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HART SHAW

Chartered Accountants & Business Advisers

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The Adviser

Social media and the accountant

Social media you say? For a professional accountancy practice? How does that work then?

Well the year is 2013 and like it or not, the social media phenomenon is still riding the crest of the wave and showing no signs of crashing back on to the shore.

We have embraced this, like many others, but what benefit do you get from joining in, reading, responding, liking and sharing dull news from an accountant? And what on earth are those funny squiggles at the bottom of the page?

Quite simply, social media is a great way of delivering your message to a wider audience. Gone are the days of irregular communication between supplier and customer, social media allows you to deliver bite sized messages in a cost effective and wide reaching way.

Hart Shaw uses social media to engage our followers with real news. News about business, finance and events. News about Government legislation and taxation. Useful hints and tips are provided to keep our followers up to date with issues that may affect their businesses.

So go on, give these codes a scan on your smartphone and engage with us, you may be pleasantly surprised.



Twitter



Facebook



LinkedIn



Blog

Summer 2013

Heading for the exit?

It always surprises us how many times we meet successful business owners who do not have an 'exit' strategy. After all the hard work to establish and grow a successful business, it would be logical to give some thought to planning how to maximise its value when the shareholders are looking to exit! Whatever the reason for seeking an 'exit', the most important theme for all business owners is usually the desire to maximise the value of the business, even if the sale is a strategic disposal.

The first stage in the exit planning process is to identify the shareholders goals. Key questions are: Is it the right time? What are the immediate prospects for the business? Do the shareholders need to raise capital to live comfortably in retirement or are they already financially secure? There are many issues to consider and it would be a shame not to maximise the proceeds on the sale of the business because the exit was not as well planned and managed as the business itself.



The next stage is to consider the likely barriers to achieving a successful exit. These can be many and varied. A key consideration is the ability of second tier management. Do they have the skills to manage the business or would an acquirer have to invest resource in supporting them? Have the shareholders considered their own tax position to maximise any available reliefs and have they considered any non-business assets owned by the company? There are many issues than can affect a sale and our guidance would be to seek practical advice at the earliest possible opportunity.

The third stage is to identify possible routes to an exit. Although not an exhaustive list these may include:

- a trade sale;
- a management buy-out;
- going public on AiM or another public market;
- passing the business to the next family generation

Whichever route is likely to suit your business you should plan your exit several years before you want to sell or retire. Value can only be maximised if the shareholders look ahead to the exit, consider the timescale and the likely exit route as this will have an impact on the daily decisions made in the business. In all respects it is essential that the business has potential, ultimately this is what the acquirer is purchasing and this is what the value will be based on. Our advice to all clients is plan early and plan thoroughly!

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Meet your new Business Recovery Partner

Hart Shaw is delighted to announce Emma Legdon as a new Partner within the firm.

Emma's rise to the top completes what is a great success story since joining Hart Shaw in a temporary administrative role in 1993.

Working her way up the Managerial ladder, Emma qualified as an Insolvency Practitioner in 2011 and obtained her license in 2012 before being made a Partner of the firm on 1st April 2013.

Emma comments: "I am very proud to have been named a Partner in a firm with the stature and history of Hart Shaw.

"Having been with the firm for all of my working life it is a great personal achievement and I feel very honoured that the current Partner group think enough of me to invite me to join them, which I have duly accepted."

Senior Partner, Paul Dawson comments: "The appointment of Emma Legdon as a partner on 1st of April shows that there is no

bar on anybody reaching the top. Emma joined us as an office junior 20 years ago and has worked hard to get to where she is today. Well done to her, she is a role model for everybody within the firm."



Emma will be leading the Business Recovery & Insolvency department at Hart Shaw, along with fellow Insolvency Partner Christopher Brown.

Emma comments on the current economic climate: "The past 12 months in the Recovery & Insolvency department have been tough compared to recent years, in part due to the uncertainty in the economy.

"If, as predicted, the economy slowly starts to improve this is when we could see businesses struggle with cash availability and not be able to fund their working capital requirements."

No Double Dip Recession!

At last some good economic news. The Office for National Statistics (ONS) has released revised figures which show that the UK economy did not contract in the first quarter of 2012 and therefore the UK did not experience a double-dip recession. However, the ONS reported that the recession in 2008 was deeper than previously estimated.

It is widely accepted that the UK has experienced the longest and deepest recession since the 1950's. In previous recessions recovery was under way by this stage whereas we are still battling with lack of consumer confidence and an uncertain economy.

However it is worth noting that despite this as a background there are positive stories in the media, just recently there were reports that UK manufacturing is showing its strongest growth in two years and that mortgage approvals have started to increase.

For anyone in the insolvency profession the most positive report to emerge recently was from R3, the trade body for Insolvency Practitioners, with the headline "UK insolvency industry saved over 750,000 jobs and 6,000 businesses in 2012". There is no denying that the insolvency profession has at times enjoyed a less than stellar reputation but this shows how an Insolvency Practitioner can help a struggling business.

At Hart Shaw one of our main messages to our clients and contacts has always been to seek advice as early as possible so as to maximise the prospects of saving the business. We work hard to ensure that whenever possible the company or its business is able to continue. In fact during the last two years in 67% of the cases that we were involved in, the business was saved. This just goes to show that seeking professional insolvency advice doesn't have to be the end for a business.

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Happy Birthday VAT

2013 marks the 40th anniversary since VAT was introduced to the UK. It was introduced as a simple tax but most people would agree that it is actually one of the most difficult taxes, and yet one of the most important for businesses to get right. This is because it is charged by reference to what is probably (or hopefully) the largest figure in the accounts: sales. If a business gets it wrong it could face large assessments, penalties and interest. In today's difficult economy this is the last thing businesses need.

Over the last 40 years we have seen many issues arise that have resulted in lengthy cases, from whether a Jaffa Cake is a biscuit or a bun to whether a Pringle is a crisp. These two examples alone show the difficulties that businesses face in meeting its day to day VAT requirements.

Given the complexity of the tax people have relied for many years on written rulings from HMRC when there has been difficulty in determining the VAT liability of a specific product. However it is becoming more difficult to obtain such a ruling and in most cases a business is left to its own devices.

As a result, it is more important than ever for businesses to ensure that they are happy with the VAT treatment of their supplies and to keep adequate records to back up their VAT returns.

If there is ever any doubt about the liability of a supply then specialist advice should be taken to help determine the correct VAT treatment.

Further information about the complex area of VAT can be found on our VAT specific website: www.vat-advice-sheffield.co.uk.

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Meet your new VAT Adviser

Exam success has resulted in a new Chartered Tax Adviser for Hart Shaw.

Carla Davis recently passed the VAT Specialist route of the Chartered Institute of Taxation examinations. She specialises in VAT advisory work for UK and International businesses.



Carla joined Hart Shaw in 2006 after completing her University education and qualified as a Chartered Accountant in 2008.

Carla comments: "I am thrilled to have successfully completed my studies to become a Chartered Tax Adviser."

"Success in the exams has brought me a depth of knowledge of VAT and Customs Duties beyond anything a general accounting qualification could have offered. I am excited about expanding Hart Shaw's VAT advisory services, helping our clients with VAT planning and minimising their VAT compliance burden."

Steve Vickers, Tax Partner adds: "Everyone at Hart Shaw is delighted for Carla. Passing the VAT specialist route of the Institute's exams is no mean feat. With her natural flair for advisory work, she adds an extra dimension to Hart Shaw's tax advisory services."

Let the taxman help pay for your life insurance

Are you a company director? Do you have life insurance in place to protect your family?

If so you could be paying an unnecessary tax penalty. If you pay for this cover from your own bank account you will be paying from post-tax income, and if you are paying from the business account you will probably be taxed on the payment as if it were income.

Larger companies can avoid this by introducing 'group death in service cover'. This is a highly tax-efficient way of providing life insurance, but is not generally available for smaller companies.

However, recent changes in legislation have allowed small companies to benefit from this arrangement by taking out 'relevant life policies'. These can be written on an individual basis so are available to all companies no matter how small.

The tax benefits are:

- Payments are made by the company with no benefit-in-kind charge back to you
- No National Insurance implications
- Possible tax relief as a business expense depending on your individual circumstances
- Tax-free benefits to your dependants

If you would like more information on how this valuable tax concession can be arranged then please contact us.

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Machine Games Duty

From 1 February 2013 Machine Games Duty (MGD) was introduced, replacing the Amusement Machine License Duty. MGD is charged on dutiable machine games where the customer pays to play the games in the hope they will win a cash prize that is more than the cost to play.



If you have machine games on your business premises you will need to determine if they are liable to MGD. If you have machine games that are liable to the duty then you are required to register with HMRC. MGD registration is required for all premises from which dutiable machine games with dutiable takings are provided for play. Failure to register for MGD may result in penalties for non-registration or late registration.

A machine is liable to MGD if it meets both of the following conditions:

- At least one of the prizes that can be won is a cash prize; and
- At least one of the cash prizes is bigger than the smallest amount that is paid to play the game.

The rates of MGD are as follows:

- Lower rate – 5% this rate applies where the maximum cost per game on a machine is 10 pence, and the cash prize is £8 or less.
- Standard rate – 20% this rate applies to any machine game that is liable to MGD but is not covered by the lower rate.

The above is only a very brief overview of what MGD is and as with all taxes there are many exemptions and exceptions. If you think you have machine games that are liable to MGD and you have not registered with HMRC it is important to take advice as soon as possible to help reduce the risk of penalties and interest.

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Mitigating Credit Risk

Guest article from Reynolds Trade Credit

Despite the current economic climate and increase in number of 'zombie' companies, the credit insurance market is highly competitive as trade credit insurers target good quality new business. Insurers have introduced new products; non-cancellable credit limit cover is being developed, together with the ability to 'top up' existing credit lines. We will undoubtedly continue to see high levels of insolvencies during the continued economic gloom, but the good news is that credit insurers are pro-active in managing credit risk, and have the capacity to offer increasing levels of cover.



Credit insurance is a bespoke product tailored for the individual needs of a client's business. Access to market intelligence also offers the advantage of helping grow a business, rather than simply protection against bad debt. It can form an integral part of existing credit management processes and provides a platform for sales growth in both domestic and overseas markets.

Wherever a business to business relationship on credit terms exists, credit insurance can apply and can adapt. As a client's business changes so can their credit risk exposure and the credit insurance market is there to adapt with them throughout the lifetime of the relationship.

Reynolds Trade Credit is a trusted business partner of Hart Shaw. They are offering Hart Shaw clients an impartial review of their current risk management processes.

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Sage 50 Accounts - Important Information

We have some important information for clients with Sage software.

If you are currently using Sage 50 Accounts 2010, you need to be aware that from May 2013 this version of the software entered the software life-cycle policy. This means that from May Sage won't be offering new Sage Cover support contracts, and will gradually be withdrawing updates and upgrades. This doesn't mean that your software will stop working, but that you will need to update to the latest version in order to receive future updates.



In August 2013, Sage will be launching the Sage 2014 so watch this space for further details.

If you don't currently use Sage 50 Accounts products but would like more information on how this can help your business please get in touch. As an Accredited Accountant Partner for Sage Line 50 software there are many benefits we can pass on to our clients.

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