments basis. In perhaps over-simplified terms, it means that you only account for the VAT to Customs, once this money is received by the business. The benefits are twofold. Firstly, you do not have to account for VAT on your debtors and secondly, VAT is not accounted for on what may turn out to be bad debts, as such you have instant bad debt relief, unlike using the somewhat time delayed system normally required by Customs.

Of course, with the ability to avoid paying VAT on your debtors, you lose the ability to recover the

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VAT on your creditors. However, given most businesses run a larger vatable debtor book than vatable creditor book (you will appreciate a large proportion of creditors of a business are not vatable, such as bank borrowings, the finance element of hire purchase, PAYE, etc).

Of course, not every business will benefit by cash accounting, but many will and the initial changeover from accounting for VAT on an invoice basis to cash accounting can be significant.

As a practical example, I recently reviewed the VAT affairs of a wholesale parts business turning over approximately £1.2m. Their debtor book (although not ideal) was circa £250,000 but their main supplier was very aggressive on their

payment terms, which resulted in the company's vatable creditors being circa £70,000. By changing to cash accounting, we had the ability to reduce the VAT liability for the quarter by approximately £27,000, a very useful cash flow saving.

There is some leeway within the cash accounting scheme in that once you have entered the scheme, your turnover can reach £1.6m before you have to exit.

## Continuous Supplies of Services

Certain businesses whose turnover exceeds the above threshold may also be able to take advantage of 'cash accounting'. Whilst not within the above scheme, per se, businesses that provide services to their clients on a 'continuous basis' could change their invoicing procedures to improve their VAT cash flow position. Services supplied on a continuous basis are essentially those where there is a long term project or engagement in place where payments are made periodically. These are seen most commonly in relation to professional services firms, accountants, lawyers and project managers as well as those in the construction industry.

These businesses can take advantage of the tax point rules and issue 'demands for payment' followed by tax receipts (VAT invoices) once payment has been received. In this way, output VAT is only due on receipt – providing the above benefits of the cash accounting scheme – although such businesses could in fact claim input VAT in the 'normal' way provided a valid VAT invoice from the relevant supplier is held.

## Changing your VAT Return Periods

For businesses that receive regular refunds from Customs, it is generally always sensible to apply for monthly VAT returns. This means that any refunds are received monthly as opposed to having to wait potentially four months to receive your refund (three months for the return and one month for administration).

## Annual Accounting

In a similar vein, businesses can also choose to use the annual accounting scheme. Effectively, this means that you submit a VAT return once a year (the return having to be submitted within two months of the period end). The advantage of the annual accounting scheme is that VAT is paid periodically during the year based on the previous year's liability. This enables the company to know exactly how much is due each month or quarter, but perhaps more importantly, enables a business with a growing turnover to defer part of the additional output VAT that would be due as a result of the increase in turnover, year on year.

## Changes to Companies House fees from 6<sup>th</sup> April 2011

Form	Old Fee	New Fee
Company or LLP annual return (software/web filing)	£15	£14
Company or LLP annual return (by paper)	£30	£40
Overseas Accounts	£30	£20
Certified copy of document or certificate by post	£15	£20
Same day certified copy of document or certificate by post	£50	£60
Additional faxed copy of same day certified copy	£3	Free

Other changes are proposed but are subject to Parliamentary approval.

Please note that any forms submitted on or before 5th April 2011 which are rejected and are subsequently returned to Companies House on or after 6th April 2011 will be subject to the new fees.

Again, there are conditions to entering the scheme, with the VAT threshold not exceeding £1.35m (the same as the cash accounting level).

Of course like most schemes, this is not necessarily designed to suit everybody. For instance, a business with a decreasing turnover would have to wait longer to see the benefit of the reduced liability.

## Flat Rate Schemes

Flat rate schemes were introduced some years ago to assist smaller businesses, namely aimed at those with a taxable turnover of up to £150,000.

This scheme was initially designed to ease the administrative burden on smaller businesses by not having to complete "standard" VAT returns. In perhaps over-simplified terms, the scheme allows for a preset percentage (the percentage is as laid down by Customs and varies depending on trade sector), of your gross turnover, with this figure then being accounted to Customs. There are one or two exceptions, such as capital items over £2,000 but ordinarily, no input tax is recoverable on purchases.

For example, a firm of management consultants would charge VAT at 20% to their customers but under the scheme would simply pay over to HMRC 14% of its turnover per VAT accounting period.

Again, like many schemes, there are perhaps "winners and losers" with respect to the VAT yield, but there are a number of businesses who have low levels of input VAT recovery and who have found once they have joined the scheme,

they have reduced their VAT burden significantly, albeit proportionate to their level of activity.

There are some potential pitfalls with this scheme for example you have to account for VAT as a percentage of all your income (regardless of whether it may be exempt, such as rent received) and as such, the business will need to undertake the calculations to ascertain the potential benefit. Of course, the reduction in administration can also be attractive as well.

In fact, it is possible to use the flat rate scheme in conjunction with the annual accounting scheme.

The above illustrates a number of possible ways to reduce administration, improve cash flow or even perhaps reduce the overall VAT charge. However, all of the above schemes come with various conditions and implications. Professional advice should always be sought before any decisions are made.

## For advice on VAT issues, please contact:

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or your local WK partner.

# New strategies for construction

The UK construction sector showed an encouraging bounce back in January following the particularly severe contraction for the last quarter of 2010 where activity decreased by 3.3%. With the forecast for 2011 remaining uninspiring and the industry yet to feel the full effect of the Government spending cuts, there are likely to be more tough decisions ahead.



Ian Jefferson

The cancellation of key Government initiatives, such as the Building Schools for the Future programme, has blown a large hole in the pipeline of many contractors. However the anticipated population figures for the UK over the next thirty years show that we are still building 100,000 fewer homes per year than we need and the Government has already announced major infrastructure investment, particularly in rail and water, both of which are signals of longer term prospects in the market.

With companies struggling for survival, everything needs to be under the microscope. Waste reduction, in operations and administration, can help a business get 'leaner' but most firms will already have carried out a comprehensive exercise to reduce costs to a minimum.

Other strategies that are worth considering include:

- **Key account management – This will identify clients with whom you want to develop a long term relationship and involve people at all levels of your business in getting to know people working in your client's business. If**

**you can understand the issues that your customer faces, you should be able to change the way that you work to your mutual benefit.**

- **Get on board the sustainability revolution – The industry is moving away from new-build to refurbishment in all areas. Review your green credentials and be able to demonstrate a real commitment to making a change from design through to on-going maintenance.**
- **Invest in people – When the upturn comes (and it will), good people will be an essential part of your success, so develop a plan to help you recruit, reward and retain the best people.**
- **Understand the 'Big Society' – As the Government moves to devolve responsibility for all things to the local community, make sure that you are part of that network. In the future, construction projects are likely to be on a smaller scale and controlled by local authorities so it will be important to ensure that you establish relationships with their contracts managers and that you have the necessary teams to handle this change. Big is no longer beautiful.**

Contractors are finding that much has changed in the industry and firms will need to adapt quickly to the new market place. Those that successfully make this transition will be best placed to reap the longer term rewards.

**For further information contact your local office or Wilkins Kennedy partner.**

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