



RHK

Chartered Accountants
and Business Advisers

: intelligence

Your business newsletter
Spring/Summer 2012

RHK Bridges the North South Divide!

We are delighted to announce the appointment of Rachael Kelly as Director - Advisory & Planning to head up our expanding client base in the South of England.

Rachael has had extensive experience during her career, spending many years with PricewaterhouseCoopers and Saffery Champness in London. Rachael now joins us from a "Top 50" firm to help us grow and expand our services to clients throughout London and the South East.

Rachael said "I am looking forward to joining a small firm with big ambitions, I am particularly excited by the opportunity of working with Bradley Thomas in London to build on the excellent reputation he has developed over the years".



Bradley commented "We have been looking to expand our client base in London and the South East.

In order to achieve this and to keep up high levels of service we realised that we needed to have a permanent London presence.

After an extensive recruitment selection Rachael was introduced to us by a contact in London. Both myself and the firm are looking forward to working with Rachael in the future and see this as an exciting development for RHK".

**You can contact Rachael at
rkelly@rhk.co.uk**

ER Success: Sale of part of a business

A recent case has provided clarity on the interpretation of the tax legislation for Entrepreneurs' Relief (ER) when part of a business is sold.

ER can potentially apply to a disposal of '...the whole or part of a business...' but not the sale of business assets per se. The case concerned the meaning of 'what is part of a business?'

The taxpayer provided sales representation to nine manufacturers and suppliers, mainly UK catering wholesalers, on a commission basis. He represented them in relation to about 120 customers.

An agreement was reached with one supplier to sell them the customer database relating to their business, the related goodwill, trademarks and business information, together with the benefit and burden of unperformed contracts and the records. After the sale, the taxpayer could no longer use the trademarks or have any contact at all with those customers. The taxpayer stated that, after the sale, his gross commissions reduced by 55% and his customer base reduced to only 35.

HMRC argued that, in order for the taxpayer to qualify for ER, it was not enough to make disposals of assets used in the business. There had to be a disposal of an identifiable part of the business which on its own was separately definable.

HMRC did not consider that this disposal amounted to the disposal of a separately definable business. The business carried on after the disposal was the same as that carried on before, albeit on a smaller scale. In order to qualify for ER there has to be the sale of part of a business.

The taxpayer argued that there were effectively nine separate businesses and that the sale was of a definable separate part of those businesses. He no longer had the trademarks and could no longer approach customers. A non-compete clause in the sale agreement ensured that the taxpayer complied.

The sale was of all the business connected to certain brands and this was clearly a separate and definable part of the business.

The Tribunal were satisfied that the disposal did qualify because it was the disposal of a going concern. They stated: *"What characterises a sale as a going concern is a sale of goodwill where it exists and he sold the goodwill. He also sold his customer database, a crucial asset in distinguishing a sale of a going concern from a mere sale of assets"*.

So success for the taxpayer but not without a fight!

Make sure you don't miss out on 10%.

Please give us a call on 0191 4781513 for further information.



Tax reliefs not to be ignored!

The new tax year has commenced and it's an ideal time to consider the significant tax savings that can be made by fully utilising annual allowances and tax reliefs. Some simple planning ideas with generous tax reliefs are detailed as follows:

Seed Enterprise Investment Schemes

These schemes are designed to help small, early stage companies to raise equity finance, of up to £150,000, by offering a range of tax reliefs to individual investors who purchase new shares in these companies.

These include:

- **Income tax relief of 50%** to individuals who subscribe on or after 6 April 2012, up to a maximum investment limit of £100,000.
- **Capital gains tax exemption** for any capital gains realised on the disposal of shares.
- If a loss is made on disposal of the shares, this is an **allowable loss** for capital gains tax purposes. There is also a potential for further income tax relief, as the losses may be offset against taxable income under s131 ITA 2007.
- For 2012-13 only, an **additional capital gains relief is available** - a gain arising on the disposal of ANY asset will be exempt from capital gains tax as long as it is reinvested into SEIS shares.
- SEIS investments should qualify for IHT **Business Property Relief** after two years ownership.

Enterprise Investment Schemes

This scheme is designed to help companies to raise larger equity finance of up to £5,000,000 by offering a range of tax reliefs, which include:

- **Income tax relief at 30%** on a maximum investment of up to £1,000,000.
- **Capital gains exemption** for any capital gains realised on the disposal of shares.
- If a loss is made on disposal of the shares, this is an **allowable loss** for capital gains tax purposes. There is also a potential for further income tax relief, as the losses may be offset against taxable income under s131 ITA 2007.
- Capital gains tax **deferral relief** is available where an individual disposes of ANY asset and reinvests the sale proceeds into qualifying EIS shares within 3 years.
- EIS investments should qualify for IHT **Business Property Relief** after two years ownership.

It is important to note that there are specific conditions which must be met by both the company and the individual investor for both SEIS and EIS. Advice should be obtained on this before any investments are made.

Pension Contributions

- The annual allowance for pension contributions was reduced from £255,000 to £50,000 on 6 April 2011.
- **Unused allowances from the prior three years** are available for carry forward, on the assumption that the limit was £50,000 in those earlier years.
- Therefore, assuming that no contributions have previously been made, there is scope to make a contribution of £200,000.

Relief is given at an individual's marginal rate of tax. For a 50% tax payer this can achieve significant tax savings. It is therefore vital to ensure that all allowances are utilised so that they are not wasted.

If you would like a review of your tax affairs please give us a call on 0191 4781513.

RHK: EIS Specialist Advice

RHK provide specialist advice in relation to Enterprise Investment Schemes (EIS), assisting businesses to attract investors through the generous tax reliefs that can currently be obtained.

We advise clients in relation to complex tax legislation for EIS which accompany our other services, which include preparation of business plans, tax planning to create an efficient structure, along with standard accountancy and taxation services.

We are delighted with our current 100% success rate in obtaining EIS Advanced Approval and successful final applications with HM Revenue and Customs, for businesses ranging from an Aviation Company, an energy efficient lighting company to film production companies.

RHK: In the movies

The EIS structure, when carried out correctly, is ideal for the film production industry and as a result Bradley Thomas, our Tax Partner, and our Tax Director Karen Whiting have developed a specialism in this niche and their advice is currently sought after from film and tv producers across the country.

RHK have provided tax advice to the following Film Productions:

Distant Echo - An adaptation of the international successful novel by **Val McDermid** and is to be produced by the award winning north east production company **Coastal Productions**. Distant Echo has obtained EIS Advanced Approval and is currently fund raising.

Elfie Hopkins and the Gammons - The film was released at the cinema on 20 April 2012.

Driven - a film based in Newcastle to be directed by award winning Director **David Leon** and producer **Daisy Allsop**. This company has obtained EIS Advanced Approval and is currently fund raising.

Despite the Falling Snow - Adaption of the novel written by **Shamim Sharif**. This production company is awaiting EIS Advanced Approval.

In addition to the specialist EIS advice being provided to the production companies, RHK are experienced in the applications to the British Film Institute for the British Film Certificate and the application for the Film Tax Credits.

If you would like further information please contact Karen Whiting at kwhiting@rhk.co.uk



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