

EXCLUSIVELY FOR CONTRACTORS

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Falling Share Prices

Some of our clients have said to us over the last couple of years and particularly the last few months how glad they are that they are unaffected by falling global stock markets.

Unfortunately, very few of us are completely unaffected. For a start, all those of you with pension funds have found that projected retirement incomes have slumped alarmingly in the last few months and those of us who are getting close to retirement have been urged to increase payments into our pension schemes. In the last twelve months the number of men expecting to work beyond normal retirement age of 65 has almost trebled from 5% to 13% and those planning to retire between 55 and 65 has fallen 11% to 65%. Hard times indeed!

And then, of course, there are endowment mortgages! An increasing number of people are on the 'red list'. This is the list of people who anticipated that the maturity value of their endowment policy would be at least sufficient to pay off their outstanding mortgage but who now find that this is not the case.

The decline in stock market values has now become so serious that companies are delaying spending on new projects until they can see some stability in the markets. We have found, routinely, that banks have become increasingly reluctant to lend on commercial projects which would have received the thumbs up only a few months ago.

The only kind of lending that does seem to be continuing, unabated, is the provision of finance for the residential property market. Of course interest rates are low and are now being forecast to move even lower, but surely the seemingly inexorable rise in property prices has to stop somewhere. How can it continue in what seems to be glorious isolation to the rest of the economy?

Take care!

FIXED-TERM EMPLOYEES

New legislation has been introduced which came into effect on 1 October 2002. It rejoices under the name of 'Fixed-Term Employees' (Prevention of Less Favourable Treatment) Regulations. The effect of this law is that if somebody is employed under a fixed-term contract then when the task is completed he or she will be regarded as being 'dismissed'. This is the situation, even though it may have been agreed by everybody that once the assignment was completed then the individual would leave.

Contractors have traditionally obtained their assignments from agencies but many of them have negotiated terms directly with a company once the initial term of the contract expired. Often their assignment with the company would be to install a system which could take two or three years to complete.

Contractors who are in this position, if they are directly employed by the company, have the same rights as permanent members of staff eg. no less favourable holiday terms and sick pay benefits.

Those of you who have been invoicing the company through your own service company should talk to your solicitor to see if you have the basis of a claim, particularly if the project is coming to a close.

NATIONAL INSURANCE SHAMBLES

If anybody thought that combining the Contributions Agency (they were the ones that dealt with National Insurance) with the Inland Revenue would produce a more efficient system,- they can think again.

Apparently the Inland Revenue have duplicated a significant amount of National Insurance data and rather than admit this, have told tax payers that they can sort it out themselves.

A letter written to an individual says 'we are writing to

you because it would appear you have been using the wrong National Insurance number'. The letter went on to say that if the right number was not notified to the agency then there would probably be difficulties in making sure that all payments of National Insurance were allocated to the individual.

On a first reading you may think that that is not unreasonable but the individual involved had used that National Insurance number for all her working life!

SECOND PROPERTIES, HOW TO SAVE TAX

Most married couples have their main residence in which they live. This, for tax purposes, is called their 'principle private residence' and it is exempt from capital gains tax when it is sold.

We were asked recently whether there were any tax saving ideas for the purchase of a second property. The answer is that it is much more tax effective for the couple to purchase a second property in joint names than, as sometimes happens, for the husband to purchase it in his own name.

Even if the purchase has been made, as long as the sale of the property is not immediately contemplated then it is not too late to transfer the property into joint ownership. There are no tax implications of the transfer between husband and wife and the wife will take over her share of the 'base cost' of the property. Any rental income from the property will be shared between husband and wife which will clearly be beneficial if the wife has little or no income and the husband is into high rates of tax (broadly this means gross income of £30,000+). When the property is eventually sold the gain is divided between the husband and wife and apart from her annual exemption for capital gains tax any excess on her share of the profit will be taxed at lower rates rather than at the husband's highest rate.

This idea can be extended by giving 'shares' in the property to children aged over 18. This transfer is not however exempt from capital gains tax and would need to be calculated carefully.

In all cases for the strategies outlined above to be

successful, the tax planning should be carried out well in advance of any sale of the property. If this is not done the Inspector of Taxes is likely to attack it as not being a genuine gift but a device to avoid capital gains tax.

FIND IT ON EBAY!

Parts for a US Air Force spy plane, instead of being destroyed, ended up in private hands and in June found their way on to the eBay auction site.

THEFT OF TAX CHEQUES

Believe it or not there has recently been widespread theft of tax cheques. This is not just confined to cheques sent direct to the Inland Revenue but also cheques sent to Accountants.

The Inland Revenue has suggested more secure methods of payment. They have four ideas which are:-

- 1) Pay via the internet or telephone banking.
- 2) If you have a debit card eg. Switch, Solo or Visa Delta you can pay by telephone if you call 0845 3051000.
- 3) Pay by bank giro or at the Post Office using the payslip giving all the reference details.
- 4) Pay by BACS or CHAPS. If you want to do this then telephone 01274 539579 for details.

If none of these appeal to you then you can continue to pay by cheque and your cheque should be made payable to 'Inland Revenue only'.

We have heard of cases where individuals have opened personal bank accounts under the name of I Revenue! They happily paid the cheques into these accounts without the bank thinking there was anything strange happening at all. With the money laundering provisions which banks are taking very seriously these days, this scam just would not work unless somebody can come up with a passport and utility bills to confirm an identity as I Revenue!

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