

# RISE

NEWSLETTER

**mitchell**  
**charlesworth**  
Chartered Accountants • Business Advisors

## First signs of growth

Is this the start  
of the upturn?

**CUT IN  
CORPORATION  
TAX**



**CHANCE TO  
APPEAL VAT  
SURCHARGE**



**HOW MUCH  
IS MY  
BUSINESS  
WORTH**



**LATEST  
BUSINESS  
DISTRESS  
STATISTICS**



# Partner viewpoint

WELCOME to our latest edition of the RISE newsletter. Are we finally seeing stability after a very turbulent past couple of years?

This is certainly the message coming out from the recent budget, where Chancellor George Osborne set out his plans to reduce the national debt and try to ease the current challenging economic position the country finds itself in.

It was an interesting budget, with the theme firmly fixed on growth and trying to steer the focus away from the level of cuts that have been made. North Sea oil companies and

banks were hit hard and the Chancellor is further hoping to raise £800 million through anti tax avoidance measures.

There were some giveaways to businesses however with corporation tax slashed and increases in research and development tax credits. There were also positive moves in business rates, entrepreneur's relief, enterprise zones and science facilities.

We will go into the budget in more detail later in the issue but it is fair to say that there is still a long way to go until we see positive signs of growth.

As well as budget implications, we look at major changes to payroll, VAT and taxation legislation in 2011 and analyse current levels of business confidence.

I hope you enjoy the read.

**Tim Adcock - partner**



TIM ADCOCK

# Cut in corporation tax could stimulate growth

ONE of the major changes in the recently announced budget was the reduction in corporation tax by two per cent, to 26 per cent, from April 2011.

Also, as per the June 2010 budget, from April 1, the small profits rate of corporation tax will fall from 21 per cent to 20 per cent.

When announcing the cut, Chancellor Osborne said the eventual 23 per cent rate of corporation tax would be the lowest rate in the G7.

Tim Adcock, tax partner, commented on the change: "This will make a real difference to small, medium and large organisations and will save them money. It has major consequences so businesses need to make sure they are paying the correct level of tax."

"The reduction in the tax gives a clear signal that the UK is open for business. It is a clear and bold move but shows the Government is listening to businesses. Get in touch for assistance."

Further to this, by 2014, the main rate of corporation tax will be reduced to 23 per cent. This is in contrast to the existing actions – that corporation tax would reduce by one per cent



in April, and for the tax to decrease to 24 per cent over the next four years.

The move is estimated to cost the Government £425 million over the next year in lost tax and will gradually increase to more than £1 billion by 2015.

**This cut in tax could make a real difference to businesses looking to invest in expansion**

**and job creation and Mitchell Charlesworth can take you through how to take full advantage.**

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# Chance to appeal VAT surcharge

VAT



circumstances along with existing cash flow restraints which is making this increasingly difficult.

Unbeknown to a lot of businesses, HMRC, in these challenging economic conditions, understands changing circumstances and with the help of Mitchell Charlesworth, businesses can submit an appeal to avoid surcharges.

Colin Corder, VAT manager explains: "Businesses should obviously continue to submit VAT returns on time but they often face problems, be it financial or personal.

"HMRC is willing to consider these situations as mitigating circumstances. We are helping businesses with surcharge appeals and successfully winning over 75 per cent of the cases. Quite often a business does not realise that a mitigating circumstance exists until they discuss the issue with me."

If businesses miss the VAT deadline, HMRC sends out a 'Surcharge Liability Notice' explaining what will happen if they miss another deadline in a 12 month period. If businesses default again, they are liable to pay a default surcharge on top of the unpaid VAT. Each additional time a late payment is made, the surcharge percentage increases up to a maximum of 15 per cent.

There is no legal definition of a reasonable excuse but if the circumstances are unforeseen and inescapable, HMRC is often willing to hear about the situation.

**We have advised many businesses through this process, so please get in touch to see if you could appeal a VAT surcharge.**

MISSING VAT return deadlines can be highly damaging with businesses often being threatened with default surcharges, costing owners a vast percentage of unpaid VAT.

People are frequently warned told about the importance of submitting and paying VAT by the due date, but now, more so than ever, they are facing a variety of unforeseen

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## Businesses warned over HMRC tax records blitz

TAX

SMALL and medium sized businesses are in danger of large tax fines under new proposals from HM Revenue and Customs (HMRC).

Under a new consultation, HMRC is planning to carry out 50,000 business checks nationwide every year for the next four years on the adequacy and accuracy of company business records.

The consultation paper has been introduced with HMRC aiming to improve book-keeping in 40 per cent of the 4.9 million SME community where records have been found wanting.

The Business Records Checks consultation could see fines of up to £3,000 for businesses HMRC finds have unpaid tax liabilities through poor book-keeping.

Tim Adcock, tax partner, said: "HMRC is introducing this paper with a tariff-based penalty regime with a maximum penalty of £3,000. In addition, it is likely that the offenders could end up being given a thorough

tax investigation by HMRC, which can cause business disruption

"Businesses need to have updated and accurate financial records otherwise it could cost them a great deal of time and money. If you are unsure about the whether your business has accurate records, you SHOULD CONTACT US AS PREVENTION IS BETTER THAN CURE."

The consultation period allows HMRC the time to explore how to implement the penalty regime, including the timeframe in which to allow record-keeping to be brought up to standard.

**These fines could make a big difference to businesses so please contact us to ensure you avoid these charges.**

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## PAYE code numbers

AS a money saving measure, HMRC has now stopped sending agents copies of their clients' notices of coding.

Eventually, agents will be able to view these forms online, but this is not yet possible.

**As a result, please pass on copies of any coding notices you receive so that we can ensure that the correct code numbers are operated against your earnings and pensions.**

**Contact your nearest Mitchell Charlesworth office.**  
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# Mitchell Charlesworth Insurance Solutions

## Still a different approach

MITCHELL CHARLESWORTH launched its general insurance division, Mitchell Charlesworth Insurance Solutions (MCIS), in late 2009 with official FSA authorisation being obtained in February 2010, resulting in the independent company now operating for just over a year.

### The early days

The current climate has seen many independent insurance brokers acquired by national insurance advisors where the prime intention is to deliver high level return on investment to their shareholders.

MCIS was set up to help find a more equitable insurance arrangement and service proposition for our existing and prospective customers.

### Today

MCIS has a different approach and we don't use specialist sales staff and don't try and constantly cross sell you what you don't need. The business is full of good people to deal with who listen to you and understand your business. The directors want you to trust them and make your experience of dealing with them more comfortable than with other brokers.

The business is proud that it focuses on providing the best advice for you, not for what makes the broker the highest profit. The integrity as part of the MCIS practice is vital.

### How else can MCIS help?

MCIS is a member of the Willis Commercial Network of insurance brokers. Willis is the

world's third largest global insurance broker and this association with them enables the business access to insurers to obtain just as good, if not better deals, than others in the market.

MCIS has the freedom to be much fairer when considering the broker earnings when placing insurances.

**Please contact us to analyse your insurances and see how you can save money when your insurance is due for renewal.**

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## Prestige Home Insurance

now available from Mitchell Charlesworth Insurance Solutions

JOINING forces with two large prestige home insurers Hiscox and Aviva, MCIS is now in a position to offer private clients the home insurance cover and premium they deserve. Advice can be provided on, and cover arranged for:

-  High value contents and buildings
-  Jewellery
-  Antiques
-  Fine Art
-  Classic Cars

The partners at MCIS frequently see cases where individual's assets have gradually increased year-on-year, without the corresponding increase in the quality of cover or limits provided by their existing home insurer.

Whilst internet generated quotes can be useful for standard sums insured, where there is little in the way of antiques or jewellery, there is often the need for a more tailored approach to ensure adequacy of cover for households that are a little more out of the ordinary.

**For further advice or for a review of your current cover, please get in touch.**

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# Top tips for insurance renewal

FOLLOWING years of relatively low insurance premiums, insurers are now increasing premiums at renewal as they look to boost their return to underwriting profits.

The challenging economic conditions unfortunately brings about an increase in both theft and 'no win, no fee' type injury claims, with this especially prevalent in motor and employers liability insurance. Furthermore, the early adverse weather conditions in December 2010 caused a surge in the number of weather related claims.

This is unfortunate as many businesses also continue to experience difficulties due to the state of the economy. Mitchell Charlesworth Insurance Solutions has therefore produced some tips to help get the best insurance offer.

Top tips to help you renew your insurances:

1. Ask your broker to explain the prevailing insurance market and how it will affect the renewal. Ask what has happened recently with similar renewals.

2. Consider insurer reputation and solvency rating. Ultimately they will be paying any claims. Will they still be there when the claim cheque needs to be received?
3. Look for a broker to have a local presence. It offers the benefit of a personal service in the event of a claim or a change of cover.
4. Look to develop a long-term tripartite relationship with the broker. A year-on-year broking review is usually detrimental to the best offer.
5. Only involve the existing broker in seeking a review. Involving multiple brokers will close down the market.
6. Only let one new broker go to the market to get alternative quotes but without advising existing brokers and insurers. Insurers often cooperate more when only one broker is active in the market.
7. You must provide a broker with as much quality and accurate information as

possible. Failure to provide this could lead to big problems down the line!

8. Focus on good management of health and safety issues. If there is a lack of time, consider the services of an outside health and safety consultant.
9. Understand the effects of underinsurance and the 'Average Clause' on your insurance.
10. Always use a broker where possible. Without, bargaining power will be seriously affected with a direct or online insurer and handling a claim may be much more onerous.

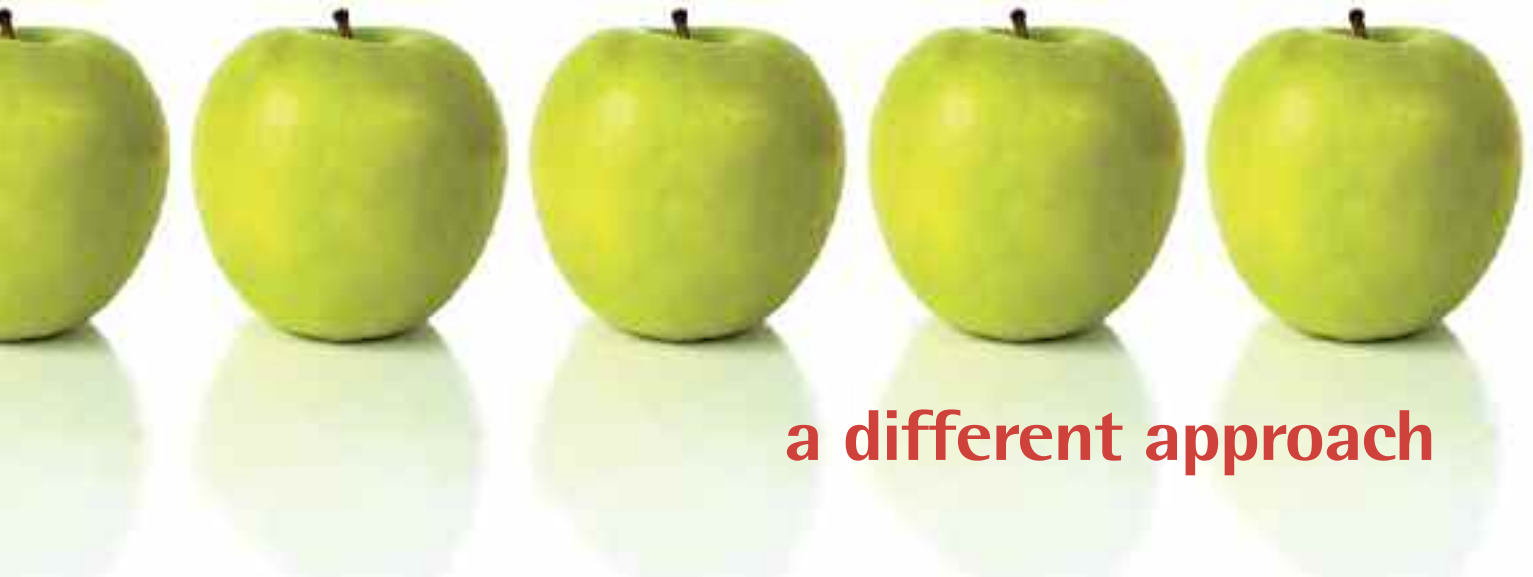
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**a different approach**

## Can our Insurance Division help you?

We are able to look at all aspects of general commercial or prestige home insurance and would be happy to have an initial discussion with you by calling Richard Gorst on t: 0151 423 7500. Alternatively e: [info@mcinsurancesolutions.co.uk](mailto:info@mcinsurancesolutions.co.uk) including your renewal date.

# How much is my business worth?

THERE are many factors that increase and decrease the valuation of a business. It is not simply an accounting exercise. Every business has its key financial and commercial features that can greatly influence the valuation.

Too often companies are valued without proper consideration of the commercial and market issues that might influence and impact on future earnings. All valuations are different with desk based valuations merely a number crunching exercise with the results of little value.

The key areas for consideration are:

- 🔥 Look to identify the key issues that will enhance or reduce the valuation; for example, a business operating in a niche market with growing profits will usually attract a premium price, whilst dependency on the owners or on a few customers for a large percentage of sales will always depress the value
- 🔥 Identifying adjustments to the company's accounts to determine maintainable profits, such as commercial management

costs to replace the director / shareholders, exceptional costs, and non-recurring exceptional revenues

- 🔥 Determination of future maintainable profits and potential market opportunities for a buyer (of the business)
- 🔥 The potential structure of a deal that might be driven by the conclusions of the valuation, for example deferred consideration, 'earn out' and the key tax issues

The Mitchell Charlesworth Corporate Finance team has many years experience of valuing businesses whether it is preparing a valuation prior to the sale process, or acting as an 'expert witness' to prepare an independent valuation for shareholders in a dispute. Valuing a business is much more than using a calculator.

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# Audit reform not such a good idea

BUSINESS secretary Vince Cable has pledged to bring in audit reforms that he says will reduce red tape for SMEs by cutting out unnecessary accounts filing and auditing.

The proposed plan is to raise audit thresholds to cover medium-sized enterprises that would mean around 32,000 entities are freed from requiring an independent audit.

In addition, the proposals would remove the need for around two million micro-businesses to file accounts with the Registrar of Companies each year.

Whilst some may see this as a positive step, it could have a serious impact on understanding a business's current financial position.

Financial data isn't just collected for compliance reasons, it is more to help understand the financial position and analyse other indicators to help assess its future performance.

Philip Griffiths, partner at Mitchell Charlesworth, said: "The proposal to increase the audit threshold will affect some significantly sized businesses. Lenders and trade suppliers often rely on information about a company's financial risk profile to decide whether to do business with them.

"Without accurate information, it could have serious negative repercussions with regard to access to credit and finance and could even stifle growth. Even if these proposed reforms, which require EU agreement, are brought in,

businesses will still need to use professional accountants and business advisors not only for reassurance and to help avoid fraud and mismanagement, but also to assist with submissions to the tax authorities.

"Many will also continue with a voluntary audit as they recognise the benefits that external scrutiny can bring and this is exactly why using Mitchell Charlesworth's services is more important than ever."

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# Changes for the 2011-12 payroll year

AS Lord Carter's programme for universal online filing nears its conclusion, more new changes are being planned for PAYE to raise concern among payroll professionals.

These legislative changes will place new demands on payroll managers and the software used. Some of the issues that demand attention and planning include:

- Automatic enrolment under pension reforms legislation

- New P46 procedures and the introduction of OT code instead of using BR in certain circumstances
- New tax and NICs thresholds
- Changes to the Child Care Voucher schemes
- Introduction of Additional Statutory Paternity Pay & Leave
- Introduction of the D1 code for the higher rate of tax of 50 per cent.

**These changes could create many misunderstandings for those who are responsible for dealing with payroll processes over the course of the year, so it is important to get in touch with us to clarify any concerns.**

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# UK businesses see signs of distress increase

A RECENT survey from R3, the insolvency trade body, has revealed that there are increased signs of business financial distress, with 'decreased profits' being the leading sign.

The study – R3's Business Distress Index - surveyed over 500 business owners in December and highlighted that 54 per cent of businesses recorded decreased profits, an increase of five per cent from September.

The index revealed a four per cent jump in the number of businesses making redundancies and a three per cent increase in those introducing pay cuts or freezes. It also showed an increase in the number of businesses finding it difficult to pay invoices on time, which now stands at 268,000, the equivalent of one in six.

Jeremy Oddie, head of Corporate Recovery & Insolvency at Mitchell Charlesworth, is regional

chairman of R3. He said: "The overall picture indicates that conditions have got more challenging from September to December last year – though we must remember that during this period businesses were affected by the adverse weather conditions. However, the increase in businesses struggling to pay bills on time is worrying as this is the technical definition of insolvency.

"This coupled with an increase in the number of businesses using the maximum overdraft facility, which stands at one in five, suggests that many businesses are running on empty."

Conversely, the survey finds that while more businesses are recording decreased profits, there has been a seven per cent drop in those seeing a reduction in sales volumes – 37 per cent.

Jeremy continued: "These figures suggest that businesses that are selling large volumes are doing so at a discounted price or have seen an increase in overheads and other outgoings. For many, an increase in interest rates could push them over the edge."

**Mitchell Charlesworth is advising more and more businesses experiencing insolvency at the moment but it is avoidable by seeking professional help early on. Please get in touch.**

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