



NEWS

The Newsletter of The Society of Professional Accountants

..... *Strength in Numbers*

September 2003

Issue 36

HIGHLIGHTS

8th AGM - Friday 28 November

Member Survey

Inheritance Tax & Wills

Money Laundering

Money Laundering - Have you written to your MP yet?

With the July issue of SPA News we included a suggested letter to send to your MP expressing the concerns of small practitioners about the proposed new money laundering legislation. Have you sent yours yet? If not, please do so urgently. Some members have written and received replies from their MPs - and SPA member David Harthan from Oldham even telephoned local colleagues encouraging them to write! (Thank you David). A copy of the letter is on SPA's website at www.spa.org.uk Newsflash. SPA is writing direct to the Chancellor and Mark Prisk, Chairman, Cross Party Group, Small Businesses to give our views on the proposals.



Member Survey - An Alternate Route to Small Practice Support

In July's SPA News we printed an article introducing our major new initiative for supporting smaller practices and improving our practising environment.

SPA now seeks your participation in the simple survey enclosed. We would like to see our existing network of 1500 practices - and approaching 2000 partners - develop to provide mutual support and co-operation throughout our professional community. Please do take part - it will take only a few minutes of your time but could improve the way we work for years to come. (A copy of the article can be found on SPA's website at www.spa.org.uk Newsflash or a printed version from the Office - 01494 864414).

SPA's 8th AGM - Friday 28 November

Our 2003 AGM is fast approaching - keep Friday 28 November free to join us at Pinewood Studios, Iver, Buckinghamshire. Steering Committee members are up for re-election and it is possible one vacancy may exist. Please do consider giving your time to support us in the busy and interesting time ahead. SPA's Steering Committee meets once a month in Watford and if you would like any further information please call Daphne at the Office for an informal chat. Nominations for this vacancy or any other post should be sent to the Office by Monday 17 November.

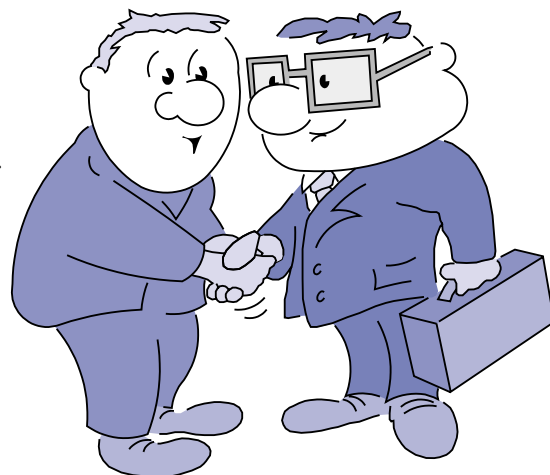


Money Laundering is clearly the 'hot topic' at present and SPA has asked solicitor Michael Kaye of Kaye Tesler to lead the morning CPE session on this. Parliament will be debating the proposed legislation shortly and, with probable implementation in early 2004, this is an ideal opportunity for you to get to grips with the impact it will have on you and your clients. As always our CPE is FREE to members - but a limited number of places will be available to your practice colleagues wishing to attend at a cost of £20 per head to cover catering charges.

A hot buffet lunch will be followed by the formal Annual General Meeting, with close of business no later than 4.00pm. Several of our Group Service Providers have confirmed their attendance to meet members and discuss areas of interest. Full AGM papers will be sent in early October, but please help our planning by returning the attached attendance form now.

Inland Revenue - 'Working Together'

Long-standing SPA member David Jeffries is acting as liaison for SPA at the regular Inland Revenue 'Working Together' meetings. On our behalf he raised the topic of Money Laundering and the requirement for accountants to report any knowledge or suspicions to NCIS. Specifically he asked what minimum monetary level was of interest to the Inland Revenue. An officer was asked to research and report back to the October meeting – watch this space!



Planning Ahead – With a Will

Inheritance Tax (IHT) is famously described as a 'voluntary' tax because it is easy to avoid. But a great many people pay it unnecessarily because no one has shown them the escape routes. Tony Gimple of Chancery Law Group explains.

One of the biggest dangers of writing a Will without expert help is that you are virtually certain to miss out on simple but effective ways of protecting your nearest and dearest from Inheritance Tax. And most people leave all their assets to their wife or husband, safe in the knowledge that Inheritance Tax will not be applied to those assets. But, although that's fine for you and your partner, it's not much use to your children as, when the second parent dies, anything left in their estate above the Nil-Rate Band is still subject to IHT.

If your children are at all likely to be landed with a tax bill – and if you can afford it – you should consider making use of your Nil-Rate Band when the first parent dies, rather than waiting until you have both expired.

Here is a simple example. Mr. & Mrs X have £600,000 apiece. They each write Wills leaving £255,000 to the children and the remainder of their estate to each other. The surviving partner receives his or her share tax-free, and the children also inherit tax-free because their share is within the IHT threshold. Then, when the second parent dies, the children get a second bite of the Nil-Rate cherry. And you don't have to leave a specific sum in your Will – you can simply state that it's to be equivalent to the Nil-Rate Band operating in the year of your death. But because you don't know which one of you will die first, it is important for you and your partner to split the ownership of your assets as equally as possible.

Another simple ploy is to set up a Nil-Rate Band Discretionary Will Trust. This allows your beneficiaries to borrow back assets in the trust in the form of an interest free loan. When they die, the loan is repaid from the estate.

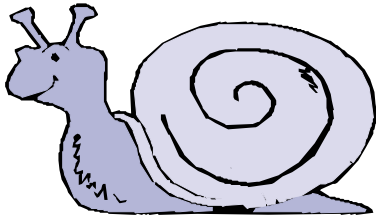
Single people and unmarried couples can make use of Discretionary Will Trusts, too, and they are well worth considering even if you don't have much money at the moment – you never know what's going to happen in the future. Simply insert a special clause in your Will and, if it turns out not to be necessary, it can be ignored.

Here is an example of how the clause works. A couple with assets of £510,000 divided equally between them insert Nil-Rate Band Trusts in their Wills. When one dies, £255,000 is left to the trust. When the other dies, their estate is reduced by the £255,000 debt to the trust. In theory, assets in the trust are limited to £255,000, but there are various legal ways in which this limit may be increased.

Wills aren't the only weapon in the battle to minimise IHT bills. You can, for instance, simply give away as much as possible while you're still alive. This is known as a 'Potentially-Exempt Transfer', or PET. Anything you give away is IHT-free, so long as you manage to survive for more than seven years after handing it over. If you die within three years, they have to pay the full 40 per cent of anything above the Nil-Rate Band. If you die after three years, the tax reduces on a sliding scale, as follows: Three to four years, 32%; four to five years, 24%; five to six years, 16%; six to seven years, 8%; over seven years, nil.

If you are considering PETs, you should be young enough to have the best chance of surviving seven years, and you must decide what you can afford to give away without depriving yourself – while your children may be willing to hand back any money you need later on, they may not be able to do so (they could have lost it in a divorce settlement or as the result of a poor investment or failing business venture, or simply frittered it away).

Once you part with assets in this way, you have no further control over them and it is particularly dangerous to give away your home if you intend to continue living in it.



Email v 'Snail' Mail

The majority of SPA members now have an email address and, with so many urgent issues coming before us where we need to advise you rapidly or seek your views, it seems logical and economic to use this speedy form of communication, especially for 'Newsflashes'. HOWEVER this will not be the only way we will communicate with our members as we have no intention of withdrawing the existing 'snail mail' which so many of you have told us you enjoy receiving.

Autumn 2003 Recruitment

SPA is once again writing to ICAEW members in small practice inviting them to join our growing Society. We have made improvements to the software we use to remove existing SPA members from the list, but should you receive this letter please accept our apologies now – we try hard – but we ain't perfect – yet!

Flyers

Enclosed is a flyer from SPA member Stephen Garside advising of the financial services they can offer to SPA colleagues. Please contact them direct should these be of interest to you.

Begbies Traynor enclose their latest newsletter on corporate recovery and other topics for your information.

Some lawyers offer special schemes aimed at helping you circumvent the rules, but remember, there are other ways of minimising the size of your estate while you are still alive that will save you from giving anything away that you may need later.

Top Tips

- ✓ Leave assets to your children when the first parent dies.
- ✓ Insert a Nil-Rate Band Discretionary Trust clause in your Will.
- ✓ Assets given away while you are still alive are not subject to IHT provided you live for at least seven years.
- ✓ Smaller gifts made in your lifetime are not subject to IHT, provided you keep within certain limits.
- ✓ The following are exempt from IHT:
 - all transfers between husband and wife
 - gifts made seven years before death
 - gifts made out of income rather than capital
 - gifts of up to £250 per person per tax year
 - gifts to charities, political parties and housing associations or to benefit the nation (e.g. works of art to a museum, or properties to the National Trust).
 - gifts on marriage (£5,000 per parent, £2,500 from other relatives and £1,000 from anyone else).
 - up to £3,000 per year to a single individual (£6,000 if you haven't used the previous year's allowance).

If you want to know more about Chancery Law Group's services, contact them on 08452 300 900, mail@chancerylaw.co.uk or www.chancerylaw.co.uk

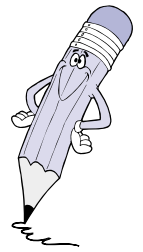
Oops - A Mistake in SPA News?

Just to prove 'we ain't perfect – yet' we must offer our apologies to Richard Rones who phoned the Office after receiving the July SPA News to say that he was the winner of the Guest Trophy at our Golf Day in June – not Adrian Wood (apologies Adrian!). Richard told Daphne it was the first prize he had ever won, or had his photo published. So, our apologies to Richard – we hope he has not taken offence and will come back next year to win the trophy for a second time to double his tally of lifetime golf prizes!



Richard Rones - Best Guest

Letters



Money Laundering

Sir

I have seen a number of suggestions and also had it mentioned on courses concerning money laundering that we should amend our Letters of Engagement to incorporate a standard paragraph concerning our obligations under the Proceeds of Crime Act. I should be grateful if you could let me know if either you publish something, or let me know of any other organisation that could supply this.

VT

Editor

SPA is currently working on a complete range of standard letters for use in your practices which we will publish on our website in due course.

Data Protection scams – keep your guard up

We received a copy of a letter from a SPA member to Office of Fair Trading advising them of yet another bogus data protection agency – ‘Data Processing Protection Corporation’ based in Guisborough, who included a questionnaire and ‘threatened’ a fine of £5000 for non-compliance and sought a ‘fee’ of £95. Yet again it is a fraudulent organisation.

The OFT is ‘warning off’ these agencies – but unhappily seem unwilling to prosecute them for passing themselves off as ‘official’. If you are unsure whether you need to register or not visit www.doineedtonotify.co.uk for official online help.

ANSWERBACK TOPICS

To: SPA
FREEPOST
Great Missenden
Bucks HP16 0BR

Date: September 2003

Firm: _____

Fax: 01494 864454

Membership No .

Help us help you by completing and returning this fact find sheet urgently

EIGHTH ANNUAL GENERAL MEETING FRIDAY 28 NOVEMBER 2003

- ◇ I will / will not be attending the 8th AGM / CPE session on Money Laundering
- ◇ I will require a vegetarian meal Yes No
- ◇ Please reserve _____ extra places for practice colleagues at £20/head
- ◇ I enclose our cheque for £ _____ to cover extra places

The full agenda and details will be sent with the October Newsletter - this return is to give an early indication of numbers for planning purposes.