

Ask the experts

Steve Screech, HW Newport and Terri Halstead, HW Tamworth

Q I want to keep my staff motivated in these difficult economic times. What additional tax-free benefits could I consider to help my employees?

- fuel for a company car
- personally owned cars
- vans
- company bicycles
- mobile phones
- relocation allowances
- overnight allowances
- company pension contributions
- share schemes
- private health insurance
- employee share ownership trust/ employee benefit trust

A In view of the somewhat gloomy economic position in the country, now is the time to ensure employers and employees take advantage of as many tax breaks as possible. To help, we have explored a few of the tax-efficient benefits available to try and bring in some sunshine.

Childcare

On-site nurseries qualify for a full tax break, as do workplace nursery partnerships if employers are involved in managing and financing the nursery, and meet strict HM Revenue & Customs guidelines. Childcare vouchers are exempt from both tax and national insurance contributions (NICs) of up to £55 a week.

Salary sacrifice

A salary sacrifice scheme, also known as a cafeteria benefit scheme, is one that allows employees to exchange some of their agreed salary for other benefits, such as additional days off, a company car, pension contributions or childcare vouchers. These arrangements need excellent administration, on an ongoing basis, but they can provide a useful way of reducing the employers' NIC and also provide tax and cost reductions arising from the bulk purchase of benefits attractive to a large number of staff.

Employee own tax returns

Do your employees struggle with their personal tax returns? Have you considered providing a tax return service for them using HW's own professional service? This is just one example of making available a "menu" of staff benefits which could be provided together with salary sacrifice arrangements. Such arrangements can have certain tax and/or NIC advantages.

There are, of course, many other areas in which savings can be made, such as:

- company cars

Q My husband and I have agreed that our marriage is over and we are planning to divorce. Are there any tax issues that we should be aware of?

A If your marriage is breaking up permanently, it is important to consider the timing of the split.

You should aim to divide up valuable assets, such as shares and land, as soon as possible. If you can complete such transactions in the tax year in which you

separate, you will not then have to pay capital gains tax on them. If you delay until the following year, you could end up with a tax charge, so it is important to get the timing right.

When considering your family home, there will be various issues to look at including who remains in the house; how will the departing spouse's share be dealt with; and will the house be sold or will a court order be entered into such that it will remain the family home until the children reach a certain age or cease full-time education.

All of these scenarios hold different tax-planning opportunities in order to minimise your tax exposure, thereby protecting the value of the asset. From an inheritance point of view, most transfers made before the time of divorce are exempt, and subsequent transfers for maintenance purposes should also be exempt.

Therefore, you need to consider the most acceptable options to both of you and HW can arrange a meeting to discuss the tax consequences of your decision. ■



If you would like further information on the advice above, or if you have any questions that you would like to ask our experts, please email one@hwca.com.



Brian Norton, Managing Director of Indestructible Paint (left), with Henry Briggs and Terri Halstead of HW Chartered Accountants (centre) and John Toon, Financial Director of Indestructible Paint

Painting the town R&D

Research and Development is at the heart of Indestructible Paint's global success and now, thanks to HW, the company receives regular R&D tax credits

Research and Development (R&D) is the lifeblood of manufacturing companies, enabling them to grow and compete. At Indestructible Paint, a specialist coatings manufacturer in Birmingham, a successful R&D department means the company can compete on a global basis.

Even though the company is just 30-strong, with six people in R&D it punches far above its weight. The company's customer list reads like a who's who of aerospace manufacturers and includes Rolls-Royce, Pratt & Whitney, British Aerospace and Sikorsky.

Finance Director John Toon is in no doubt about the importance of the role R&D plays in Indestructible Paint's success. He says it "is about keeping manufacturing going and keeping UK companies at the top". R&D tax credits were designed by the Government

with this in mind, and to encourage greater spending to promote investment in innovation. But Toon and Indestructible Paint Managing Director Brian Norton had missed out on these valuable tax credits.

However last year, after appointing HW Chartered Accountants, the company received a tax rebate of thousands of pounds after applying for R&D tax credits dating back to 2001. Toon says the application process for the rebate was complex, but HW led him and his team through it. "We knew there were R&D tax credits available to companies in the aerospace industry," he says. "And when we appointed HW in 2007 we looked at the possibility of back-dating these – we had not claimed before."

Indestructible Paint was successful in its claim, and quickly received what Toon describes as "a significant amount". "HW

had the experience to take us through the whole process," explains Toon. "And because of the tax experience HW have within their team we found it a fairly smooth process. Without that it would have been very difficult."

An investment in R&D enables Indestructible Paint to make the sort of industry advances that gives it a competitive edge. "If it was just about price you can't compete," says Toon.

Toon explains that R&D is where any 'real' manufacturing has to come from. For example, any coating that is used in the aerospace industry has to go through rigorous testing including heat resistance. The R&D department will conduct heat tests, as well as quality and health and safety tests.

The emphasis on R&D has already paid dividends at Indestructible Paint. Exports for 2007/08 accounted for 41 per cent of sales, up 6 per cent on the previous year, and exports are still growing. "That is where an increase in sales comes from," says Toon.

"We have global competitors. But we have a niche in the market because we don't compete in painting the complete plane. Our competitors will look for a larger volume output but we look for smaller volumes and higher margins."

Indestructible Paint now receives R&D tax credits on a regular basis. The six-strong R&D team will be increased over the coming months and more money will be put into developing the laboratory. "We are going from strength to strength," says Toon. "We are looking forward to increasing sales over the next three to five years. And there will be increased R&D expenditure. More money will be put into the laboratory and we will be looking to employ more chemists." ■

IN A NUTSHELL



Company

Indestructible Paint

Sector

Manufacturing

Project

Claiming R&D tax credits

Result

Significant investment in R&D as a result of a substantial tax rebate. The company now receives R&D tax credits on a regular basis.