Summary 2012 Issue 16

WatsON

Registered Auditors • Accountants • Business Advisors

FINANCE FOR SMALL BUSINESSES

Macro issues making matters better, or worse?

Christine Lagarde, MD of the International Monetary Fund (IMF), flew to the UK recently to confirm what we already knew – our growth rate is flat and without improvement new ideas are required! More quantitative easing and interest rate reductions were mooted along with a further call for lenders to increase their funding appetites.

The Monetary Policy Committee voted against further quantitative easing by 8 -1 early in May, further interest rate cuts were rejected when last reviewed and lenders are still concentrating on repairing their own balance sheets whilst looking at continuing poor UK economic data and worrying about uncertainties in the eurozone. Lenders are unlikely to feel more relaxed until their own individual situations, and macro issues, improve.

Add to this the political aspect - our Government pursues the path of fiscal discipline ('austerity') and expects markets and business to eventually spark growth.

Elsewhere in Europe politics is uncertain – Greece appears to be preparing to tear up signed treaties, France is now socialist led and advocating growth over austerity and Germany are not for easing fiscal discipline at all (Angela Merkel has elections to face).

So, for small businesses in the UK it appears likely that available finance will remain tight for the foreseeable future – no better than now, but hopefully no worse either. The key to raising finance still requires that businesses present their propositions well and clearly evidence serviceability (including stress testing criteria).

In the current financial climate we continue to strongly recommend you discuss your requirements with us before approaching a lender.

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SEED ENTERPRISE INVESTMENT SCHEME (SEIS)

New tax year. New Investment Scheme

The much welcomed SEIS Scheme is aimed at smaller early stage companies which are carrying on or preparing to carry on a new business in a qualifying trade.

It is the Government's attempt to support their growth agenda. The idea is to attract investment for riskier, smaller, early stage UK companies.

The relief will apply to investments made on or after the 6 April 2012.

Here are some of the main points that both companies wishing to raise finance and potential investors should consider:

1. The Company must be a start up business with no more then twenty five employees and assets of less than £200,000
2. The Company must be a UK Company, trade in an approved sector and not have benefited previously from either of the EIS (Enterprise Investment Scheme) or VCT (Venture Capital Trust) investment schemes.
3. Investors cannot control the Company that is receiving their capital. Directors, (but not employees), will be able to invest in their own Company as long as they own less than 30% of the Company's shares.
4. Investors receive 50% Income Tax relief on their investment in the tax year that the investment is made.
5. Investors can invest an annual amount of up to £100,000. In order to make the scheme more flexible any unused annual amounts can be carried back to the previous year.
6. The overall investment limit over two or more tax years for the same Company is capped at a maximum £150,000. This is a cumulative limit.

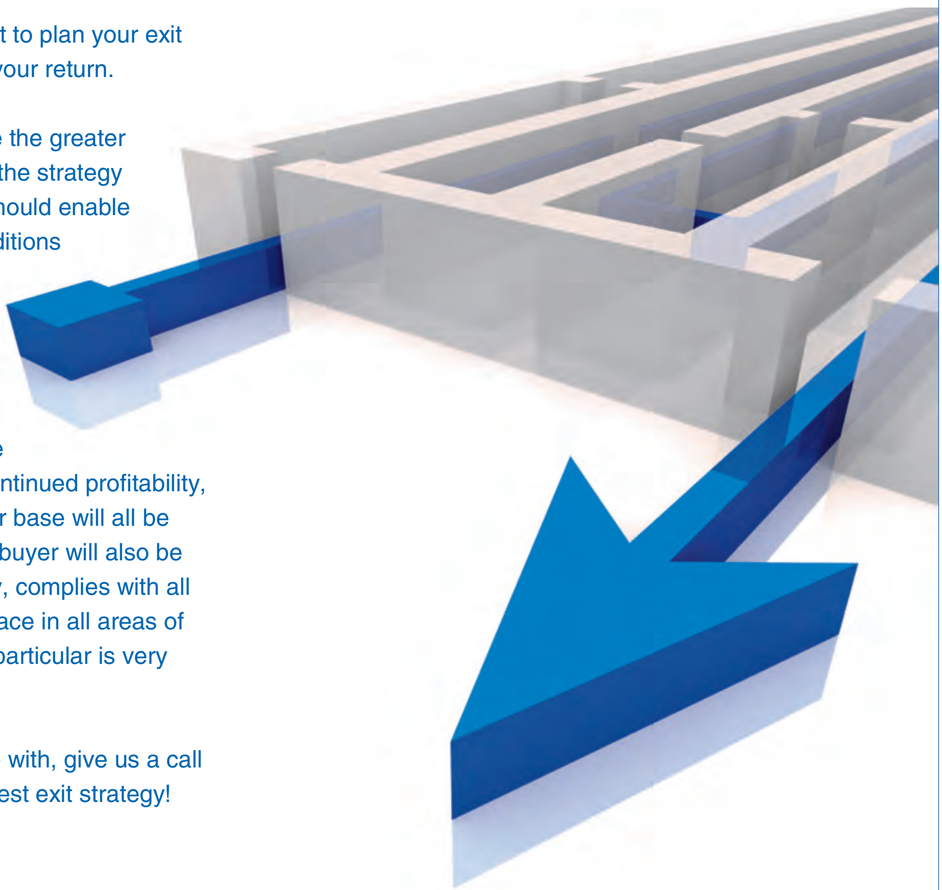
In addition to the investors opportunity for Income Tax relief there are other potential tax savings that may result from such an investment which we are more than happy to discuss with you including the ability to carry over a personal Capital Gains Tax liability - give us a call!

EXIT AHEAD

Planning for a profitable exit route

If you run your own business it is important to plan your exit as early as possible in order to maximise your return.

The earlier you start to plan your exit route the greater the flexibility you will have with regards to the strategy and timing. In turn this greater flexibility should enable you to exit the business when market conditions are at their most advantageous.



When building up to your planned retirement it is important to ensure that your "house" is in order and that sound practices and policies are in place to make the business as attractive as possible. Continued profitability, good levels of growth and a solid customer base will all be key to any potential sale but any potential buyer will also be looking for a business that is run efficiently, complies with all relevant laws, and has good systems in place in all areas of the business. The accounting function in particular is very important.

If this is something you would like our help with, give us a call and we will work with you to achieve the best exit strategy!

YOUR OPTIONS

As well as ensuring you start planning your exit route as early as possible it is also important to consider the route that suits you best. Here are some of the possible options:

- **Management buy-out or family succession**
  The main advantages of this route is that to a large extent any deal can be constructed "in house" with the potential for you to stay on in the business in a reduced role. It may also give you greatest flexibility with your exit date by transferring the business in part to management or family over a number of years. The potential downside may be the length of time it takes for the funds to be raised.

- **Trade sale or Management buy-in**
  This route gives you a far wider range of potential buyers and can potentially achieve a higher return. It will be imperative however that the business is an attractive proposition for any potential buyer if you are to achieve a good price and terms.

- **Mergers**
  An effective merger could be used to introduce new members to the management team that could replace you in time and, if planned well, may also result in economies of scale arising from joining together two companies.

- **Liquidation**
  This may be the only route possible if your business is totally reliant on your specialist skills and whilst it may produce a lower return, there may be no other option.

MOTORISTS GO GREEN!!

Tax efficient vehicles for Directors and employees

Rocketing fuel prices has meant that motorists are really feeling the pinch. Add to that the fact that the Government continues to target benefits in kind on cars with high CO_2 emissions then the Company car option is now less attractive than ever…or so you may think!

Company cars are taxed based on their CO_2 emissions, for example a diesel car with a list price of £55,000 with CO_2 emissions of 215 g/km would result in a taxable benefit of 35% of the list price, e.g. £19,250. If the employee was a 40% taxpayer, this would produce a tax charge of £7,700 for the 2012/13 tax year.

If, in addition, fuel was provided to the employee for business and private use then the fuel benefit is calculated by applying the appropriate percentage to the fuel multiplier of £20,200 e.g. £7,070 (35% (as above) x £20,200) – an additional £2,828 of tax for the 40% taxpayer.

There are however ways that an employer can reduce the car benefit for a Director or employee, for example, by providing them with a low emission “green” car.

Currently where emissions are between 1 and 120 CO_2 g/km the tax charge ranges from 5% and 17% of the list price depending on exact CO_2 emissions and fuel type.

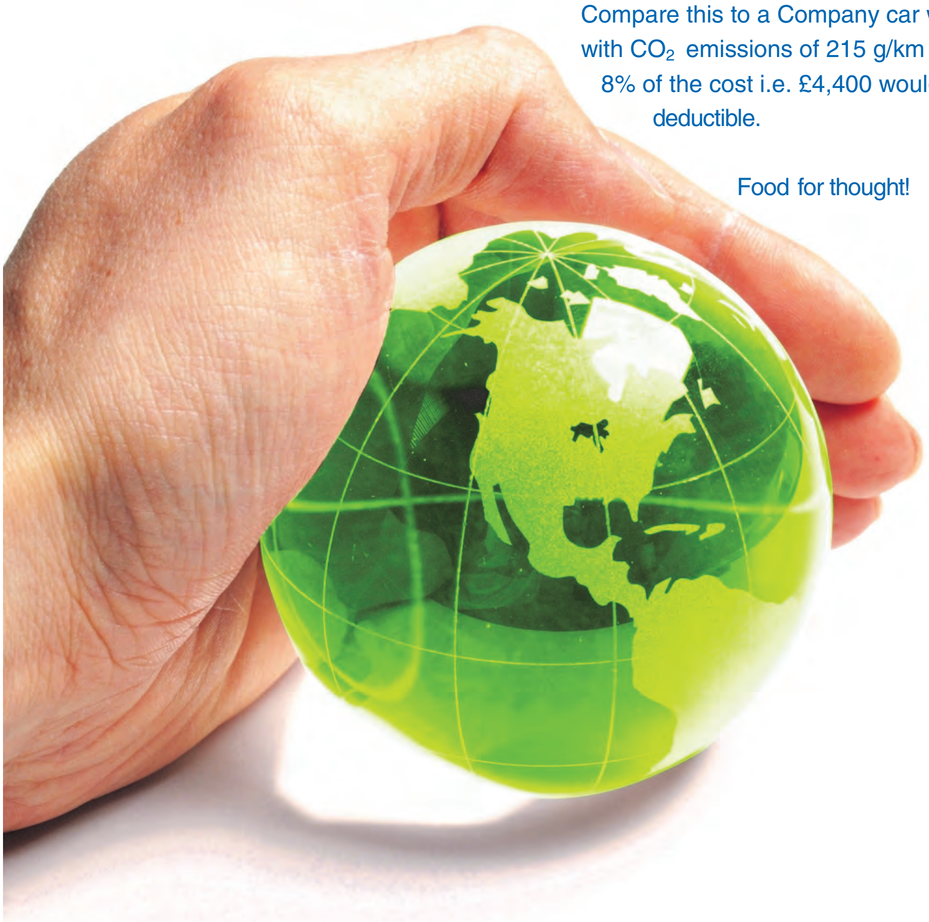
It is therefore worth researching what cars have low CO_2 emissions – there are more available than you may think!

In addition the Company itself will also benefit from providing a “green” car to Directors or employees as cars with emissions of less than 110 g/km are eligible for 100% capital allowances.

For example if a car with CO_2 emissions of less than 110 g/km was purchased for £18,000, the whole £18,000 would be allowable as a deduction against taxable profits of the Company.

Compare this to a Company car worth £55,000 with CO_2 emissions of 215 g/km where only 8% of the cost i.e. £4,400 would be deductible.

Food for thought!



R&D UNDER AN SME

Tax breaks for Research and Development costs

If your Company is planning to undertake any projects that can be classified as Research and Development (R&D) under the Small and Medium sized Enterprise (SME) Scheme there are significant tax reliefs available that must not be overlooked.

From 1 April 2011 the tax relief on allowable R&D costs is 200% i.e. for every £100 of qualifying costs, £200 can be set against the income assessable to Corporation Tax. Subject to Parliamentary approval, this is set to increase to 225% from 1 April 2012.

As you would expect there are various conditions to be met to qualify for the relief:

- Broadly speaking the Company must qualify as a Small and Medium size Enterprise and be a going concern.
- The project concerned must seek to achieve an advance in overall knowledge or capability in a field of science or technology through the resolution of scientific or technological uncertainty.
- It must also be related to either the company's existing trade or a trade that the company intends to start up based on the results of the R&D.
- If a project does qualify, relief can be claimed on the revenue costs incurred, such as materials, wages, software and utilities. There is also the possibility of R&D capital allowances on capital expenditure.

TO SUBSTANTIATE YOUR CLAIM

Can you answer the following questions?

Q. What is the scientific or technological advance?

Q. What were the scientific or technological uncertainties involved in the project?

Q. How and when were the uncertainties actually overcome?

Q. Why was the knowledge being sought not readily deducible by a competent professional?

Obviously the above is only a brief outline of the conditions for this relief but if you are either currently, or planning, to undertake any projects that you feel may qualify please talk to us to ascertain whether you can take advantage of this relief.

CONGRATULATIONS TO A 'CLASS' ACT

Club Class Chauffeurs awarded at the Business Travel, People Awards in London

The corporate chauffeur company was one of over 140 entries to the recent awards and scooped a 'highly commended' in both the Account Manager and Account Management Team categories. It was "pipped to the post" by Emirates and Avis respectively - both big global brands in the business travel sector!

Jonathan Dow *(pictured left)*, MD, Club Class Chauffeurs, said: "It is a great achievement to share the same stage and award categories as some of the biggest world brands in the travel sector. Club Class Chauffeurs' ethos of providing exceptional customer service is clearly putting us on the national and international stage. We are delighted to have been recognized at the ceremony and two "highly commended" awards is a great honor indeed."

WATSONS AT LET'S DO BUSINESS

A great turnout for the Brighton Exhibition

We returned to Brighton Racecourse this May for the Let's Do Business Brighton & Hove Exhibition. An ever popular exhibition with a great turnout and a positive response to our presence there.

Sam Chown and Michelle Bettney headed up the stand with the assistance of the Corporate Team. This year's "theme" was "How Well Do You "Wheely" Know Brighton" with a ten question quiz all about the city. The lucky winner was Diana Lock of Remade South East *(pictured right)* who was drawn from the hat of all entrants who correctly answered the ten questions.

Congratulations Diana! Your ticket for a champagne ride aboard the Brighton Wheel is on its way to you!

Dates for your Diary

1 October 2012	Due date for payment of Corporation Tax for period ended 31-12-2011
31 October 2012	Last day to file 2012 paper Tax Return
1 January 2013	Due date for payment of Corporation Tax for the period ended 31-3-2011
31 January 2013	First Self Assessment payment on account for 2012/2013
	Capital Gains Tax payment for 2011/2012
	Balancing payment for 2011/2012 Income Tax/Class 4 NICs due
	Last day to file 2012 Tax Return online
2 March 2013	Last day to pay balance of 2011/2012 tax and Class 4 NICs to avoid automatic 5% surcharge
March 2013	Budget speech by Chancellor of the Exchequer
31 March 2013	End of Corporation Tax financial year