

the knowledge

Money. How to get it, keep it and make it work harder

Confident in the knowledge

We are experiencing what is almost certainly the worst economic downturn in living memory – many companies are fighting for survival and that old cliché “Cash is King” continues to be proven correct.

There is another truism “It’s all about confidence” and I would like to start by asking two simple questions:

“Are you confident that you have all the information that you need to keep right on top of your business?”

and

“Do your bankers (and other funders) have confidence that you have the right information to allow you to keep on top of your business?”

Businesses have many common key aspects that require constant monitoring and they also have their own particular features. The important thing in these very challenging economic conditions is for all directors/business owners to put themselves through the discipline of identifying the key measures by which you can monitor the performance of each aspect of your

Examples of revenue driver include:

- Enquiry levels
- Order intake
- Sales by area/sales rep
- Order book
- Gross profit in order book

Examples of variable costs requiring control include:

- Payroll costs
- Overtime
- Transport costs
- Rejects/scrap levels

Examples of performance control:

- Machine utilisation/downtime
- Cash collection
- Customer complaints

business. It is normally helpful to look at these key indicators from three approaches – revenue drivers; variable costs requiring control; performance monitors. You should then ensure that a simple system is set up to allow this information to be captured efficiently and summarised on one page.

Depending on your business some of this information may be relevant on a daily basis, a weekly basis and/or a monthly basis. In my experience businessmen find it best to work with daily information presented in a format

that builds up to the full month’s figures. The information should be compiled so that it is available by no later than (say) 10.30am each day and distributed as appropriate to all team members. Some companies also find it both informative and motivating to have wall charts for individual departments with simple graphs or bar charts showing their performance eg order intake, invoiced sales, production output – and also comparing this performance with budget or the previous year.

The critical part of this exercise is then what actions are taken if performance is not satisfactory or if an adverse trend becomes apparent. Many businesses have a brief weekly operations meeting to review performance against plan and immediately agree any necessary corrective actions. Some businesses consider it is appropriate for them to have a brief ‘ops’ meeting every day.

Incidentally experience shows that it pays dividends to work on both the format and layout of the daily/weekly business fact sheet – so that it is clear, easily understood and that issues requiring action are immediately highlighted.



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International tax update

Some years ago international tax planning would have been seen solely as the domain of conglomerates, oil companies, international jet-setters and rock stars.

However, with the increase in global trade there are now few businesses that do not need to consider international issues in some respect and, with the weak pound, presumably more international customers will be turning their heads to peruse what the UK has to offer.

Various European Court Judgements and tax cases over the last few years have prompted HM Revenue & Customs to review the tax legislation relating to the taxation of foreign profits, as well as to address the issue of residency and domicile and the tax landscape is changing.

Corporation Tax

The recent Budget confirmed the changes which were proposed in the Pre Budget Report with a few welcome modifications.

The main proposals now introduced are:

- Exemption for foreign dividends for all companies
- Cap on the interest deductions available in the UK to large companies
- Controlled Foreign Company legislation to apply to more companies

As previously drafted, the dividend exemption didn't apply to small or medium entities. However, in a welcome change the

dividend exemption will now apply to the vast majority of dividends arising from holdings of 10 per cent or more received by any size of company.

Whilst the dividend exemption is likely to be a positive change for most companies, it may adversely affect groups with links to jurisdictions such as Germany, Japan or Russia owing to the wording of these particular treaties.

The cap on interest will serve to restrict interest deductions in large worldwide groups to the external interest paid by the group. The Budget has confirmed these changes will be introduced but they have been delayed until accounting periods beginning on or after 1 January 2010.

There has been much comment during the consultation, including the views that tax deductions may be restricted even in commercial cases and the legislation appears to contradict the current transfer pricing rules. The interest cap will also relate to UK only groups. Whilst the delay is very welcome, we have yet to see the final legislation to ascertain which groups and payments will be caught but in the meantime large groups may want to consider reviewing their financing structures.

Mobile Employees

Employees are increasingly internationally mobile and as such their tax residency will need to be considered as UK tax saving opportunities may be available as well as considering any overseas liabilities. Recent tax cases have affected the definition of tax residency and care should always be taken

when employees are working internationally.

Care should also be taken when employees are active abroad that permanent establishments (PE) are not unintentionally created. For example, where sales are concluded overseas or an office is kept overseas this may create a taxable presence in the overseas territory for the company. Profits from this taxable presence may be subject to tax in both jurisdictions which may lead to an increase in tax and will certainly lead to an increased administrative burden.

Non Domiciles Remittance basis

Changes were introduced in Finance Act 2008 whereby individuals who are UK resident but non UK domiciled can choose either to be taxed in the UK on their worldwide income and gains OR to be taxed on a remittance basis and pay an annual £30k charge. The changes introduced in 2008 are still bedding in and HMRC released some further FAQs to explain their interpretation of the new legislation. There are still planning opportunities to be had in this area and if you are non UK domiciled advice should be taken.

International tax planning is a vast and constantly changing arena and, to ensure that BHP is at the forefront of the available knowledge and contacts, we are members of two international networks of accountants providing worldwide coverage.



For further information, please contact Zoe Brown on 0114 266 7171 or email zoe.brown@bhp.co.uk

Budget 2009 – savings boost for ISAs

One of the Chancellor's most important Budget changes on the investment front was the revision of the ISA limits.

Until 5 October 2009, the ISA investment limit is £7,200, of which £3,600 may be invested in the cash component.

From 6 October 2009, the limit will rise to £10,200 (of which £5,100 may be in cash), but you can only take advantage of this if you are aged 50 or over by the end of the tax year.

From 6 April 2010, the age 50 restriction will disappear and the new limits will apply for all eligible investors.

Since 6 April 2008 it has been possible to transfer the cash component of an ISA into the

stocks and shares component. When this option was announced, it was viewed as a pointless facility, as for most investors the value of the tax saving from the cash component was greater than any tax savings offered by the stocks and shares component.

However, the world has changed since this switch facility first became available. Back then, Bank base rate was 5.25 per cent, so that interest on the cash component of an ISA could be a meaningful amount. With Bank base rate now just 0.5 per cent, many existing Cash ISAs are paying one per cent or less.

If you are looking for income from your ISA, a switch from cash to the stocks and shares component now potentially has more appeal. For example, an investment in a corporate

bond fund could produce 6 per cent or more tax-free income. The quid pro quo for this extra income is that you lose the capital security of the Cash ISA as bond prices can fall as well as rise. Before making the switch – which is irreversible – you should take independent advice.

This article is for general guidance only and is based on current law, HM Revenue & Customs practice and changes announced in the Budget, which may be subject to future variation.



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Reducing the cost of doing business – the Auditel way

Lets face it, doing business these days is expensive and with the downturn no longer looks like it will be a gentle dip into a short recession.

This means that stakeholders in organisations throughout the economy be they business or not for profit, can no longer afford to wait and see how things turn out. Action is required and all effort needs to be focused on how to improve profitability when markets are slowing or shutting down completely.

The Auditel service

Auditel's unique service includes:

- Free in-depth analysis of essential business costs
- Over 80 categories including utilities,

telecoms, business services and premises costs

- Independent and impartial advice

Its business model has been developed over 15 years and is aimed at helping manage overheads, allowing a wide range of organisations to focus on business activities.

The Auditel advantage

Auditel's Total Cost of Purchase® model differs from traditional cost analysis or expense reduction consultancy. It takes into account all the costs – both direct and indirect – associated with making effective cost management decisions.

As well as its core areas of specialisation – communications, energy, business consumables, water and sewerage –

Auditel has the expertise to help manage a much broader range of overheads. Its performance-driven contingency fee model means that its service is self-funding. There are no up front fees, no hidden charges and no extras. In summary, Auditel's fee price structure means that the gain is always greater than the cost.

Barber Harrison & Platt has worked in partnership with Auditel for over 5 years and during this period a good number of clients have achieved significant overhead savings following review by Auditel.



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Forthcoming deadlines:

June 2009

1 June Due date for payment of Corporation Tax for period ended 31 August 2008, for those companies not liable to pay their liability by instalments.

19 June If paying by cheque, pay PAYE, NICs, student loan deductions and deductions from payments to subcontracts for the month up to 5 June (for electronic payments the due date is 22 June).

CIS: Monthly return due for period to 5 June.

30 June End of CT61 quarterly period. Due date for May VAT returns. Filing deadline for Corporation Tax Return. Form CT600 for period ended 30 June 2008 to be submitted to HMRC. Filing deadline at Companies House of accounts for private companies with a year ended 31 August 2008.

July 2009

1 July Due date for payment of Corporation Tax for period ended 30 September 2008, for those companies not liable to pay their liability by instalments.

6 July File P11Ds, P11D(b)s and P9Ds. Issue copies of P11Ds or P9Ds to employees.

Deadline for relevant third parties to give non-employees information on benefits/expenses they have provided to them in 2008/09.

14 July Due date for income tax for the CT61 period to 30 June 2009.

19 July If paying by cheque, pay PAYE, NICs, student loan deductions and deductions from payments to subcontractors for the month up to 5 July (for electronic payments due date is 22 July 2009).

CIS: Monthly return due for period to 5 July. Quarter 1 payment due where paid by cheque.

Final date for payment of 2007/08 Class 1A NIC's.

30 July Filing deadline at Companies House of accounts for private companies with a year ended 30 September 2008.

Deadline for Tax Credits renewal to finalise claims for 2008/09 and renew claims for 2009/10.

Second self assessment payment on account for 2008/09.

Filing deadline for Corporation Tax Return. Form CT600 for period ended 31 July 2009 to be submitted to HMRC.

Due date for June VAT returns.

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A very long walk...but all for a good cause

An elite team from BHP successfully completed a gruelling 50-mile non-stop walk in the Peak District on 28 March in aid of the National Search and Rescue Dog Association.

The team – Peter Cross, Elaine Butler and Zoe Brown from BHP, accompanied by a ringer, Neil Roberts – started the walk at 7am on Saturday morning in Sheffield and took in the sights of Stanage, Chatsworth

and Bakewell before returning to Sheffield in the early hours of Sunday morning.



Elaine and Peter formed a breakaway 'sprint' team and came in at a respectable time of 20 hours whilst Zoe and Neil brought up the rear with a time of 23 and a half hours. The team raised almost £300 for the charity.

Elaine said: "It's been a walk and a half but the Rescue Dog Association is a very worthwhile cause and is worth losing my toenails for!"