

Business Focus

News & Information from Lawrence Grant, Chartered Accountants

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Reaping the rewards: before, during and after the sale of your business

Selling your business may be the time when you are finally able to reap the rewards of a lifetime's work. Or you might be looking to maximise your capital before you start your next enterprise.

Either way, the sale of your business will be one of the most important things you'll ever do. Here are some of the essential issues you will have to consider:

Timing the sale

When is the right time to sell? In an ideal world, you would sell when the market is booming and before any anticipated downturn. But internal factors are just as important. If your business is performing well, perhaps at the peak of a pricing cycle, it will be more attractive to potential buyers.

Preparing your business for sale

You will need to have up-to-date information available for inspection by potential buyers. This will include business plans and budgets, as well as financial documents such as profit and loss statements, details of loans against the business and any lease(s).

There are a number of things you can do in order to make your business more attractive to potential buyers, such as increasing sales, perhaps through stronger advertising or special offers,

and improving your assets by replacing any equipment reaching the end of its useful life. Formalise contracts with suppliers and terms and conditions of employment with staff, and try to clear up any pending legal disputes or other liabilities. Finally, you can make an effort to improve the physical appearance of everything in the business, from the premises to the paperwork.

Setting a price and making the sale

Overvaluing the business will discourage buyers. We can help you to value your business fairly. A good way to ensure as high a price as possible is to create competition between potential buyers.

Before selling, you should consult us, as well as your legal and independent financial advisers. It may also be advisable to employ business transfer agents who specialise in buying and selling businesses. In some cases, it may be necessary to accept some deferral of the price to help the buyer to facilitate the purchase. With care, this may even have tax advantages for the seller.

After the sale

Once you know the value of the business you need to determine how the funds released by the sale can best be used to provide you with a comfortable retirement or to begin a new business venture. Valuable tax reliefs are at stake here, so consult us early in your planning to avoid an unnecessary tax bill.

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HELPING YOU AND YOUR BUSINESS

Here are some of the ways that we can help you with your personal and business finances.

Why not call us now and we'll arrange a meeting to discuss:

- Ways to minimise your business tax burden
- Inheritance tax planning, for peace of mind
- How the announcements in the Spring Budget might affect you
- Retirement planning strategies for you and other family members
- Strategies to improve your bottom line
- Planning exit strategies from your business

Planning ahead...

Acting now can benefit your business and your personal wealth

Tax planning is not something that should be left until the final weeks of the tax or financial year. To make the most of opportunities and tax savings, the sooner action is taken, the better.

Please take a few moments to complete this checklist and contact us now to discuss the planning opportunities arising from any 'No' responses.

	Yes	No
1 If you are the owner of a limited company, have you considered the extent to which there is an advantage in receiving dividends instead of salary/bonus?	<input type="checkbox"/>	<input type="checkbox"/>
2 Have you considered giving up the company car and instead claiming at the official mileage rate for business use of your car?	<input type="checkbox"/>	<input type="checkbox"/>
3 Are you satisfied that your liability to income tax and capital gains tax, and your potential exposure to inheritance tax, is as low as possible?	<input type="checkbox"/>	<input type="checkbox"/>
4 Have you considered maximising your contributions to pension schemes this year, whether company, additional voluntary contribution, retirement annuity or personal pension schemes?	<input type="checkbox"/>	<input type="checkbox"/>
5 Have you considered claiming a CGT loss for assets which have become of negligible value?	<input type="checkbox"/>	<input type="checkbox"/>
6 Have you thought about the ways in which you can reduce the possibility of a substantial tax bill when you leave your business?	<input type="checkbox"/>	<input type="checkbox"/>
7 Are you and your spouse making the most of the independent taxation rules which give each of you your own allowances and tax rate bands, and are your children using their personal allowances?	<input type="checkbox"/>	<input type="checkbox"/>
8 If you are in a position to determine your total remuneration package, have you fully considered tax-efficient benefits?	<input type="checkbox"/>	<input type="checkbox"/>
9 Is your business's tax burden as low as possible?	<input type="checkbox"/>	<input type="checkbox"/>
10 Are you satisfied that your savings will be adequate for retirement?	<input type="checkbox"/>	<input type="checkbox"/>



Taking stock...

Inefficient stock management can seriously damage the profits of any business. Holding stock ties up valuable cash, and incurs costs in warehousing, personnel, transportation and insurance.

In an ideal world, every business would have no stock at all but would operate entirely on a well-tuned just-in-time system with materials and parts arriving in the order and quantities in which they are needed for retailing, or for the manufacturing or assembly process.

But since most small and medium-sized businesses do not have the resources to implement just-in-time, here are some suggestions for reducing stock costs:

- Identify those materials that are commonly used in numerous different products – and use them as widely as possible
- Check the quality and accuracy of goods received from suppliers. If you only spot the poor quality at the end of the process, it is too late
- If you work closely with your suppliers and build up a relationship of trust, you may be able to reduce the time spent checking the goods received
- Wherever possible, reduce the lead time for ordering materials, but take care not to unwittingly create hold-ups in production
- Constantly review sales trends and cross-reference them with stock requirements
- Make sure delivery schedules are well choreographed with production – try to avoid holding more finished products than you really have to
- Try to negotiate discounts on virtually everything that you buy and then negotiate terms for payments and interest rates.

Caution

Finally, a note of caution: although it is generally best to keep stock as low as possible to avoid locking up capital, this might not always be the case if there are really significant bulk discounts available.

If you decide to make changes to your stock levels or procedures, be sure to do so within the context of the business as a whole: never make stock decisions in isolation.

BUSINESS BRIEFS

Preventing illegal working in the UK

The Asylum and Immigration Act, which came into force last year, contains new measures for employers designed to help prevent illegal working in the UK.

Under section 8 of the Act, employers must make basic document checks on all potential employees, to ensure that they are legally entitled to work in the UK.

The Government has now introduced some key changes to the list of specified documents which are deemed acceptable for the purposes of checking by employers.

Employers are only able to obtain a statutory defence against conviction for employing an illegal worker if they have

checked and copied specific original documents belonging to the employee, from among the items on the approved list.

Employers must take reasonable steps to ensure that the documents belong to the potential employee, by checking details such as photographs, dates of birth, expiry dates, and any Government stamps or endorsements.

Employers must also ensure that their recruitment practices do not discriminate against individuals on racial grounds.

For further information and guidance, including information on what to do if you employ nationals from the European Economic Area, visit the Immigration and Nationality Directorate at www.ind.homeoffice.gov.uk.



Protecting your intellectual property

A recent study has warned that 67% of small businesses are failing to protect their intellectual property (IP).

Failing to register a company or brand name, logo, invention or concept means that your ideas are open to being copied by other businesses.

Setting up a trademark can offer protection for business owners, and firms are being encouraged to protect their intellectual assets by registering their ideas.

The Department of Trade and Industry's Innovation Unit and the Patent Office have set up an Innovation Logbook, which business owners can use to log their ideas. More information is available at www.innovationlogbook.gov.uk.

Further information on IP, including trademarks, patents and copyright, can be found on the Patent Office website: www.patent.gov.uk.

'Breakthrough' on employers' liability for smallest companies

The Government has announced that with effect from 28 February 2005, companies in which the owner is the sole employee will no longer have to buy employers' liability compulsory insurance.

The measure is expected to save sole employee companies an average of £250 a year, and will benefit around 300,000 UK companies.

The announcement follows a consultation in which nearly 80% of respondents said that the requirement should be dropped.

Employers' liability insurance has been a major issue for small businesses in recent months, with many suffering from the rapidly increasing premiums, and others finding it difficult to obtain insurance at all.

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.

WEB WATCH ESSENTIAL SITES FOR BUSINESS OWNERS

New legislation www.hmso.gov.uk/legislation/whatsnew.htm
Direct links to new legislation.

Transport Direct www.transportdirect.info
A complete transport journey planner for Great Britain.

Working in the UK www.workingintheuk.gov.uk
All about the rules for employing foreign nationals.

Sustainable Workplace www.sustainableworkplace.co.uk
TUC-backed site looking at business and the environment.

REMINDERS FOR YOUR DIARY

March 2005

- 31** End of corporation tax financial year
End of CT61 quarterly period
Filing date for Corporation Tax Return Form CT600 for period ended 31 March 2004



April

- 5** Last day of 2004/05 tax year
Deadline for paying retirement annuity premiums to be carried back to 2003/04 and for 2004/05 ISAs
- 14** Due date for income tax for the CT61 period to 31 March 2005
- 19/22*** Quarter 4 2004/05 PAYE remittance due
- 20** Interest will begin to accrue on unpaid PAYE/NI for 2004/05
- 30** Normal annual adjustment for VAT partial exemption calculations (monthly returns)

May

- 3** Last day for notifying car changes in quarter to 5 April 2005 – P46 (Car)
- 19** Last day for filing forms P14, P35, P38, and P38A – 2004/05 PAYE returns, without incurring penalties. Also last day for filing contractor's returns, including CIS36.
- 31** Last day to issue 2004/05 P60s to employees

* If PAYE is paid electronically, the due date is extended to the 22nd, or, if this falls at a weekend, to the previous Friday