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HART SHAW

Chartered Accountants & Business Advisers

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The Adviser

Welcome to issue 3

Welcome to issue 3 of the Adviser, Hart Shaw's quarterly client focused newsletter.

In our Autumn issue we will be taking a look at the forthcoming pension changes due to take effect in April 2011, along with a profile of Hart Shaw's Business Recovery & Insolvency team and details of some upcoming seminars we are putting on.

In addition to this we are also communicating an interesting marketing offer to young businesses, information about our Business Payment Support Service and the brand new Sage Line 50 2011 package, due to be introduced in the near future.

We hope you continue to find The Adviser a useful and topical newsletter and we welcome your feedback. Don't forget to visit our website and Blog for all the latest news about Hart Shaw and our services.

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Autumn 2010

All change for pensions... again

Those of you who follow these things will be aware that over the last 4 years or so pension contributions and the tax relief available on them seems to have been constantly changing.

In 2009 the then Labour government proposed changes to tax relief on pension contributions that were due to take effect in April 2011. It was proposed that an income tax charge be levied on high earners through a reduction in the relief available. The result of these regulations being delayed until April 2011 was that special rules had to be applied for 2009/10 and 2010/11 which involved higher earners suffering a special income tax charge on contributions over the prescribed limit.

The proposed rule changes that were to be introduced in April 2011 were overly complicated, and as a result the new coalition government went into a consultation process about how to simplify them. The result of that consultation process and the proposed new rules were recently announced by the government.

The basic announcements are that:

- The annual allowance for tax privileged pension contributions will be reduced from £255,000 to £50,000, and
- The lifetime allowance will be reduced from £1.8m to £1.5m



The annual allowance is the maximum pension savings you can make each year that benefit from tax relief and includes not only your own contributions but also that of anyone else, for example your employer. From 2011/12 if you exceed the allowance you will pay a tax charge on the amount over the available allowance. For example if you contribute £60,000, £10,000 will be subject to a tax charge. This tax charge will be at your marginal rate, meaning that in most cases the charge will be at 40% or 50%.

The new legislation does make provisions for further complications, especially in relation to:

- As an individual's pension contributions for a particular tax year are measured based on input periods (that in most cases do not match the tax year) special provisions are in place to deal with those who may have inadvertently already exceeded the £50,000 allowance for 2011/12.
- If an individual has been a member of a registered pension scheme in the last three years any unused allowance (up to a maximum of £50,000 per year) is available to be carried forward and utilised in a later period.

In short if you have made significant pension contributions or intend to do so, you need to contact us for guidance on how these rules may affect you.

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Department Profile

Business Recovery & Insolvency

Starting in this issue, The Adviser will be introducing the various different departments at Hart Shaw, starting with Business Recovery & Insolvency.

The Hart Shaw Business Recovery & Insolvency team have been helping limited companies, businesses and individuals to recover from their financial problems for more than 20 years. Headed by Partner Christopher Brown and Senior Partner Andrew Maybery the team has a wealth of experience in offering independent advice to help develop practical solutions to business problems.

Hart Shaw's Business Recovery & Insolvency service was set up to help people and companies deal with the wide range of financial problems that exist today. This can be individuals who are over-extended with consumer credit or company directors whose businesses face closure. Over the years the team have helped hundreds of individuals and companies resolve their problems and in doing so have developed the necessary experience, knowledge and skill.



The BRI team from left to right: Emma Legdon, Jamie Brown, Mark Wharin, Richard Fletcher, Chris Brown, Paula Uttley & Andrew Maybery

Christopher Brown, Business Recovery & Insolvency Partner told The Adviser: "It is a fact of life that some businesses thrive and prosper while others stumble and fail, often falling victim to increased competition, changes in legislation, a loss of market or bad debts."

"At all stages of the economic cycle companies, businesses and individuals will invariably face difficulties and issues for which specialist advice should be sought. The key to success in times of trouble is to seek professional advice sooner rather than later as this can increase the options available."

For businesses, the options available will depend on its legal status and whether it is incorporated.

When a limited company becomes insolvent it is defined as being "unable to pay its debts as and when they fall due" or where "its assets are worth less than its liabilities". It's Directors have a duty to act in the interests of creditors. As a general rule the debts of the company remain with the company and its directors are not personally liable.

Unlike a limited company where the debts of the business remain with the company, a sole trader or a partner is automatically liable for all the debts of the business.

Hart Shaw can advise the best way forward – be it a formal insolvency procedure or informal restructuring.

If your company or business is in difficulty, or if you have personal financial problems, the Hart Shaw Business Recovery & Insolvency team can help and offer a free initial consultation with total discretion and confidentiality.

Further information can be found on our newly re-branded website at www.hartshaw-bri.co.uk.

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Case Study

Administration & CVA

This was a specialist engineering company with a world leading product which had been developed over a number of years. The company's problems had arisen two years earlier when the company had overtraded by taking on three major projects across three continents – Australia, America and Africa. Due to technical problems, significant losses were incurred on these projects resulting in the company becoming insolvent. The director was able to continue trading the company despite it being insolvent due to the way that projects were funded.

After two years of struggle the company suffered a bad debt of US\$400,000 which led to the director contacting us and taking formal advice. We advised that in order to protect the business the company should be placed into administration. We were appointed administrators of the company, took control of its assets and continued to trade the business. We met with suppliers and creditors to agree terms of trade to allow the company to continue trading. Terms of trade were also negotiated with the company's customers to enable payments to be made on delivery and thus allow the company to trade on a cash positive basis.

After three months the company was trading well and we had dealt with all its problems. We identified that the best outcome for the company, its owners, its employees and the creditors was for proposals to be put forward for a Company Voluntary Arrangement (CVA) as an exit route for the administration. The basis of the proposal was that the company would dispose of certain assets and would pay monthly payments totalling £315,000 over 42 months. The company would also pay a proportion of any post tax profits generated during the term of the arrangement.

The CVA was accepted by creditors and at the end of month six the administration came to an end and the director took back control of his company.

The administration was a complete success and all parties have benefited. The company survived and director / shareholders retained their business. No jobs were lost and creditors will receive the maximum dividend which they could expect.

Business Payment Support Service

The Business Payment Support Service was introduced in November 2008 to help viable businesses to pay their tax liabilities during economically difficult times.

HMRC's website states that in the period to April 2009 110,000 arrangements had been reached with businesses to defer tax liabilities of c£2 billion. In most of these cases the timetable for the payment of these deferred amounts was between 3 and 6 months.

In the first year of the service we found that for corporation tax purposes HMRC were very obliging and we were able to make deferral arrangements for many of our corporate clients on excellent terms.

With income tax, our experience was that HMRC were less reliable and whilst we were able to put in place a number of good arrangements for our clients without difficulty, we also came across a number of HMRC inadequacies. One client in particular suffered a number of mistakes by HMRC including:

- It took the client a number of weeks to make the arrangement.
- Once the arrangement was in place the client still received a surcharge notice from HMRC, and
- Towards the end of the deferred payment period, our client received extremely threatening letters from HMRC regarding making future payments.

Despite these errors we were able to guide our client through the deferral system and help the business meet its liability.

In recent months we have noticed a significant change in HMRC attitude towards deferral applications. They have now become very sceptical towards applicants wishing to defer corporation liabilities in excess of £100,000, especially where the desired payment period exceeds 6 months. It would appear that HMRC believe that companies are exploiting the service simply to ease cash flow rather than out of a genuine difficulty to pay their tax liabilities.

Furthermore, HMRC are increasingly asking for much more information before agreeing any deferral plan. Some of our clients have been asked to provide detailed cash flow forecasts, business and personal bank account statements, and in some cases a statement of assets.

The Business Payment Support Service will continue as long as it is required. However, inevitably, this policy will have to be balanced with the government's fiscal black hole and its policy for filing it.

There is no doubt that obtaining a payment deferral agreement does require more work than in previous years. However, that should not put you off making an application if you are struggling to meet your business tax liabilities, and we will endeavour to obtain the best possible arrangement for you.

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Upcoming events

How to develop a strategic marketing plan for growth

On Wednesday 10th November Hart Shaw and Sugarcane Creative are joining forces to deliver a seminar titled 'How to create a strategic marketing plan for growth'.

In order to create a successful marketing plan it helps to have a strategy. Most business owners will have an idea of where they want their business to be in the next few years but may not have formed a plan to go with it. This could be growing in their current market or re-positioning themselves in new ones. In a time where a lot of businesses stand still to weather the effects of the recession it is those businesses that look to the future and create a marketing strategy that stands out in the market who sustain their competitive advantage.

This seminar covers: the importance of strategic planning; the importance of objective led marketing; the key stages to develop a marketing plan and a structure for implementing this plan.

Due to high demand we have decided to put on another seminar on this topic on Wednesday 24th November. Limited places for this seminar are still available.

Energise your cash flows

Hart Shaw and the FD Centre are putting on a joint seminar titled 'Energise your cash flows' on Wednesday 17th November. This seminar is designed for business owners, managing directors and senior business managers.

Positive cash flows are the lifeblood of any organisation. In an economy marked by recession, spending cuts and a scarcity of funding, cash flow management is the single most essential tool of any business – large, medium or small. This seminar will provide owners and managers with a greater understanding of the crucial role that cash flow and working capital management plays in the successful operation of any organisation be it private, public, profit or not-for-profit. Real life tools and strategies will also be presented to both illustrate and signpost business changing actions.

The seminar covers: typical cash flow issues; the techniques of effective cash flow management; the preparation and use of cash flow forecasts and understanding the thoughts and needs of funding managers.

Limited places are still available. Please contact Brendan Hall at Hart Shaw or check the 'Forthcoming Events' page of our website: www.hartshaw.co.uk/events.htm for further details.

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Follow Hart Shaw!

Hart Shaw is exploring the technological world of social media and our business profile can now be found on Linked In and Facebook.

Please feel free to have a browse around our profiles and either 'follow' us or become a 'fan' as we will be communicating further information to our clients over the coming months via this media source.

We are setting up groups tailored to give you up to date information and advice on all the latest tax and HMRC legislation, funding options, business acquisitions and disposals, information for new business start ups, turnaround options for struggling businesses and anything else that affects the world of accountancy and business advisory that is relevant to you.

We already have close to 100 members in our [South Yorkshire Corporate Finance](#) group on Linked In.

So please keep an eye out, connect with us and get involved in our discussions, it may benefit your business not only to speak to us but also our mutual business contacts.



Hart Shaw also has a Blog, which can be accessed via our website or directly at www.hartshaw.wordpress.com.

On here we are communicating both serious and light hearted information about Hart Shaw and our employees, including posts about our teams involvement with local charities, local sporting events and new recruits, as well as up to the minute tax and corporate finance information. This information is there to help and inform our clients, and gives you an insight into the most important part of Hart Shaw, the people.

Please give us your feedback by commenting on our posts!

The Adviser
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In the news...

Hart Shaw have been in the news recently, with more good PR surrounding the firm.

In October 2010, Corporate Finance Partner, Chris Sellars received another award in recognition of his hard work during the past 12 months. To add to his Dealmaker of the Year award at the Insider South Yorkshire Dealmakers awards he won the Best Professional at the Network King Deal Breakers awards. Congratulations Chris!

In addition to this award, Hart Shaw has received recognition at the Sheffield Chamber of Commerce annual general meeting by receiving a 'Celebrating Success' certificate for trading in the local area for over 100 years.



Chris Sellars collecting Hart Shaw's '100 years' certificate.

Sage 50 Accounts 2011



Accredited
Accountant Partner

Sage 50 Accounts 2011 is a comprehensive business tool which allows you to manage all your company's finances from one easy-to-use package. The new features that are included this time round allow you to keep track of everything from cash flow and invoicing to VAT submissions and payments.

What's new in Sage 50 Accounts 2011?

The software includes new and updated features for you working in the following areas:

Flat-rate VAT

Enables you to set up and manage businesses on both invoice and cash-based flat-rate VAT schemes. Allows users to calculate savings and losses to your business using flat-rate – compared to standard VAT.

Charities

Offers seamless, integrated working. Users can manage reporting by fund, produce Profit and Loss and Balance sheets without exporting data.

Integration with Sage Web Stores software

Use Sage Pay to create new customers and products and generate invoices and receipts. Benefit from automatic payment downloads from your Web Store product to your accounts production software – saving processing time and removing potential for human error.

Bank Reconciliation

Allows you to view all the details you need on one printable screen. Users can complete customer and supplier receipts and refunds within the software.

Free phone and online support

Forty-five days free support is offered to all new customers.

Hart Shaw is an Accredited Accountant Partner for Sage Line 50 software meaning we can ensure our clients have all the tools and resources they need to get the most out of their Sage software.

Through this we are able to offer our clients a tailored service to meet their individual requirements, benefitting from software and systems installation assistance, software training, regular updates and access to offers that can't be obtained anywhere else. We are also an accredited re-seller.

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