



The new Monahans Bath team celebrate this important move.

Monahans march on Bath

Monahans has just announced that they have merged with Bath based accountants, Shaw & Co. This is a key step in achieving our goal of becoming the leading independent Chartered Accountants and Independent Financial Advisers in the South West.

Although we already have many clients in Bath, this move will provide us with a base in the city and much greater presence through the addition of Shaw & Co's. clients.

Shaw & Co. was first established by David Shaw in 1978 and has grown to become a well respected accountancy practice with 11 people working there and a broad client base of businesses and private individuals. Their offices in Pierrepoint Street will become Monahans new Bath location and Swindon based partner Martin Longmore has moved to the city to head up the new look operation.

David Shaw and David Scott, partners at Shaw & Co., along with the whole of their team, will continue to work as part of the new business and David Shaw is clearly delighted with the merger "By becoming a part of the Monahans Group, we will be able to offer a broader range of services to our

clients and therefore help them to meet their financial objectives in the future."

In addition to Martin relocating to develop the general practice activities of the office, two of Monahans specialist partners will be moving to Bath. Peter Lugg, who heads up the Corporate Finance service, and Richard Formby, who heads up the Forensic Accounting service, will both be moving from Trowbridge to further develop these key areas of Monahans business.

Martin Longmore is looking forward to the challenge ahead. "This is a very exciting time for Monahans. Although we are already one of the major accountancy businesses in the South West, up until now we have not had a direct presence in this major business centre. This move will allow us to provide a more proactive service to businesses and private individuals in Bath and to build on the successful business which Shaw & Co. has already developed. I am looking forward to personally meeting all of our clients and to developing the strong relationships which Monahans already has with business contacts in Bath."



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All change on the Trust Express

There has been much written over the last few months about the changes to the taxation of trusts introduced by Gordon Brown in the March 2006 Budget. His initial proposals have been watered down somewhat but they still represent the most fundamental change to the capital taxes regime for trusts in a generation. This article will concentrate on inheritance tax (IHT) but there are also important changes that affect capital gains tax in relation to trusts.

The System up to 21st March 2006

Up until this March, IHT on trusts broadly fell into two categories:

- Those where a named person had a right to the trust's income as it arose or a right to use a trust asset – an interest in possession trust (IIP)
- Those where the income could be accumulated or where it could be allocated to beneficiaries at the trustees' discretion – a discretionary trust

For IHT purposes an IIP trust was effectively treated as a part of the beneficiary's estate so that tax could be levied on that person's death by reference to the value of his or her personal assets plus those in the trust.

A discretionary trust could not be attributed to the life of any single person and so a different method of charging IHT was devised. Broadly such trusts have to pay a periodic tax charge of up to 6% every ten years. This means that over a seventy year lifetime, the tax payable (7 times 6% equals 42%) would be similar to that payable on death (40%) on assets owned by somebody personally. For most discretionary trusts, the IHT at 6% is calculated on the excess of assets over the lifetime exemption which is presently £285,000.

The Changes

The main thrust of the changes this year is to remove the IIP treatment above from most new trusts created after 21st March 2006 so that they fall within the discretionary regime and tax at 6% will have to be paid every ten years.

But it does not end there. A gift to an old IIP trust was capable of being exempt from IHT altogether if the donor survived for seven years. This treatment no longer applies and virtually any gift into any sort of trust will immediately be chargeable to IHT at the 20% lifetime rate if it exceeds the

exemption of £285,000.

It is still possible for the old-style IIP rules to apply to a trust created on death but there are restrictions.

Existing trusts can also be affected by the changes and in particular accumulation and maintenance (A&M) trusts may need to be looked at. These trusts are for the benefit of one's children or grandchildren and are normally discretionary to start with but then change to become IIP by the time that the beneficiary is 25 years old. Such trusts will have to distribute their assets to their young beneficiaries at the age of 18 if an IHT charge is to be avoided entirely. The Chancellor has given such trusts until 5th April 2008 to make any changes.

Many wills are also going to need to be reviewed. If you would like help and advice on these subjects please contact Anthony Cohen on **01793 818300** or email anthony@monahans.co.uk or contact Kate Crawford on **01249 766966** or email kate@monahans.co.uk Both Anthony and Kate are members of the Society of Trust and Estate Practitioners.

The new Construction Industry scheme

Stephen Fry, a Monahans Partner who specialises in the Construction Industry, highlights the major change taking place on 6 April 2007 which contractors and subcontractors in this market sector need to be aware of. Registrations cards and tax certificates held by subcontractors will disappear. These will be replaced by a verification procedure that puts the onus clearly on contractors to get the employment status of their workers right.

The present system

Subcontractors hold a tax certificate or registration card which is presented to contractors before a payment can be made.

Contractors submit the appropriate vouchers to HM Revenue & Customs (HMRC) on a monthly basis.

There is no procedure to check on whether the subcontractor is genuinely self employed.

The proposed new system

The contractor must check on the status of a new worker. He can do this by visiting the HMRC website (www.hmrc.gov.uk), selecting the Employment Status Indicator (ESI) and answering a series of questions. This will tell him whether the worker is to be treated as self employed or employed.

If the worker is self employed there will also

be a need to verify whether the payment is to be made gross or whether tax has to be deducted.

No vouchers will exist so the contractor will need to provide the subcontractor with some evidence of any tax deductions made.

The contractor has to make a monthly return of payments made to subcontractors or a nil return, but will have to include a declaration that none of the subcontractors he has paid is an employee. He may incur a penalty for late and/or incorrect returns.

What needs to be done

HMRC will shortly be sending contractors a list of subcontractors they have used since April 2005. This will be repeated in March/April 2007. The contractor does not need to verify their status but needs to be confident



Stephen Fry.

they are genuinely self employed. We can advise you how.

- Visit the HMRC website for information.
- Read the literature they will be sending over the next few months.
- Attend a free HMRC seminar near you.

It is important you are ready for next April so get in touch with your usual contact at Monahans if you need help, or contact Stephen on **01458 836810** or email stephenf@monahans.co.uk

With-profits funds - should I stay or should I go?

Millions of UK investors are relying on the performance of with-profits funds for their long-term financial well being. Yet with the investments being hit by a growing barrage of criticism in recent years, here is a basic guide to how the funds work.

I've heard the name mentioned, but what exactly is with-profits?

With-profits investments have traditionally been the way most British people invest when they have been looking for higher returns than a bank or building society savings account. An estimated 20 million people who are saving into endowments, life insurance, certain pensions and bonds are investing in with-profits.

With-profits is a type of pooled investment fund, normally run by insurance companies or mutual societies, which were once seen as an ultra-safe way of saving for many different purposes. But they have lost some of their appeal in recent years, largely due to stock market falls and concern over the transparency of the products.

What about bonuses and penalties?

A large part of the policy's final value depends on bonuses paid by the firm during the investment period and when the policy matures.

To safeguard the funds' strength, financial penalties are imposed on savers who wish to withdraw their money early. These are known as Market Value Adjusters, or MVAs for short, and are used to try to ensure that policyholders who cash in their investments early do not disadvantage remaining policyholders.

But after three years of falling stock markets between 2000 and 2003, firms have imposed charges as high as 25%.

Why is with-profits 'in the dock'?

The immediate problem facing many with-profits investors is poor performance.

Many with-profits funds, as with other institutional and private investors, were caught out when the technology boom turned sour in 2000. This was compounded by the 9/11 disaster.

Funds which invested too heavily in stocks were forced to switch into less risky investments to guarantee existing, and often overly generous, policyholders' payments. At the same time, new and more cautious investment strategies meant investors have lost out on rising equity values.

With-profits policies have also been attacked for their complexity and opacity. It can also be difficult for policyholders to get their hands on information about funds and investments. The near-collapse in 2000 of Equitable Life, the UK's oldest life insurer, has also added to the general gloom.

What should I do if I have investments in a with-profits fund?

Although annual bonuses are still low, typically 0-3%, terminal or final bonuses are relatively healthy. Indeed many with-profit bonds are now showing a surrender value that is higher than the actual value. The same applies to pension funds, where we are seeing higher transfer values.

Modern investment bonds and pension contracts now offer simple and transparent charging structures. Equally important, they offer access to a wide range of funds managed by the leading investment houses such as Fidelity, Jupiter, Schroders and Invesco Perpetual. As well as these you can still invest in commercial property and cash funds to balance up your risk.

Clearly, each case needs to be looked at individually, but many clients are taking advantage of this climate of high surrender values to move into better value contracts.

To have your with-profit bond or pension reviewed, please call Roger Perry on **01225 785570** or email rogerp@monahans.co.uk.

I want my pension before I die!

"How long should it take for a pension provider to transfer my funds to another? I am coming up to retirement and have three pension plans with different firms."

This is a question we are commonly asked and a typical client issue we deal with on an almost daily basis. It is likely we would recommend the combined funds are switched to another firm to buy the annuity. We normally find that one firm sends the money in three weeks, but the other two are still dithering around after seven weeks!

If you are coming up to retirement you should get an annuity quote from your existing provider six weeks before you retire. That gives you time, with our guidance, to



Roger Perry

exercise your right to look for a higher annuity elsewhere.

However, the whole process depends on the original company releasing the funds in a timely manner, and it's simply not happening at the moment. Delays of up to three months are common.

Therefore, it is vital you involve us in the process from the outset. We can chase and put pressure on the companies involved to make the process as painless as possible for you.

If you are considering your retirement options, contact Roger Perry on **01225 785570** who will be pleased to help you through the annuity maze.

New Services

We've mentioned them before, but it's always worth reminding you about a good thing!

Mortgage Desk

Our mortgage desk is proving a great success, with many satisfied clients either taking out new mortgages at "market best" rates or saving themselves money by remortgaging.

Contact Juliet Reid on **01225 785570** to find out how you can benefit from this service.

Free Share Portfolio

Our association with Morgan Stanley Quilter (MSQ) is proving equally popular. We have found that clients who have become unhappy with the service and performance they are currently experiencing, are delighted to have their portfolio structure reviewed and listen to MSQ's service offering – all free of charge. Most have been impressed and have switched their portfolios to MSQ with a minimum of fuss and paperwork.

High quality Bristol printer purchased

Complete Product Holdings Limited has recently completed the acquisition of APB Colour Print Limited (APB). The Bristol based printers APB, has over 34 years of history in this industry. Having established themselves as printers of the very highest quality they have won a number of awards as well as being one of only 25 printers in the country who are members of the Fine Art Trade Guild.

Complete Product Holdings Limited is an investment vehicle controlled by Paul Froggatt, Kevin Assinder and Ian McRae. Their other commercial successes include The Complete Product Company Limited (CPC), the Malmesbury based communications enabling company that specialises in digital media duplication, digital printing, mailing and logistical services and the manufacture of software products and packaging.

Lead advisory services for the transaction were provided by Keith Richards of

Monahans' Corporate Finance Team. Legal advice was provided by Withy King and funding for the purchase was provided by of Barclays Corporate.

Commenting on the deal, Keith Richards said, "Monahans are delighted to have been able to help put this deal together and assist in successfully closing the transaction. I am confident that the deal will provide the impetus for a new era in APB's history"

The new owner's aim is to build on APB's history and achievements. CPC's own



Keith Richards of Monahans Corporate Finance with Paul Froggatt

innovative communications solutions will now be available to a much wider audience, which will provide for an exciting future for all customers and staff.

Age Discrimination Regulations are now in force

As you should be aware, the Age Discrimination Regulations came into force on 1st October 2006 and are expected to have a profound effect on employment.

Peta Fry explains what you should be doing now.

- Review the average age of your workforce and if there are any gaps or areas of concern
- Review your policies and procedures for any age bias, but don't forget the management practices associated with these
- Spend time looking at your Equal Opportunities Policy – is age included and do your employees understand what this policy means
- Review your recruitment procedures. Think about the language you use in advertising and the image portrayed. When interviewing, ensure the recruiting manager does not have a fixed idea in their mind of the age required
- Although the legislation does allow for length of service benefits that apply to under 5 years service, any that have a longer service criteria will need to be objectively justified. They can be used to recognise loyalty, a higher level of experience, or



Peta Fry.

increase or maintain motivation, but you will need to be able to demonstrate that they fulfil a business need

- Communicate to managers and employees the new legislation and the changes that this will have on the organisation's policies and procedures, how they will be implemented and what the penalties will be for employees not following them. Bear in mind that you will be liable for the actions of your employees

If you need assistance, call Peta Fry on **01793 818300** or email petaf@monahans.co.uk

Did you know ...

... HM Revenue and Customs instigate 1,000 new tax investigations every day.

An investigation may be triggered when HM Revenue & Customs (HMRC) pick up something they see as unusual on a tax return. You could be selected for an investigation for a host of reasons, not necessarily because you have done anything wrong and increasingly people are being chosen completely at random.

Why do I need fee protection?

Being investigated by HMRC can be a distressing and prolonged experience, and if you need us to represent you, you will be liable for our costs even if no additional tax is found to be due.

Tax Investigation Insurance will provide you with cover for any costs we incur in representing you in an investigation or dispute with the tax authorities.

Why choose Monahans Tax Investigation Insurance

You will benefit from up to £75,000 cover per claim to fund our professional fees resulting from any HMRC investigation or dispute.

By taking out a Monahans policy, you'll be dealing with a trusted and familiar face who knows your affairs.

Monahans Tax Investigation Insurance is placed through CCH and is the UK's market leading fee protection scheme.

For more information please contact Anthony Cohen on **01793 818300** or email anthonyc@monahans.co.uk



Sage Line 50 is now even better

Following considerable research from users of Sage Line 50, Sage has released the latest version of this market leading product incorporating all of the features of version 12, but with many improvements summarised below.

Budgets and reports for departments, nominal ledger and projects

Set budgets and produce reports for each department, nominal code or project. Set budgets for now and for the next financial year.

Flexibility to monitor key areas of your business

Track business activity by area, with the flexibility to drill down to more detail. Information is instantly available so you no longer need to run separate reports.

Create your own reports to get the information you need

The improved Report Designer makes it easy to collect the information you need in one report. Tailor the report design, adding all the fields and calculations you need.

Store a complete history of your VAT returns

It is now easy to access the transitional detail behind your VAT returns - saving you, and the auditors, valuable time.

Refunds in one single transaction

New transaction types record payments made to customers, as well as refunds received from suppliers. Now, no matter which VAT scheme you operate, postings are simpler and reconciliation is easier.

Foreign trading made easy

Improved features include easier error correction, at-a-glance Foreign Bank Balance and separate control of Intrastat arrivals and dispatches.

Improve your project costing

Additional budgeting and reporting tools enable performance tracking and simple correction of project transaction errors, ensure you record the correct information for the right projects.

Get the most out of your accountant

The Accountant Link automatically updates your Bank and VAT reconciliations so your accountant has up-to-date records and you can continue with your day-to-day tasks and spend less time duplicating work.

For more information contact Evan James at Check-Tek on **01793 48022** or email evan@check-tek.co.uk.

BACS on track for record month

Monahans Elite Payroll team are celebrating a record month of BACS transactions, topping the £3.6 million mark for payment of salaries on behalf of businesses across Wiltshire and Somerset. Over 300 businesses are now using Monahans to manage their employee salary payments and over 50 of these pay by BACS.

Monahans understands that payroll administration is a very important function of your business. We provide a comprehensive, cost effective service that can save your business valuable time and money.

We will ensure that your company stays ahead of any legislative changes and technological advancements... your business couldn't be in better hands.

For more information regarding our payroll services or to arrange an initial consultation, FREE of charge, please contact Margaret Chittock on **01793 818300** or email margaretc@monahans.co.uk



Elite Payroll Team celebrating their record month.

New Monahans HR and Elite Payroll Service

Monahans has introduced a brand new combined HR and Payroll service. Our specialist offering means you are provided with expertise in a single fixed price package. This will allow you to reduce your costs, remove the need to maintain expensive equipment, allow management time to be freed, as well as improving the effectiveness of your workforce.

Our experienced HR team can provide a full range of services such as contracts of employment, reference checks for new starters, holiday and sickness absence recording, leavers documentation and a general review of existing policies. The package also provides unlimited telephone support during office hours.

Our BACS approved payroll bureau will provide you with the exact service you require and ensure your employees are paid the correct amount and on time. From a simple payment by cheque with limited reporting, to payment by BACS with a wide choice of management reports, we tailor the service to meet your requirements.

Once we have agreed your exact requirements, we will provide you with a tailored fixed price solution to help you budget with complete confidence.

Pedalling for Money on behalf of the Air Ambulance

Rather than pushing paper, some of Monahans staff and partners took to pushing pedals recently. The annual Great Monahans Bike Ride (GMBR) took place for the Monahans designated Charity of the Year. This year the aim is to raise much needed funds for the Wiltshire Air Ambulance Appeal.

Participants set off from our Glastonbury office at 8am heading towards Swindon, some 75 miles away. Along the way they stopped at our other offices to pick up more willing recruits! They all arrived safely in Swindon 11 hours later, so well done to everyone.



The cyclists leaving Glastonbury

Monahans top tax tips

Plan now to save Inheritance Tax

The taxman collects more cash from inheritance tax (IHT) than from capital gains tax so we can expect to see further changes to the IHT rules in the coming years.

For many, where the family home is their most valuable asset, the continuing increase in house prices means ever more death estates will fall within the IHT net.

Assuming that there have been no large gifts or transfers in the seven years preceding death, then the value of a deceased's estate in excess of the "nil rate band" (currently £285,000 but rising to £325,000 by 2009/10) is taxed at a flat rate of 40%.

Today, the IHT bill on a single death estate of £600,000 will be at least £126,000, which is a lot of money to find if the value of the estate is tied up in property! Early planning can help to substantially reduce this bill and enable more value to be passed down to the next generation. So, what simple planning ideas can I implement to reduce the IHT bill when I die?

Equalise Estates between spouses

All of us receive a nil rate band but a transfer from one spouse to the other (whether on death or not) is IHT exempt. Provided there is a sufficiency of assets, consider gifting assets to equalise estates between spouses, and on the occasion of the first death, to bequeath assets up to the nil rate band to someone other than your spouse. This alone could save you £114,000 in tax!

If you and your spouse own your property as joint tenants (so the interest you own passes automatically to the other owner on your death rather than under your Will) then consider severing the joint tenancy.

Ensure you have an up to date Will

Review your Will periodically to make sure it is current and reflects your wishes. If you do not know who to bequeath assets to, then a nil rate band discretionary Will could be for you.

Make use of annual exemptions

Use the large gift exemption of up to £3,000 per annum. This is a total, not an amount per gift. If you have not used up last years allowance, then this year the £3,000 doubles to £6,000 per person. Unused allowances can only be "carried forward" one year. Remember, each spouse is separately entitled to the allowance.

Consider making gifts during your lifetime

No IHT is generally payable by you or the recipient of an outright gift (unless it is to certain types of trust). Gifts made more than seven years before death are exempt from IHT and if death happens in this seven year period, tax may be payable but the bill reduces according to when death occurs, so there is no tax downside to making a gift as long as you survive 3 years (and preferably 7) from the date of the gift.

Gifts out of surplus income

If you are lucky enough to have more income than you need for your daily requirements, then any gifts made from the surplus are

entirely outside the scope of IHT and can be made alongside the £3,000 annual exemption. There has to be a pattern or frequency to the gifting which is genuinely out of surplus income rather than say, the capital from downsizing to a smaller house. This could be an attractive option for regular transfers into say, a grandchild's account.

Asset mix and Financial Products

Certain types of assets qualify for IHT exemptions and certain financial products can be used to reduce your estate for IHT purposes. These are specialist areas where professional advice should be sought.

Summary

There are several simple ways that you can save IHT that are low risk, legitimate and easy to implement. Some of these are listed above and though simple, they have the potential to save your Executors paying tax on your estate.

For more information on any of these issues call Geoff Don on **01225 785520** or email geoffd@monahans.co.uk.

Charity Date For Your Diary

Monahans, in partnership with Stone King Solicitors, have arranged an exciting seminar which will deliver essential information on the latest aspects of charity law and best practice.

Packed with practical ideas and information to help you run your charity more efficiently, this event is a must for all Charity Trustees and Senior Managers.

We have developed the programme based on questions we are regularly asked by our charity clients and Lord Joffe CBE will be our Chairperson on the day. Lord Joffe is a well known personality having defended Nelson Mandela in 1963/4, in his role as a human rights lawyer, and was the Chairman at Oxfam for 6 years.

Date: Tuesday 21st November 2006

Start Time: 3:00pm

Venue: Lackham Countryside Centre, 4 miles south of Chippenham on the A350

Cost: £20 per attendee

For further information contact Charlotte Pratten on **01225 785520** or email marketing@monahans.co.uk to reserve your place.



Monahans
integrated financial support

INDEMNITY CLAUSE

This newsletter highlights certain planning points and contains general information. Specific advice should be obtained from us before any action is taken regarding matters covered by this newsletter. MONAHANS FINANCIAL SERVICES LTD IS AUTHORISED AND REGULATED BY THE FINANCIAL SERVICES AUTHORITY ALTHOUGH NOT ALL OF THE PRODUCTS AND SERVICES REFERRED TO IN THIS LEAFLET ARE SO REGULATED

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