



# Tax Seminar

The useful bits to save  
you money!

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# Speakers

Mary Jane Campbell – Budget Bits  
Jean-Paul Quertier – Profit Extraction  
Adrian Hemmings – Exit Planning



# Budget Bits

Mary Jane Campbell

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## Budget bits

### Income Planning

- Child benefit
- Tax Credits
- Funding childrens' education

NIC giveaway!



# Capital Gains Tax

- Utilising annual exemptions
- Utilising 18% rate band
- Avoiding HR CGT (28%)

## Child Benefit

- £2500 gross income (2 children)
- Sole income under £44,000
- Partnership with spouse
- Pension contributions
- Incorporation

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# Tax Credits

- Provisional claims back pay only 1 month
- Income dis-regards from £25,000 to £10,000 (2011/12)
- Rates of withdrawal from 39% to 41% (2011/12)



## Financing Further Education

- Gift shares to over 18s
- Dividend taxable in their hands  
(under 18s taxable on parent)
- Employ the teenager in the business

## National Insurance Holiday

- New business in SW eligible
- Scheme has 3 year life
- NI holiday up to £5,000 per employee on contributions in 1<sup>st</sup> year of business
- First 10 employees only
- Excluded – coal, agriculture and fisheries

# Capital Gains Tax

- Previously flat rate of 18%
- Now linked to marginal tax rates for income tax
- Top rate 28%
- With entrepreneurs' relief 10%

# Achieving Regular Gains

Plan regular gains to use annual exemption £10,100 by

## A. Fragmentation

- Series of gifts or sales
- Valuation issues

# Achieving Regular Gains

## B. Share transactions

(i) Bed & Breakfast

(ii) Bed & Breakfast (2) reinvest in the same sector

(iii) Bed & Spouse

(iv) Bed & ISA

(v) Trusts

## Utilising AE and Basic Rate (BR) band

-AE £10,100

-BR £37,400 /£34900

Main strategy –

pre sale spouse/civil partner transfers

## Avoiding HMRC challenges to pre sale transfers to spouse/civil partner

- Make transfer prior to putting asset on market for sale
- Gift without strings
- Gifts of proceeds back to donor not recommended
- Long interval helps
- HMRC argue gift was sale proceeds not asset

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# CGT for Trusts and Estates 28%

For estates consider transferring assets out of estate prior to sale

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## Getting More CGT at 18%

- Make pension contributions
- Change savings account so interest paid in following tax year
- Mitigate HR tax by use of Gift Aid
- Carry back Gift Aid

## CGT – Entrepreneurs' relief

- 10% tax charge
- £5million of gains
- 12 month qualification period

But complicated

## Entrepreneurs' relief -some problem areas:


- (i) Property owned outside company or partnership
- (ii) Shareholders who are not officers or employees or who hold less than 5%
- (iii) Single asset sales
- (iv) Business assets held in trust



Summary

Plan Ahead !

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# Tax efficient profit extraction for Owner Managers Jean-Paul Quertier

# Tax efficient profit extraction

- Salary v Dividends?
- Salary and Dividends?
- NIC Credit & S2P
- R&D – Watch out
- Retained profits: 28% tax?

# Tax free benefits

- Beating the 40% /50% /60% rate
- loss of child benefit
  - Mobile Phone
  - Parking at work
  - Free or Subsidised meals provided to all staff.
  - Pensions

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# Pension contributions

- Corporation Tax deduction
- No IT / NIC
- Anti-forestalling regulations until 6 April 2011
- £50,000 Limit (E'ee & E'er) from April 2011
- Flexible pensions

# Pension contributions

Self Invested Pensions Plans – SIPP

Small Self Administered Schemes - SSASs

- SIPP and SSASs – a solution for business assets owned personally?

# Company Cars

- Tax/NIC cost prohibitive for many cars
- Efficient Cars (QUALECs)
- 10% BIK (+3% for a diesel)
- More choices available now

# Qualec - example

- Say, Golf BlueMotion TDI 1.6 105PS
- List Price £18,925 / Co2: 99 g/km.
- BIK @ 13% of list price = £2,460.
- For a 40% tax payer: annual IT = £984
- For a 20% tax payer: annual IT = £492
- Employer NIC @ 13.8% = £339.
- 100% CT deduction (circa £4k) in year of purchase!

# Company cars - changes

- From 2012/13 the benefit in kind percentage will be 10% for cars with CO2 emissions up to 99 g/km.
- Increasing by 1% for every 5 g/km to a maximum of 35%.

# Dividend waivers and differential shares

- Shareholders with different income profiles
- Traditionally: Dividend waivers
- Can go wrong: taxed as remuneration!
- Differential shares – a more elegant solution.
- Not Alphabet shares!
- Enables a specific profit extraction strategy tailored to your needs.

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# Incentivising employees

- Enterprise Management Incentives
- Company Share Options Plans
- Approved by HMRC
- Costs are deductible for Corporation Tax
- If it costs less to reward employees there is more profit for shareholders!

# How do EMI's / CSOPs work?

- Options are granted over shares at market value: No IT/NIC payable: the purchase price is 'fixed'.
- When options vest/become exercisable: employee pays the 'fixed price' for the shares - No IT/NIC charge.
- CGT payable on uplift in price on disposal.

# Enterprise Investment Scheme

- Attract investment? Defer CGT?
- Conditions attached but can subscribe for shares and defer ANY gain.
- Persons that are not connected can get IT reducer @ 20% of investment.
- Potentially shares are exempt from CGT!

# Profit Extraction

- EBTs and EFURBs
- New legislation – these no longer work!
- What will replace?
- Will it work?
- Not for the risk averse!!!!



# Planning for a Profitable and Tax Efficient Exit

Adrian Hemmings

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## Current Market Conditions:

Uncertain economic conditions

Finance harder to secure and more  
expensive

Buyers cautious and demanding

Due Diligence leading to increased  
termination rate

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Current Market Conditions:

What can you do?

Succession and exit planning

Tax structuring



# Capital Gains Tax

## Entrepreneurs Relief – Considerations:

One year qualifying period

Rental agreements

Business / Ownership Structure

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# Trading Structure

What are you selling?

Right Assets

Right Place

Right Time



# Due Diligence

Ownership

Risk / Liabilities

Maintainability

Records / Systems / Controls

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# Ownership

Tangible Assets and Stock

Intellectual Property

Goodwill

Contracts



## Risk and Liabilities

Tax – VAT, PAYE, CT

Old trading / product issues

Old Debtors

Unpaid Creditors

Litigation

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# Maintainability

Staff

Suppliers

Market / Product / Customers

Reliability of projections

Predictability of performance

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## Records / Systems / Controls

Timely Invoicing

Aged debtors / creditors

Stock Control

Bank reconciliation

Regular, reliable, MI, incl forecasts

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Its never too early to start

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# Questions?

Mary Jane Campbell

Jean-Paul Quertier

Adrian Hemmings