

Saffery Champness

CHARTERED ACCOUNTANTS

Business planning and tax considerations

10 June 2014

Susie Swift

Programme

- Structure of business
- Basis of decisions
- Tax drivers
- Annual tax
- Capital tax
- Practical considerations
- Staff

Business planning

Where are you starting from ?

New venture

Extension of existing business

Who is involved, practically, in cash terms,time,ideas etc

Where are you heading ?

Business structure

Basics first

Business plan

Does it work financially

Does it work practically

Have you considered opportunity cost

Business structure cont'd

Existing structure

Default position if nothing else has changed

Farming one business in the UK, Asparagus in Suffolk, sheep on Dartmoor and Deer in Highlands =one trade

Business structure cont'd

New venture

Sole trader

Partnership

Limited Liability Partnership LLP

Limited company

Business structure cont'd

Sole trader

Easy to set up and manage

Own enterprise

Allocation of profit/losses

Capital deemed to be a trading asset

Business structure cont'd

Partnership

Legal agreement

See through for tax purposes

Partnership with real people-restrictions now with corporates

Profit allocations can be agreed on annual basis

Review capital on balance sheet for IHT and BPR purposes

Business structure cont'd

Limited Liability Partnership

Legal agreement

See through for tax purposes

Partnership with real people-restrictions now with corporates

Profit allocations can be agreed on annual basis

Review capital on balance sheet for BPR purposes

Limited liability to capital put in- see above re Land asset

Business structure cont'd

Limited company

Separate legal entity

Own accounts in co act format

Own tax

Own funding-subject to shareholders x G'tee

Separate out ownership and management

Business structure cont'd

What goes on the balance sheet for the Enterprise and what is held outside

Land and buildings

Owned by trading enterprise 100% BPR

Used for business 100% APR 50% BPR

APR at risk so look ahead and ring fence to partners and make partnership asset

Tax considerations

New enterprise

Capital outlay

Deer stock

New handling systems

New buildings

New fences

New staff

Tax considerations

Deer purchase

Breeding stock=herd

Herd basis election

Within 2 years of end of first financial year

Movements in/out the herd

Only taxed on non breeding herd valuations

No gain no loss on final disposal

Tax considerations

Handling System

Plant and machinery

Annual Investment allowance £500,000 until 31 December 2015

Gives 100% relief

Not if in partnership with trust /co

Capital allowances 18%

Timing issue, not absolute

Tax considerations

Losses in early years

Sideways tax relief

Restricted £50,000 or 25% of gross income

Sole trader/partner=use losses against other income 45% max
carry back carry across carry forward

Company-own tax regime 20% carry forward only in new co

All subject to 6 year rule

Tax considerations

Income inside company

Profits taxed at 20% so more funds to repay borrowings

Profits accumulated and only pay tax when actually paid out to shareholders

Recent case law on dividend waivers so get set up right

Tax considerations

Property costs

Land and Buildings capital costs

No tax relief-No ABAs no IBAs—lobbying in place re AIA

Fencing

Depends on what it is and what it does -functionality

Electric fence-serves purpose plant and machinery

Basic fence no relief

Tax considerations

Staff

RTI must be applied for all staff

No student exemptions any more

Like beaters if one day and no g'tee then no liability for tax but RTI

Tax considerations

Funding

External or internal funding

Tax relief on interest costs

New rules on Iht treatment and g'anteed assets

Security given

Tax considerations

VAT

Normal farming vat rules-zero rated sales standard rated inputs

Capital taxes

What does final picture look like for Iht purposes

Balfour considerations wholly or mainly trading

Summary

Make a business plan and get it checked

Be realistic

Look at different structures

Factor in tax and cash flows against your own circumstances and
be aware of the bigger picture

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