

SHIPSHAPE

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Taxing times

Getting ready for the era of austerity

The Coalition Government's number one priority has been tackling the country's debt and restoring confidence in the economy. The two parties have traditionally been deeply divided on many areas, notably on welfare reform, so how this plays out over the longer term is certainly going to be interesting.

George Osborne's plans to cut £6bn of "wasteful" public spending and make swingeing cuts in the budgets of most Government departments (except defence and the NHS) represent just the first in

happen in stages, with the threshold increasing in the first year by £1,000 to around £7,500.

Among other trade-offs, there also seems to have been a major concession to the Lib Dems in ditching a pledge to scrap inheritance tax for all but millionaires.

Although it's far too soon to say that they have fully recuperated, the banks are looking like they are back into profitability. Those bailed out by the taxpayer might also be off the Government's books too – much more quickly than expected. But what will

It's not easy to grow your business when you're paying higher tax rates.

The announced increase to the age of retirement to 66 from 2016 is entirely sensible. With improved diets, medicine and the benefits of prosperity, the health of a 65-year-old today is nothing like it was 25 years ago and this measure can only contribute to reducing the deficit.

Help and advice

In this issue of *Shipshape* we examine the tax implications of owning your business premises, the latest news for charities, renewable energy incentives and preparing for every eventuality with a good business plan. We also look at social networking and provide some tips on how to make it relevant to your business.

“ It's not easy to grow your business when you're paying higher tax rates.

a long series of harsh measures that will be necessary to get on top of the £167bn deficit. The private sector will inevitably grow to take up outsourcing opportunities from the Government's austerity measures.

A new politics

In agreeing the Coalition, the Conservatives' plans for inheritance tax were shelved in favour of the Lib Dems' target to increase the income tax threshold to £10,000. This will

this mean for the nation's businesses looking for loans?

Give and take

While the planned reduction in corporation tax to 24% is to be welcomed, it overlooks the myriad of sole traders and partnerships that won't see the benefit. Plumbers along with city law partnerships can come into this category, so they could be paying income tax at up to 50%.

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Shipshape by email

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Business survey

According to a survey carried out by the Forum of Private Business earlier this year, small businesses are braced for higher taxes, business costs and interest rates. Despite these anticipated drains on resources along with the continued difficulty and expense of raising finance, general business confidence is on the up, with half of

those surveyed predicting a rise in profits this year.

We want to hear your views. We'd like to find out how you and/or your business have been affected by recent events and your predictions for what the year ahead holds. Go to www.shipleys.com/survey to participate in our short online survey.

As a thank you for taking part, you'll be entered into our prize draw to win £100 worth of wine or a donation to a charity of your choice. We'll be reporting on our findings in the next edition of *Shipshape*.



Charity matters

A round-up of developments affecting charities



More delays for Charitable Incorporated Organisations

The Charities Act 2006 paved the way for the introduction of a new legal form of incorporation, specifically designed for charities, known as the Charitable Incorporated Organisation (CIO). Originally anticipated for summer 2008 and then spring 2010, the CIO has been subject to continuing delays. The date is still to be confirmed, but according to the publication *Third Sector*, it is now not expected until later this year or early 2011.

The purpose of the CIO will be to combine the advantages of having a corporate structure, e.g. reduced risk of personal liability, without the burden of dual regulation (under both the Charities Act and Companies Act). CIOs will be subject to the Charities Act and regulated only by the Charities Commission. CIOs will be required to register with the Charity Commission regardless of their level of income.

Gift aid and income tax rises

With effect from 6 April 2010, taxable income exceeding £150,000 will be taxed at 50%. For taxpayers in this band, a gift aid donation will become more attractive, as shown in the table.

Furthermore, where an individual's gross income after trading losses exceeds £100,000, the personal allowance is reduced by £1 for every £2 above £100,000 until it is completely removed.

Therefore, for incomes between £100,000 and £112,950, there will be a marginal rate of 60% and a gross donation of £1,250 will cost the donor £500.

Time limits for gift aid claims

The time limits for making a gift aid claim have been reduced as of 1 April 2010.

- For a charitable trust, the claim must be made no later than four years after the end of the tax year to which the claim relates.
- For charitable companies, the claim must be made no later than four years after the end of the accounting period to which the claim relates.

Gift aid transitional relief

Gift aid 'transitional relief' was introduced to adjust for the fall in basic rate income tax from 22% to 20%. HMRC will automatically pay an additional 3p for every £1 donation made to a charity between 5 April 2008 and 6 April 2011.

	2009/10 £	2010/11 £
Donation	1,000	1,000
Gross donation £1,250 (ignoring transitional supplement)		
Higher rate tax relief (40% – 20% basic x £1,250)	(250)	
(50% – 20% basic x £1,250)		(375)
Net cost to donor	750	625

Business planning

Recovery or not, do you have a plan?



In uncertain times it is very easy to get side-tracked by all the talk about the health of the economy and be paralysed into inaction. Whichever way the economy goes, if you want to maximise the potential of your business, it's vital that you have a plan.

Budgets and forecasts

The number of companies that do not prepare forecasts or budgets is a source of constant amazement. If you have no method to judge your performance you cannot take the necessary steps to control and correct what you are doing. Forecasts should cover a minimum of 12 months and you should look at all parts of the business to ensure realistic figures.

It is also important that budgets are flexible to enable you to adapt to change. Budgeting is useless unless there is regular review and analysis. This should be at least quarterly. Don't forget to budget for the increase in national insurance costs from next year, for example.

Key performance indicators (KPIs)

Establish what your KPIs are and monitor them regularly. As well as the obvious indicators such as turnover, gross profit, net profit, and staff costs to turnover, you should look to other indicators – some of which may not be financial, such as enquiries from new customers.

SWOT analysis

The old chestnut – strengths, weaknesses, opportunities, threats. Tried and tested, a SWOT analysis is a simple but effective way of analysing each area of your business. Run with your strengths, think about how you can develop opportunities and deal with your weaknesses and threats.

Make the most of your most valuable assets

Get your staff involved in the process. They should be your most valuable asset and may be an untapped source of good ideas. They will then also feel empowered to help drive the business forward.

Grasping opportunities

It can be worth looking at your existing services and customers to identify practical opportunities. For example, moving from Box 1 to Box 4 would be especially challenging.

		Client / customer	
		Existing	New
Product / service	New	2	4
	Existing	1	3

If you would like any help with any of the above, please speak to your usual Shipleys contact. You may also find it useful to download our 'Changing Times' checklist from the resources section of our website.

Pension choices from April 2011

Since publishing the Finance Bill the Government has given details of its ideas on removing the requirement to buy an annuity by age 75. It proposes removing altogether the obligation to buy an annuity from April 2011. Instead, individuals will be able to choose how much to draw down annually from their pension pot

throughout their retirement (subject to a capped limit), or whether to draw any income at all. Indeed, the proposals are that individuals may 'draw unlimited amounts under flexible drawdown provided they can demonstrate that they have secured a sufficient minimum income to prevent them from exhausting their savings

prematurely and falling back on the state.'

Any pension funds left on death that can't be used to provide an income for a dependant (defined as spouse, civil partner or child under 23) will probably be subject to a tax charge at 55% and normally no inheritance tax.



What are the tax implications of owning your business premises?

There can be dramatic tax implications depending on whether a business property, such as an office, retail premises or factory, is owned by a limited company or by the individual business owners.

Option 1: Property is owned by the company

If a business property is owned by a company and it increases in value, any inflation adjusted gain on its sale is taxed as normal. The current corporation tax rates are 21% or 28%, which could give rise to a hefty tax bill. This is unless there are suitable losses to set against the gain, or the company reinvests all the proceeds in suitable replacement asset(s), in which case the gain might be deferred – ‘rollover relief’.

In extracting the proceeds from the company for the shareholders’ personal benefit, there would also be additional tax and possibly national insurance contribution (NIC) costs. Precise rates vary but it’s important to take note of the current 50% income tax band and 12.8% employers’ NIC rate.

If the company was to go into administration or liquidation, the property would be one of the business assets which might need to be sold off to pay creditors. In practice, if the property is owned within a corporate structure, then it may be advisable to use a holding company, which, in turn, owns shares in the trading enterprise. This protects the property if the

trading company gets into trouble – as long as it is not exposed by bank or other guarantees.

Option 2: Property is owned by the directors

Another option is for one or more of the directors or shareholders to own the property and then permit it to be used and occupied by the company for trading purposes. If the company got into trouble, the property should be protected from creditors.

Any gain on disposal would be subject to capital gains tax for the individual owners at 28%. This would be applied after deducting any relevant losses and annual exemptions (if not utilised elsewhere). The 28% rate might be reduced to 10% if the disposal qualified for entrepreneurs’ relief – which it may do if the company was sold around the same time.

The shareholders/directors could rent the premises to the company for extra income. But, in order to avoid other tax implications, the rent should be around ‘market value’. The rental income would not be subject to NIC, but the owners would not then qualify for entrepreneurs’ relief on disposal. However, it may be possible to ‘rollover’ the gain if there is investment in a replacement asset.

Option 3: Property is owned by company pension scheme

This is attractive to some owner-managers. In theory, any capital gain made on a property’s sale is not

subject to tax and, on retirement, 25% of the fund value can be taken tax-free. There are, however, restrictions on the investments which pension funds can own (notably residential property). There are also restrictions on when scheme members can get their hands on ‘their money’, with benefits generally being subject to income tax when taken.

Are the options worth weighing up?

Let’s assume a business buys a property for £1m, which over the years increases in value by £500k. If the company owned the premises, the tax and NIC to get the gain into the hands of the shareholders on sale could be more than £280,000. In comparison, if the property was owned by individual shareholders, and the disposal qualified for entrepreneurs’ relief, the tax bill could be around £50,000. This would leave more than twice as much of the gain (in excess of £440,000) in the owner’s hands.

Individual circumstances will vary and can influence the tax treatment of the property. It is therefore essential to consider these options properly and seek professional advice.

Need more time to pay your taxes?

Since the Business Payment Support Service (BPSS) was launched in 2008 it claims to have given over 200,000 businesses more time to pay over £5.2 billion of tax. The service enables viable businesses experiencing temporary financial difficulties to spread their tax payments over an agreed timetable. The vast majority of these arrangements have been with SMEs.

The service covers most taxes and duties including income tax, corporation tax, VAT, PAYE and national insurance. In order to qualify, the business must be:

- in genuine difficulty
- unable to pay their tax on time
- likely to be able to pay if HMRC allowed them more time.

HMRC says it will look to be flexible and agree time to pay arrangements on a case-by-case basis to bring the business's tax back up-to-date on a timescale that is reasonable and appropriate to the situation.

While Shipleys has helped a number of clients to successfully agree time to pay arrangements, we have also heard reports that HMRC is not as flexible as it was a year or so ago and that new arrangements are not possible where earlier liabilities remain outstanding.

There is also a new requirement that those looking to delay payments on debts of £1 million or more will have to provide an independent business review supporting their request. The cost of this would impose a further strain on the trader's cash resources.



Social networking

What's it all about and is it relevant to your business?

If you haven't already, it may now be time to think about how your business engages with the outside world online and whether you're making the most of the marketing options available via social networking sites.

With telling statistics such as 24 out of the top 25 newspapers declining in circulation, in most cases it's probably no longer enough to rely on traditional media. In the past few years we have seen an explosion in social networking – some 96% of Generation Y (those born between the 1970s and 2000) are reported to be a member of at least one social networking website.

In a rush of enthusiasm and perhaps a sense of obligation to have an online presence, many businesses have joined social networking sites such as Facebook, LinkedIn and Twitter. Some have even started a blog. But in numerous cases, after writing a few posts or updates, it seems they are neglected. This may be because they have more pressing matters to deal with, but often they find they can't think of anything worthwhile to say. It doesn't look good when someone clicks on the 'follow me' icon at the end of your email or on your website only to find the page or site hasn't been updated for six months.

So, instead of charging in, businesses need to carefully formulate their digital marketing strategy. Here are some conclusions reached at one of our recent monthly Business Breakfasts held at our Godalming office.

- Research the various options and be selective about what you join
- Actively work your chosen sites and make regular updates, always ensuring quality content
- Join relevant groups and participate in discussions to help build new business relationships
- Make sure you're using joined-up thinking across your marketing streams
- Market your business AND yourself
- Think outside the box





Re-evaluating the Emergency Budget

The first of the two Finance Bills proposed by the Coalition Government was published on 1 July 2010. Most of the tax changes announced in the Emergency Budget on 22 June 2010 did not take immediate effect.

The main exception was capital gains tax (CGT), which, from 23 June 2010, increased to 28%. The annual exemption has been retained and entrepreneurs' relief improved, with the lifetime limit of gains which may qualify for the effective 10% rate increased from £2m to £5m.

The change in tax rate part way through a tax year is very unusual, and brings complications. It is essential that taxpayers appreciate the rules to determine the date of disposal. For example, if the sale of real estate is unconditional, the disposal date is the date contracts were exchanged, rather than the completion date. Solicitors' completion statements seldom show that all-important date of exchange.

For 2010/11, taxpayers (individuals, trustees and executors) will need to distinguish gains realised after 22 June from those earlier in the tax year, and identify losses separately (which can be set first against post-22 June gains).

Further complications arise where 'deemed gains' arise. It is assumed that gains realised in offshore 'close' companies (which may be imputed to UK residents with an interest in the company) will be deemed to arise when the company realised the gain. Gains realised by offshore trusts whose settlor is a UK resident domiciliary are taxed on the settlor as if they arose before 23 June, and gains of other

offshore trusts which are deemed to accrue to UK residents who are in receipt of capital payments will depend on the date of the capital payment.

A deemed gain also arises when someone who has been non-UK resident for fewer than five tax years resumes UK residence. Gains realised when non-resident can be deemed to arise in the year of return. Such gains deemed to arise in 2010/11 will be subject to the old 18% rate, but gains of an expatriate returning after 5 April 2011 will be charged for 2011/12 at 28%, even if the actual disposal was in say 2009/10 when the 18% rate would have applied.

The other immediate change from Budget Day has been the deferral by two years of the age at which an annuity must be bought – from 75 to 77, for those born after 21 June 1935. This, coupled with

rate. However, the new Government proposes repealing this legislation before it even starts to apply! It is instead considering simply confining tax relief on pension inputs from next April to a much lower maximum than presently applies (total earnings or, if less, £255,000) – possibly to a maximum of £40,000.

For perhaps the majority of people, this limit will not be relevant. For many, however, particularly those in defined benefit (final salary) schemes, it could present a problem, especially if, as is expected, the method adopted for valuing inputs to such schemes is amended.

Another Finance Bill

The next Finance Bill is expected to be of great interest. For example, it might reflect the enigmatic announcement that, as was said

“ The change in tax rate part way through a tax year is very unusual, and brings complications.

the reduction in the tax charge on lump sum benefits paid out on death after commencing to draw the Alternatively Secured Pension is welcome news for many.

Pension tax relief

The Finance Act following Alastair Darling's Budget back in March provided for a complicated regime from 6 April 2011, designed to confine higher earners' tax relief on their 'pension inputs' to the basic

in the Coalition Agreement, the Government "will review the taxation of non-domiciled individuals". Also pledged is a review of IR35 as part of a "wholesale review of all small business taxation" with the aim of replacing it with "simpler measures that prevent tax avoidance but do not place undue administrative burdens or uncertainty on the self-employed, or restrict labour market flexibility".

New CGT rules on property for non-doms

Many individuals resident, but not domiciled, in the UK (non-doms) hold UK real estate through an offshore company. This may be to exclude the value of the property from their estate for UK inheritance tax purposes, as the asset counted for IHT purposes is then the shares in the offshore company rather than the house in the UK. Non-UK doms are only generally subject to IHT assets situated in the UK.

In the past, any gain realised on disposal of the property by the offshore company was not exposed to UK capital gains tax (CGT). Until 6 April 2008, the special rules under which UK resident shareholders of a non-resident closely-controlled company could be subject to CGT on capital gains made by the company, did not apply to non-doms. Now the company's gains are attributed to its shareholders in proportion to their interest in the company, if more than 10%, irrespective of their domicile.

These rules apply not only to assets held as an investment, but also to residential property occupied by the non-dom. So a non-dom is now subject to CGT on a gain on the sale of his UK home that is owned by his own offshore company to reduce exposure to inheritance tax. The usual 'principal private residence' exemption for the gain on one's main home is not available, and the remittance basis does not help as the property is in the UK.

The attribution of the company's gains to its shareholders applies also to assets situated outside the UK, but a non-dom taxed on the remittance basis will only be taxed in relation to gains on assets outside the UK when remitted to the UK.

VAT refund for some Royal Mail users

The judgment in a recent European Court Case has shown that the UK VAT exemption for postal services needs to be amended.

The case involved TNT, a commercial provider of mail services obliged to charge VAT. TNT was in direct competition with Royal Mail whose services qualified for exemption. This meant that TNT, along with other providers, was at a competitive disadvantage.

By taking the matter to court TNT had hoped to bring its services inside the exemption. Instead the judgment confirmed that its services were rightly subject to VAT, but also showed that some of the services provided by the Royal Mail should also have attracted VAT.

Those affected are mail services where the terms and conditions have been separately negotiated with the Royal Mail, and new rules will apply from 31 January 2011. In the meantime, the judgment confirms that UK VAT law has always been wrong which means that the affected services should always have been subject to VAT. It follows that the charges levied by the Royal Mail for supplies of affected services could be deemed to have been inclusive of VAT.

Businesses that have used these services from Royal Mail can claim a refund of this VAT element from HM Revenue & Customs (HMRC), but these will be subject to a four-year cap.

Insurance – internet 'click thru' sites

In the Spring 2010 edition of *Shipshape* we outlined the cases concerning Insurancewide and Trader Media. These companies earn commission from 'click thru' from their websites to insurance company websites. HMRC had argued that the commission should be VATable because in the view of the relevant VAT policy division these companies were not doing enough to fall inside the exemption for insurance agents and intermediaries.

The European Court has since heard the cases and the judgment confirms that both companies qualify for exemption.

Any clients that operate similar insurance internet 'click thru' sites and have previously accounted for VAT on commission should immediately lodge claims for recovery of the overpaid VAT. Claims will be subject to a four-year cap, so the sooner they are lodged the greater the VAT recoverable.

HMRC clean-up of VAT register

Several clients have recently been contacted by HMRC seeking confirmation of whether or not they have a right to continue to be registered for VAT. The letters demand a response within 21 days – not much time to reply.

In some cases the businesses are dormant and ought to have cancelled their VAT registration some time ago. However one client, a property developer, was still trading but due to the recession could not sell the flats it had built, so there appeared to be little or no trading activity. The client brought the matter to the attention of Shipleys' VAT team and we successfully rebuffed the attempt to cancel the VAT registration.

As it is quite a difficult and lengthy process to resurrect a VAT number, recipients of these letters should deal with them immediately.

For further information about any of the above topics, please speak to your usual Shipleys contact or the VAT team.

Shipleys' Fee Protection Service

We will soon be offering a new fee protection service to all our clients. This could significantly reduce the financial cost if you are investigated by HMRC.

HMRC inspectors are getting much greater powers. They now have the right to enter your premises, check your records and access your computers – all with no right of appeal. A simple, unintentional error causing an underpayment of tax may lead to large penalties on top of repaying all the tax you are deemed to owe.

If you are chosen for an investigation, we will do our utmost to ensure that the outcome is as favourable for you as it can be. In most cases, we will be able to reach a settlement with HMRC that is considerably lower than their original demand; and in some cases we can convince them to withdraw their claim altogether.

However, this can take a considerable amount of time and, even if no additional tax or penalty payment is due, you would still have to pay the professional fees incurred in dealing with HMRC. Such fees frequently amount to thousands of pounds.

For a small annual subscription, our Fee Protection Service will provide the equivalent of up to £100,000 worth of our time in the event of an investigation by the tax authorities. It enables us to dedicate as much time as necessary to get the best possible result, without you worrying about spiralling expenses.

We are currently reviewing providers with a view to launching the service later this year. If you would like to know more about Shipleys Fee Protection Service please speak to your usual contact.



New principal specialising in expat tax joins Shipleys

Expatriate taxation consultant Oliver Heslop has joined Shipleys as a principal. His specialist advice ensures compliance with the local tax and social security rules and regulations which apply when people are relocated to another country. This minimises disruption to the business and highlights opportunities to save ongoing costs.

Oliver works with a mixture of expatriate clients, including large multinationals with secondees in lots of different countries, who need help with managing their diverse expatriate workforce. Other clients may have one or two executives appointed to senior positions abroad for whom tax planning is needed.

Personal experience of living in Poland as an expat for six months has given Oliver a good understanding of the issues, red tape and complexities involved when working abroad.

Oliver worked in Arthur Andersen's expat teams for over ten years before taking an expatriate advisory position with Ernst & Young in 2007. He is a member of the Association of Taxation Technicians.

Running for Niamh

Runners from Shipleys recently raced in the Fleet Half Marathon helping to raise nearly £5,500 for Matthew's Friends – a charity which promotes awareness of special diets for children with severe epilepsy.

Steve Foster (who also ran the London Marathon), Natalie Birchill, Francesca Rowan, Conrad Beighton, Rob Smailes and Brooke Overton-Yorke all took part in memory of Shipleys senior manager Alison Maguire's daughter Niamh who was helped by the charity. The diet stopped Niamh from having literally hundreds of seizures over three and half years. Sadly she had other health issues and passed away before she was five years old,

but the quality of her short life was much improved.

www.niamhsjourney.com



Hatching out

Peter Richards, chairman of Venture Pilot, explains how his firm is working with Shipleys to help software companies grow and expand into Europe.



Venture Pilot helps businesses in the 'hi-tech' space with everything from the nuts and bolts of business operations to guiding firms through the maze of corporate finance and ultimately delivering an 'exit' to investors and founder members. Chairman Peter Richards has seen considerable change in the world of corporate finance over the past 18 months. Like most companies, he says Venture Pilot has also had to adapt the way it does business.

Back to basics

"A couple of years ago, exit plans were all IPOs (Initial Public Offerings) and trade sales. And to do that we would have raised money for them. But in the past two years or so, IPOs have mostly disappeared as have M&A. People have had to go back to the fundamentals. It's the same principles for most businesses. Whether you make software systems or manufacture pegs, it's all about your operations, selling and cash collection. You only get growth by getting new customers and new revenue, and you have to make sure it's profitable as soon as possible."

Venture Pilot works with international hi-tech companies with high potential for growth. They aim to improve operations to make them more attractive, for example for a trade sale.

"We help make businesses stronger by focusing on the fundamentals of good business practice. Our advice to clients is to operate the business as though they are selling tomorrow. They should know the position of their cash, sales and operations at all times."

A fast track into Europe

Peter explains that a decade ago, the firm's main area of business was centred on giving a platform to US software businesses coming to the UK. Now the firm focuses on UK and pan-European expansion, and recently launched Hatch Incubator specifically for this purpose.

“ We help make businesses stronger by focusing on the fundamentals of good business practice.

"It's a business incubator and essentially a subset of what Venture Pilot does, but pre-packaged," explains Peter. "We encourage overseas companies to set up in London and expand from here into Europe. Hatch is almost like a midwifery service, giving new entrants to the UK market a springboard into Europe. You concentrate on your business and we do everything else."

Hatch provides a service across all key business areas including strategy, financial planning, marketing and sales, legal and general management.

"We handle local regulatory and finance-related requirements as part of the service, enabling the business to concentrate on growth and expansion."

The firm has access to a range of business support services designed to improve the success of startup stage companies. Hatch has a strategic partnership with Shipleys for the provision of a raft of financial services.

"Venture Pilot are not chartered accountants but we wanted to offer that service out of the box as well. We needed an auditor that we could work with who could provide the full range of services. Shipleys is a good auditor, known in the city and well known for its entrepreneurial spirit. So we got them on board and now we use their services as part of Hatch Incubator. We'll be working together on a case by case basis."

Signs of recovery

Peter says he is seeing noticeable improvements in the economic climate. "We're seeing decisions being made faster and results happening more quickly. Cash flow is getting better and people are starting to invest more in businesses. So business owners are starting to think about expanding and exiting once again. We're getting a real sense of the market hardening."

For further information:
www.hatchincubator.com
www.venturepilot.co.uk

Renewable energy – what's in it for you?



Many countries, including the UK, are introducing a range of policy measures to reduce greenhouse gas emissions. These obligations, together with the growth in demand for and technological advances in renewable energy have created attractive opportunities to invest in such technology, particularly in EU countries where there is government support for guaranteed pricing systems or 'feed in tariffs' (FITs). The UK introduced a FIT scheme on 1 April 2010.

Under the FIT scheme, energy suppliers make guaranteed payments to householders and communities who generate their own electricity from renewable or low carbon sources such as solar panels or wind turbines. The tariff levels range up to 41.3 pence per kWh even if you use the electricity in your own house. This rate compares favourably with the domestic rates which generally range from about 10 pence to around 25 pence per kWh depending on supplier, tariff and usage. With typical monthly usage of about 350 kWh the contribution to the capital outlay can be significant. In domestic installations there is an additional three pence per kWh fed

back to the electricity grid, with the tariff index-linked and guaranteed for up to 25 years. Installations can be ground mounted or built into the roof or walls of a building.

About 80% of the EU's commercial 'solar farms' are in Germany, although the largest installation is in Spain using more than 160,000 solar panels producing enough power for 40,000 homes. The introduction of the FIT scheme to the UK brings the prospect of solar farms generating electricity on a large scale directly into the National Grid. The main drawback is the amount of land necessary and the consequent negative visual impact on the landscape.

Micro-generation, which involves putting a smaller number of panels on to buildings which consume power, such as homes, offices, schools and factories is seen as a more viable way forward. This does not take up land, it minimises power loss in transit, and provides a low cost solution for people to provide their own energy needs. It also allows people to reduce their carbon footprint.

Under current tax rules, the income generated from FITs for

domestic installations is not subject to income tax if the electricity generated is mainly for own use.

Renewable energy incentives

Grants for solar panels are currently suspended pending decisions by the new Coalition Government. However, there is an interest-free unsecured Government-funded business loan of up to £100,000, available from the Carbon Trust to finance investment into energy saving projects.

In addition, Enhanced Capital Allowances (ECAs), allow businesses to write off 100% of the capital cost of energy saving plant and machinery against taxable profits. This, together with a 0% interest loan, can ease cash flow and reduce the payback period.

A further incentive offered by the previous Government (and currently still available) is on cars and goods vehicles. A 100% write off of the cost is available for low emission cars (up to 110g/km) for expenditure incurred before 1 April 2013. Similarly, a 100% write off is available for zero-emission goods vehicles where the expenditure is incurred before April 2015.

Detailed advice should be obtained before taking action, or refraining from taking action, as a result of information in this newsletter.

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