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## ROMANCE IS ALIVE!

In years gone by, you have made a couple of purchases of shares in a quoted company and this investment now seems to be doing pretty well. To be more precise, you have bought the following shares in Cupid Plc:

**January 1998**  
5,000 shares costing you £5,000

**January 2004**  
5,000 shares costing you £5,000

**Total (10,000 shares)**  
£10,000

As we said, the shares are now worth much more than this. You are thinking of taking your profit on part of this shareholding. So you plan to sell half the shares (5,000) now. That is because, after 5th April 2006 the capital gains tax ('CGT') payable on your profit should be reduced, as the next level of taper relief kicks in. Taper relief on the disposal of non-business assets—and your shares are non-business assets—can be as much as 35% from April (compared to 30% previously). Your gain will be quite substantial, so the taper relief will have a sizeable impact on your tax bill.

So will this plan work?

**Think again..**

No it won't. Taper relief at 35% will be given on non-business assets owned prior to 17th March 1998 and sold after 5th April 2006.

So, provided the 5,000 shares you are selling are the ones bought in January 1998, then you will be entitled to the 35% relief.

But, unfortunately, the rules don't work that way.

When it comes to identifying which shares have been sold on the part-disposal of your shareholding, you would like to choose the FIFO (first in, first out) basis of identification: this would match the shares to be sold with those bought in January 1998. However, you're out of luck here. You are stuck with LIFO (last in, first out) - that's what the law says and you have no choice in the matter. So, the 5,000 shares you propose to sell will be deemed to be the shares you bought in January 2004. And the rate of taper relief on non-business assets owned for only two-and-a-bit-years is:

**Nil%**

So, is there anything you can do about it?

We have already given a subtle hint.

**A gift for your wife**

(Or for your husband, as the case may be).

Why don't you give 5,000 of your Cupid shares to your wife on 14th February? (Or, indeed, at any other time prior to your proposed sale. Or, if you wish, you could sell them to her rather than gift them—although, in that event, we would suggest that Valentine's Day might *not* be appropriate!).

The effect of your generosity is clear:

- You dispose of 5,000 shares in February and, because of the LIFO rule, it's the January 2004

shares you have given away. There is no tax to pay here, of course, because transfers between husband and wife are made on a no gain/no loss basis for CGT purposes.

- You are then left with the 5,000 shares you bought in January 1998.

Problem solved. When you sell these, you will indeed become entitled to taper relief at 35%, as you will be selling the January 1998 shares.

**Conclusion**

The LIFO rule for stocks and shares can be something of a nuisance. When you have a shareholding which you have acquired in more than one chunk, and you decide to sell part of it, you will normally want to sell your earliest purchase first, in order that your holding period for taper relief is maximised. In other words, you'll want FIFO. But you can't have it.

However, you could achieve what you want by first giving some shares to your wife. If you give her the right amount, you'll be left with only your original purchase of shares—the ones that attract the highest possible level of taper relief.

Everyone is happy—a valuable and romantic gift for her, and a valuable CGT reduction for you.

Romance isn't dead after all!



Article by Roger Dunnett

## WINDS OF CHANGE – 9 PORTENTS FOR THE FUTURE

To be a winner, a manager must be in the right place at the right time and he must be aware of changes that are happening to his surrounding environment. Having read some articles on what is likely to happen in the future, I thought I would summarise the present view of the business environment.

### 1. Change in World Demographics

This is a period of major economic and social transformation which will create many opportunities but there will be winners and losers. Western world "Baby Boomers" are growing old and this will have a major effect as many look to exit their businesses in the next decade or so. The ageing population will put pressure on public funding in the health care and age care sectors and this will be a focus for governments. Labour markets will experience a growing shortage of skilled trades people and managers. This will be satisfied in some part from emerging economies and traditional views of when we retire will change. Many employers will use technology to allow extended and flexible working arrangements. Our ageing populations are saving for retirement and increased funds will be under management.

### 2. Emerging and Declining Economies

There will be a change in the guard in terms of national economies. China and India will continue to grow and these will produce a rising number of new consumers with mid/high disposable incomes. On the negative side, there will be further strains on the environment caused by more cars, more energy consumption etc. etc.

### 3. Trends and International Trade

International trade will flourish and the "Big Boys" (multi-national corporations) are going to get bigger. The privately owned businesses managing to trade internationally will continue to open up. But while the advantages of cross-border business are attractive, both the

strategy and implementation must be right for changing consumption patterns. The amount of money people have to spend will increase substantially and who we sell to and what they want will change dramatically. People with money to spend will know much more about what they want (Internet information and the best places to buy). The need to segment customers and learn their spending behaviour and preferences will become "Mission Protocol".

### 4. Online Growth

WWW – three letters say it all. Businesses of all sizes can now put up their electronic window to the world. Online marketing is growing at a far greater rate than traditional electronic and print media. A major trend is emerging with wireless broadband and the camera capabilities of mobile phones. 3G (wireless broadband) is going to make video and high-speed data readily available to mobile phone users and this will be a new and even more convenient way to reach millions of consumers in the next five years.

### 5. Governance

This is coming under increasing scrutiny. We have just seen a decade of corporate collapse from corruption. This has forced regulators to tighten up in all areas. A concept of corporate social responsibility is now a major agenda item and environmental concerns will continue to mount. The disparity in the distribution of wealth will generate pressure at many levels – social and political as well as economic. Religious fundamentalism will aggravate the divide between peoples. This conflict will create calls for greater examination and we can expect employees, customers, suppliers, financiers, environmentalists, welfare groups, consumer groups to take a keen interest in corporate responsibility.

### 6. Technology

Technology is without doubt the most significant driver of change in business today. The challenge

will be managing technology risk and making decisions on technology investment. People do not like change and there is usually a resistance and small organisations, who are fleet of foot and flexible, will be able to punch well above their weight if they get their decisions right.

### 7. Commoditisation

Because of technology, today's unique products will have far less time to be exploited on the market before "me too" products arrive. The same story applies to the service industry. Individuals with knowledge of products and services are being replaced by computerised knowledge systems, online databases, voice recognition systems and a vast array of other technological advances. The key to future success in competing with commoditisation lies in differentiating your offering with customer service and using technology to achieve this.

### 8. The Science of Management

The first challenge is converting data overload into valuable and relevant information. Management will need to have a very clear understanding of what business they are in and whether they are competitive and be ready to respond to opportunities and threats as quickly as they can manage.

### 9. Enterprise and Youth

Where will the next generation of business leaders come from? Whilst there is no doubt the next generation of managers will be well educated (MBAs galore), is there enough of them to meet the demand? We have a workforce that seeks a different career path; they want job flexibility; they get bored with repetition and prefer new roles and new stimulation. They are going to need childcare; they are going to litigation and termination; and there are just not enough of them going around.

**If you want to discuss your plans for the future, please arrange a meeting with Andy Walker or**

## D

The government raises £2.5 billion a year from inheritance tax (IHT) - which may claim 40% of your estate at death after taking account of certain reliefs.

The 'spouse exemption' allows you to leave your entire estate to your widow or widower, to help ensure that they can live out their days in comfort. But such a

gift wastes the 'nil rate band', which enables you to pass £275,000 down to your children and grandchildren tax-free.

A 'nil rate band discretionary trust' offers you the benefits of both reliefs. You exploit the nil rate band by placing up to £275,000 in trust, while your widow or widower may

enjoy benefits from that capital during their lifetime.

For more information on such arrangements, call Tom Coull on 01241 855688 or email [tcoull@walkerdunnnett.co.uk](mailto:tcoull@walkerdunnnett.co.uk)

**INHERITANCE TAX**

The Inheritance Tax threshold will be lifted from £275,000 to £325,000 over the next few years. Starting with a rise to £285,000 in the 2006/2007 tax year.

**RUNNING YOUR BUSINESS FROM HOME**

More and more people are opting to work from home, but it is often thought that establishing an office in a spare bedroom will trigger a capital gains tax bill when you come to sell the property. In fact the rules are more generous.

Your property may continue to qualify for complete exemption from capital gains tax provided no part of it is used 'exclusively' for business purposes. So provided the room in which you work is sometimes used for domestic purposes

- perhaps you keep the second TV in there, for those evenings when your viewing tastes differ from others in the household—you may escape CGT completely.

**2006-07 TAX CODES**

Remember to update your Tax Codes for the new Tax Year. If you are eligible for the basic personal allowance your code will change from 489L to 503L. Otherwise you will receive a tax coding notice P9(T) detailing what code you should use.

**NEW CONSTRUCTION INDUSTRY RULES—TIME TO SORT THINGS OUT**

The government has postponed the introduction of the tough new rules by 12 months, to April 2007. Any business involved in construction work should use the extra time to ensure that its existing arrangements are in order;

in particular by ensuring that all workers paid under the scheme are genuinely self-employed. We are happy to advise on this thorny issue. For more advice on these or other CIS matters please email Bryan Johnston at

[bjohnston@walkerdunnnett.co.uk](mailto:bjohnston@walkerdunnnett.co.uk)

Or call him at our Dundee Office on (01382) 224221.

**VAT**

The VAT Registration threshold has increased to £61,000 (risen from £60,000).

Once your turnover exceeds, or you expect it to exceed £61,000 you must register for VAT.

**BUSINESSES GETTING RESULTS™**

Over the past 5 years, we have held over 50 editions of our successful Businesses Getting Results (or BGR) workshops for both clients and other interested parties. We now have a group of like minded pro-active people who meet up on a quarterly basis to receive a presentation on a burning business topic and then discuss and debate the various issues arising.

BGR is essentially a membership programme for our clients and business people who wish

to improve a wide range of aspects in the business in a simple and convenient way. The workshops have been held at various venues in Dundee and commence at 1.50pm and usually finish between 5.30pm and 6pm. You can become a member for the four workshops at £350 + vat or £99 + vat for just one session.

The workshops come with a money back guarantee so if you are not completely satisfied we will refund your money.

Upcoming workshops include:

**Tuesday 22nd August**  
Smart Ways to Control Costs

**Tuesday 21st November**  
The Business Plan—Roadmap to Success

Please contact Helen Allan to book your place on (01382) 224221. It could be the first step to **making your business really fly!**

**SELF ASSESSMENT**

Local Offices will after all accept cheques.

Further to our last news letter in which we stated that local tax offices will no longer handle Tax & NI payments made in person, due to alternative methods of payment, which are safer and faster. We can now confirm that after all the confusion HMRC has clarified that the initial interpretation of this was incorrect. Local tax offices no longer have banking facilities, but they will still accept cheques delivered in person.

## EMPLOYMENT LAW—NEW FAMILY FRIENDLY PROPOSALS

The government has just announced its new family-friendly proposals, following extensive consultation. They will appear in the **Works and Families Bill**, to be published soon.

The new / changed laws will be:

- extending Statutory Maternity Pay and Maternity Allowance to **nine months** from April 2007 with the ambition of moving to a year by the end of the Parliament;
- a power to introduce **new paternity leave for fathers**, enabling them to benefit from leave and statutory pay if the mother returns to work after six months but before the end of her maternity leave period;
- extending the right to request flexible working to carers from April 2007;
- measures to help businesses manage the administration of Statutory Maternity Pay, Statutory Paternity Pay and Statutory Adoption Pay;
- introducing **'keeping in touch' days** so that where employees and employers agree, a woman on maternity leave can go into work for a few days, without losing her right to maternity leave or a week's statutory pay;

- extending the period of **notice for return from maternity leave** to two months enabling employees and employers to more effectively plan for return to work;

- Making clear in the regulations that employers can make **reasonable contact with their employees** on maternity leave to help employers plan and ease the mother's return to work.

For all your payroll queries contact our Payroll Bureau on (01382) 224221 and ask for Avril Craig. Or email: [acraig@walkerdunnett.co.uk](mailto:acraig@walkerdunnett.co.uk)

### WALKER DUNNETT & Co. CORPORATE HOSPITALITY



One of Rogers's team, Danie Van Niekerk, is the captain of Morgan Rugby Club and so recently we at Walker Dunnett & Co. took a table for Corporate Hospitality at Morgan's recent home fixture against Allan Glen's, a club from Bishopbriggs near Glasgow in a BT National League Division 2 fixture. The hospitality was fantastic and this was only surpassed by the team's performance in winning **89-5** with Danie running in 1 try! (Incidentally that was the day that Scotland beat England at Murrayfield and so for some of the party the afternoon didn't finish till midnight!)

Since then, Morgan have clinched the title and promotion to Division 1, along with a BT Bowl final place and win at Murrayfield. Well done for this season's efforts from all at Walker Dunnett & Co.

If any client would like to be corporately entertained at the rugby, please contact Andy, Roger or indeed anyone here at Walker Dunnett and we can guarantee you an unforgettable afternoon as we continue to support Danie and Morgan next season.

### FIRM NEWS

In this issue we would like to congratulate Andrew Walker and his wife Isla on the safe arrival of their son Michael Andrew on Thursday 8th June, a brother for Katie. Both mum and baby are doing fine.



We also send our best wishes to Diane Boyd, one of our Accounts Assistants on Andy's team, who had a little girl on 11th April. Emileigh is Diane's second child and a sister for James. Again, Diane and Emileigh are both doing fine.

### MEET THE TEAM



Kelly Davidson joined Walker Dunnett & Co on 11th July 2005 as Office Junior. But due to the reorganising of the firm, she has accepted the post of full time receptionist. And so now, Kelly will be your first port of call, when you are phoning or visiting our Dundee office.

Kelly lives in Dundee with her flatmate, after moving here from Portsoy, Aberdeenshire last year. She really enjoys football and goes to watch games most weekends. She also enjoys keeping fit, socialising and going to the cinema.