

# HWB Bulletin



Issue 8 ▲ Spring 2009

## Government initiative to keep cash flowing

**In January the government unveiled a package of measures designed to stimulate bank lending and help businesses gain access to much-needed funds.**

By guaranteeing up to £12bn of loans the treasury hopes that banks will relax their tough stance on credit and provide the support necessary to help businesses through the recession.

The new loans are encapsulated in three main packages, each designed to address specific problems.

### Working Capital Scheme

This initiative is designed to help increase short term bank lending.

- Provides banks with a government guarantee for 50% of up to £20bn of working capital funding.
- Companies with a turnover of up to £500m are eligible to apply.
- Aimed at supporting working capital investment projects.

### Enterprise Finance Guarantee Scheme

Up to £1.3bn of new bank lending is guaranteed under this scheme. The government guarantees 75% of any loan with the remainder being covered by the bank.

- Open to businesses with turnovers of up to £25m.
- Loans of between £1k and £1m repayable over a maximum of 10 years.
- Available to improve availability of working capital through term loans and consolidation of overdrafts.
- Also available for other purposes including asset purchase, share purchase in respect of business expansion, acquisition or property purchase.
- Most sectors can benefit.

- 2% premium payable to the Department for Business, Enterprise & Regulatory Reform (BERR) in addition to bank interest and capital payments. Premiums will be reduced to 1.5% for those collected in 2009.

### Capital for Enterprise Fund

A £75m fund, two-thirds of which is government money. Allows companies with a viable business model and potential for growth to finance development by selling debt in exchange for an equity stake in their business.

- Available to companies with up to £50m turnover.
- Provides equity and quasi-equity of between £250K and £2m.
- Focused on long-term capital.
- Offers support when traditional forms of finance have been exhausted.

Applications require all the information normally required by lenders including a business plan and forecasts. The directors at HWB are able to advise on the structuring of your finance and guide you through the process. Just call 023 8046 1200 or email [richard.hurst@hwb-accountants.com](mailto:richard.hurst@hwb-accountants.com) for further information.



▲ Financial help is at hand says HWB director Richard Hurst.

## Increased filing penalties

February 1 saw the implementation of new penalties for the late filing of accounts with shorter time limits and increased fines for companies who miss the filing deadline.

Length of delay, measured from the date the accounts are due	Penalties for private companies	
	Previous penalty	Penalty from 1 February 2009
Up to 1 month	£100	£150
1 to 3 months	£100	£375
3 to 6 months	£250	£750
6 to 12 months	£500	£1,500
Over 12 months	£1,000	£1,500

# Why management information systems matter

**Comprehensive and reliable management information systems are crucial for any business to weather the economic storm says Alan Williams, managing director of HWB.**

British businesses are in the eye of an economic storm which looks set to leave thousands of casualties in its wake. The Financial Times reports that more than 38,000 British firms face closure in 2009. It is therefore vital that the information on which business owners base some very tough management decisions is both timely and accurate.

A well-managed management information system (MIS) provides all the key performance indicators needed in order to run the business. Management accounts showing actual results against budget and cash flow requirements form the bedrock of any MIS. But all key areas of a business should come under scrutiny and be carefully considered by the directors and management team.

In good times businesses can, to a greater or lesser extent, get by with limited management information. But in today's economic climate, having quality information on which to take decisions and make them quickly can mean make or break for a business – and possible personal



▲ Alan Williams, HWB managing director.

liability for a director of that business if it finds itself in trouble.

Bank covenants often include the requirement to supply regular management information. Banks will be insisting upon and reviewing management information more closely to identify problems at an early stage. Failure to supply information on time will be a breach of the bank's covenants, which could ultimately lead to the withdrawal of much-needed funding facilities.

"As part of our strategic approach to helping our clients we assist them with the development and interpretation of their management information," explains Alan.

"We pride ourselves on our ability to support clients with practical, hands-on advice at a strategic level and do so much more than just the year end compliance work! Our aim is always to become, in effect, an additional member of the management team – it's what clients tell us sets us apart."

Whatever the situation, there's no doubt that the experience of someone able to stand back from the day to day operation of a business and give an independent opinion to the interpretation of data is invaluable.

"Assumptions have led to the demise of many businesses which is why the quality of information used in any decision-making process is so crucial. In some cases a poor MIS is worse than none at all because information which is incomplete or out of date can only mislead, resulting in ill-informed decisions which can be damaging," Alan continues.

"But if you know the areas of the business that are performing well and those which aren't – and have the data to prove it – then you are in a strong position to make well-informed decisions that will have a positive impact on the future success of a business.

"The tide of information is relentless but businesses that realise its importance and have specialist help to harness its effectiveness are the ones that will be waving, not drowning through 2009 and beyond."



## Success times four

Amy Turnbull, Rachel Taylor and Mark Doree have all passed their final exams to become qualified Chartered Accountants and are now working as audit seniors within our 24-strong accounts and audit team. Meanwhile, Nick Green's success in assisting and advising a broad cross-section of clients sees him promoted to the role of client relationship supervisor.

▲ Left to right, Nick Green, Mark Doree, Rachel Taylor and Amy Turnbull.

# Move assets, improve wealth



the year concerned. Jane's total taxable earnings are assumed to be in excess of £100,000 in order to benefit from 40% tax relief on the entire gross contribution.

### Asset rich – cash poor

Three directors of a building company aged 35, 45 and 55 are running short of cash. They personally own their own trading premises – valued at £400,000, one third each with no debt.

### The solution

To raise cash to see them through 2009 they do the following:

- They sell their share in the premises to their SIPP plans.
- Their SIPP plans are collectively worth £400,000.
- Their SIPP plans acquire the property at current (depressed valuations) in different proportions, reflecting their different accrued pension fund values (50%, 25% and 25%).
- Capital Gains Tax (CGT) is avoided as the property value is depressed but otherwise could be payable.
- Cash funds are received to help support the business whilst their SIPP pension plans acquire an asset with a healthy rental income.
- No cash is required to implement this planning other than the associated costs and fees.
- If the SIPPs were worth less than £400,000, a loan of up to 50% of the SIPP assets could be arranged subject to bank approval to fund the difference.

Only commercial property, not residential, is permitted and an independent valuation is required for both purchase price and rental income. Normal costs of purchase apply plus SIPP fees and related advice charges.

The following examples illustrate the type of financial planning which is now possible.

### No cash required!

Uses existing investments to create 40% income tax relief.

Jane owns £50,000 of UK blue chip shares which have fallen in value by approximately 30% in 2008. She would like to fund a pension contribution in 2009 but, due to the economic downturn, does not have the personal funds to do so.

### The solution

Jane can use her depressed £50,000 of shares to make what is referred to as an in specie pension contribution – the £50,000 is grossed up for basic rate income tax relief making a gross contribution of £62,500.

Also - because Jane is a 40% tax payer she will be able to claim a further 20% tax relief - £12,500 via her self assessment tax return. That is £25,000 of tax relief from an asset Jane already owns!

To be eligible the shares must be acceptable securities, for example FTSE 100 stocks, and Jane must have eligible earnings of at least £62,500 in

Since 6 April 2006, increased flexibility is available to increase either your company or your personal cash position using registered pension plans such as Self Invested Personal Pensions (SIPPS). The rules enable an individual or individuals to, in effect, transact with their pension plan and vice versa.

## Christmas Charity Donation



Rather than send Christmas cards in 2008 we made donations to our chosen charities: Friends of PICU (the Paediatric Intensive Care Unit at Southampton General Hospital) and the Junior Diabetes Research Foundation.



## Web update

HWB's website is the place to go for a wide range of information about the services and specialisms offered by the HWB team as well as back copies of our e-bulletins, business fact sheets, HMRC forms and much more. [www.hwb-accountants.com](http://www.hwb-accountants.com) is also the first port of call in the event of an emergency resulting in our offices being out of operation for any reason. As part of our commitment to continuity of service, advice to clients will be posted on the website and updated at regular intervals.

## The Directors

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“HMRC will be flexing its muscles on a much broader remit from April and any business could be selected for a random investigation.”

**Tracy Jenkins,**  
HWB tax director.

# HWB



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# Warning highlights realities of random tax investigations

2009 may herald an increase in tax investigations by HM Revenue & Customs and any business owner should consider the potential disruption, intrusion and expense involved, warns HWB tax director, Tracy Jenkins.

From 1 April 2009 the authority already granted to HMRC for obtaining information and documents will be extended and new powers will allow inspectors to visit business premises in order to carry out investigations. No reasons have to be given despite the fact that, in extreme cases, an investigation could last for more than a year.

## Bits and pieces @

Our email alerts provide technical and topical updates echoing our ‘fresh approach’ to business. If they don’t already reach your inbox you can subscribe by visiting our website at [www.hwb-accountants.com](http://www.hwb-accountants.com) and clicking the ‘register’ tab, or by sending an email to [julia.richardson@hwb-accountants.com](mailto:julia.richardson@hwb-accountants.com)

“HMRC will be flexing its muscles on a much broader remit from April and any business could be selected for a random investigation, aspect enquiry or dispute in relation to its tax affairs,” explains Tracy.

“In the case of aspect enquiries, inspectors can examine one or more facets of a tax return without viewing all the relevant books and records. This indicates a more aggressive approach to future disputes and a greater need for the ongoing involvement of experienced professional advisers.”

The financial impact on a business selected for investigation can be significant, even if its accounts are found to be in good order and there is no extra tax to pay. HWB offers a fee protection scheme providing up to £75,000 worth of cover in the event of a full enquiry. The insurance also includes access to a dedicated Business Support Line offering expert advice on commercial legal issues, health and safety plus employment and personnel matters.

“Random investigations can prove extremely time consuming and expensive. Our fee protection scheme gives the peace of mind which comes with knowing that we will assist with any tax investigation at no additional cost. Instant telephone access to professional support and guidance on health and safety and employment issues is also very useful.”

For further information please call Tracy Jenkins on 023 8046 1200 or email [tracy.jenkins@hwb-accountants.com](mailto:tracy.jenkins@hwb-accountants.com)

# Ticking the right boxes

Our Tough Times checklist will help keep you and your business on course.

1. Review budgets and set realistic targets.
2. Dispose of can't pay/won't pay customers.
3. Review debtors list and chase overdue invoices.
4. Offer extended terms or discounts to existing debtors.
5. Be explicit about business payment terms.
6. Assign one person sole responsibility for invoicing/collections.
7. Agree extended payment terms with suppliers in advance.
8. Review banking facilities and discuss future needs.
9. Invest time in strengthening relationships with good customers.
10. Review, flow chart and interrogate main business processes.
11. Have a team brainstorm on cost reduction and efficiency measures.
12. Ask everyone to make a 10% cost saving in areas under their control.
13. Review staffing needs for the next 12 months and make cuts now.
14. Talk to staff about likely trading conditions and seek input.
15. Review products/services and eliminate unprofitable/peripheral items.
16. Establish key performance indicators and measure daily.
17. Review business process efficiency and consider alternatives.
18. Explain your strategy to the team and gain their support.
19. Remember that HWB is only a phone call away.



Taxation and financial services advice is complex and ever changing and will depend upon the circumstances of each individual or business. Therefore, while every effort has been made to ensure the accuracy of the information contained in this Bulletin, you should not act upon it without seeking professional advice. Nothing in this Bulletin or the documents available through it constitutes legal or other professional advice. You should not rely on any information contained in this Bulletin as if it were legal or professional advice.