RHK

Chartered Accountants and Business Advisers

: intelligence

Your business newsletter
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Major stake for Inn Collection

Private equity firm Kings Park Capital (KPC), led by Jason Katz, has acquired a majority stake in Inn Collection for a total transaction value of £10 million.

RHK assisted the existing Directors and Shareholders in obtaining new finance and equity investment. Inn Collection comprises three existing Inns located in the North East of England and managed by Keith Liddell. As part of the transaction a fourth site is being acquired. Three of the existing units have freehold tenure with one long term lease. The business operates pubs with rooms in the North East of England, catering to the local population as well as leisure and business travellers.

As a part of the transaction Paul Clark, the former chief executive of Virgin Hotels, will be joining the Board to support management in the next phase of growth.

The business was first established by Keith Liddell in 2006 with the acquisition of Lindisfarne Inn, which opened in 2007, with the additional units added in 2009 and 2012. The like-for-like estate has shown strong growth under Inn Collection management with like-for-like growth of 7% in 2012 and 6% in the nine months to September 2013. The transaction has been financed with senior debt facilities provided by Santander.

Keith Liddell, CEO of Inn Collection, and client of RHK said: *"We're delighted to be partnering with KPC to create a collection of Inns in the North East, which service their local communities and provide room accommodation to capitalise on the growth in tourism to the region. With KPC's backing and support from our new banking partner, Santander, we'll be looking to acquire further units that fit the Inn Collection model."* Kings Park Capital was created in 2007 as a lower mid-market private equity house dedicated to investing in the European leisure sector.

The firm, which is backed by senior industry participants across the leisure sector, uses its capital, sector knowledge and broad network of contacts to help management teams fulfil and accelerate their strategic ambitions.

Removing the mask

The Government and HMRC are aware that increasingly some companies and employment businesses are using employment intermediaries to disguise the employment of their workers and are treating them incorrectly as self-employed. This is primarily to avoid employer National Insurance contributions (NIC) and reduce the costs associated with workers employment rights, such as the National Minimum Wage, Statutory Sick Pay and holiday pay.

The Government are consulting on strengthening the existing legislation to ensure that the correct amount of income tax and NIC are paid where the worker is, in effect, employed. This legislation is expected to take effect from April 2014.

The largest business sector which is likely to be affected is the construction industry but there is apparently widespread evidence that other sectors including the driving, catering and security industries are using these arrangements.

So what are the proposed changes?

The central proposal is to make a change to the agency legislation. At present if this legislation applies then the intermediary must deduct PAYE and NIC. However, this legislation only applies where workers provide their services under the terms of an agency contract in which the worker is obliged to personally provide services to the client.

Some intermediaries have set up contracts which allow the worker to send a substitute to do their job (even though this often does not occur) and on this basis it is argued that the agency legislation does not apply.

The Government propose to amend the legislation and remove the obligation for the worker to personally provide their services. Instead, where there is a supply of personal services and the end user exercises control over the worker the agency legislation will apply. This means that the payments from the intermediary to the worker will be deemed employment and, as a result, the intermediary must operate PAYE and NIC.

In order to assist HMRC in identifying possible cases of non-compliance with the new legislation, it is proposed that there will be a new statutory returns requirement. The intermediary will need to submit a quarterly electronic return containing details of any workers it has placed for whom it is not operating PAYE and NIC.

We will update you with any developments once the new legislation is finalised. In the meantime if you would like any further information please contact us for advice.

Do you have any idea when you will get your State Pension?

The answer to this is no longer as easy as it used to be and, importantly, for many people there is no precise answer. If you are currently over 50, the answer is known but the precise date will vary according to age. For example for a person born between 6th October 1954 and 5th April 1960 the State Pension age (SPa) is 66. These dates are enshrined in the Pensions Act 2011 and will not change. If you were born after 5th April 1960 the Pensions Bill 2013/14 puts back the SPa in stages so that if you are born after 5th March 1961 the SPa becomes 67.

However, if you were born a few years after 5th March 1961, the answer to when you get to SPa is not known.

All we know is that there will be a regular and structured method for considering future changes in the SPa - the first 5-yearly review will take place in the next Parliament, which begins in 2015. What is certain is that the SPa will continue to increase, first to 68 then 69 and beyond.

Specifically, on 5th December 2013, as part of the Autumn Statement, the Government announced that future changes should be based on the principle that people should expect to spend up to one third of their adult life in receipt of State Pension. In particular the increase of the SPa to 68 could affect people now in their forties with an increase to 69 for those in their thirties.

The good news is that you will expect to live longer.

Relief for rates

The Government has announced a package to help boost firms and high street businesses by capping increases in business rates. The scope of this article is limited to those announcements which apply to England due to the variations which may apply in Wales, Scotland and Northern Ireland. The measures, to be introduced from 1st April 2014 will particularly support small and independent businesses.

The Chancellor announced that business rate rises will be limited to 2% instead of being linked to inflation and that all businesses will be able to pay their business rates in 12 monthly instalments, rather than 10.

Businesses with retail and food and drink premises, with a rateable value of up to £50,000 will also receive a discount of £1,000 on their business rates for a period of two years.

A ‘reoccupation relief’ will also be introduced that will see eligible businesses entitled to a 50% business rates discount when they move into retail premises that have been empty for more than 12 months.

The discount will apply for a period of 18 months and is available to businesses that move into empty premises between 1st April 2014 and 31st March 2016.

A current scheme that offers business rate relief to small businesses has been extended.

The doubling of the Small Business Rate Relief (SBRR) will be extended for a further 12 months to April 2015. The extension will mean that around 360,000 of the smallest businesses will continue to receive 100% relief from business rates until April 2015, with a further 180,000 benefitting from tapering relief.

The criteria for SBRR eligibility will also be amended to allow businesses in receipt of SBRR to retain it for one year when they take on an additional property.

Fashion Film and Cars...... RHK covers it all

RHK supported one of its newest clients, Pink Boutique Limited, at the North East Business Awards at the Hilton on 20th March where the company was short-listed for an award. Pink Boutique is aimed at young women aged 18-25 and sells glamorous and limited edition fashion at affordable prices not only in the UK but across the world.

RHK is continuing to expand its role in advising film production companies and is becoming recognised throughout the UK as an accountancy practice with a large amount of expertise in this area, notably with a number of companies from the South East contacting to RHK for advice.

RHK are also looking at a number of opportunities to get into pole position in advising clients in the motor industry in the coming months. Watch this space for more exciting developments in this area.

The End of an Era

The well-worn scenario of the police officer strolling around your car and exclaiming: "do you realise your tax disc is out of date Sir?" should be relegated to the history books after September this year.

Since 1st January 1921 a tax disc has been issued for motorists to display on their vehicle windscreen as evidence that Vehicle Excise Duty (VED) has been paid. Apparently the police now rely on the Driver and Vehicle Licensing Agency's electronic vehicle register and tools like Automatic Number Plate Recognition cameras to support VED compliance.

Also motorists will be able to pay their VED by direct debit annually, biannually or monthly, should they wish to do so. However a 5% surcharge will apply to biannual and monthly payments.

So on 1st October when the new law takes effect: who is going to be brave enough to remove their tax disc from their car windscreen?

We suggest you do not throw it away but leave it in your glove box just in case.

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