

## Article topic: General Interest

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### Survival of the fittest

In the new economic world, it's the businesses that can adapt and change which will come out on top, as Managing Director, Keith Seeley, explains.

Few of us have been left unscathed from the events of the past 18 months. But whilst some businesses are still nursing their wounds, there is cause for optimism. Currently, many of our clients are adapting their business strategies to ensure they are in the best position possible to come out of the recession and there are numerous opportunities available, which we are helping them take full advantage of. Naturally, there are obstacles on the way and there are three main challenges which clients are reporting that can be overcome easily with the right advice.

#### 1. Raising finance from resistant banks

When meeting financiers, business owners only have one chance to get it right - the success or failure is all in the presentation. When preparing a pitch, it is vital to understand the provider's stance on the proposal beforehand, otherwise you will lose credibility fast. You've also got to know the right bankers to go to. There are plenty who are risk adverse; however, there are a few who will take the time and the trouble to understand a business proposition, and how they can provide constructive and positive help. At Target we regularly work with bankers such as this, who can help clients find sensible finance arrangements.

#### 2. Minimising the cost of tax hikes

Business owners will be hit with the double tax whammy of the new 50% Income tax rate from April 2010, coupled with a more restrictive pension regime. Meanwhile, the tax system is becoming ever more complicated, so the old adage of 'salary or dividend' to save tax simply won't cut the mustard. Savings will only be achieved through creative tax planning solutions and any business owner worth his or her salt needs to be thinking ahead and implementing these as soon as possible. There are several ways we are helping clients to minimise their liability on a business and personal level, including:

- **Maximising the benefit of trading losses** - under the loss carry-back regime, £50,000 of trading losses can be carried back up to three years.
- **Considering alternative pension and salary arrangements** - sacrifice salary for tax efficient alternatives and use tax efficient investments, such as film partnerships, as well as unapproved pension arrangements.
- **Accelerating the payment of dividends** - effective dividend rates for high earners will rise to 36% from 2010. If you've retained profits in a company for a rainy day, then now may be the time to pay out and secure a 11% tax saving.



- **Incorporating your business** - many unincorporated businesses or individuals with large amounts of income will be hit with the new super tax. If the business or income generating assets are held within a company, the rate payable each year can be as low as 21%.
- **Making additional pension contributions** - from April 2011 an individual with an income above £180,000 will have tax relief on pension contributions restricted to 20%. Taper relief will apply to incomes between £150,000 and £180,000.
- **Extracting property from companies** – gains made in a company are taxed effectively at 46%, rising to 55% from next year. If you have property in a company then now could be the time to transfer out, particularly while values are subdued.

### 3. Shaping and strengthening your business

A visionary, commercial approach to strategic business planning is essential to succeed in the new economic world. Shaping and strengthening your cost base in sync with your turnover quickly is fundamental to this, as is being realistic on how this is likely to be achieved. Another challenge lies in performance management and motivating staff to work more effectively than they were before, as well as facing up to the possibility of having to reduce staff numbers.

The businesses which will prosper are those that have a clear idea of what they are trying to achieve and have the management team aligned with that vision. In the light of new economic realities, previous strategic plans may need to be adapted and the sooner this is done, the better the position you will be in when the market lifts.

As an owner-managed business, we have first-hand experience of what many companies are facing and through our support services, such as Financial Management, Business Services, and HR Consultancy we are well placed to guide our clients through the challenges that lie ahead.

**For more information on personal or business accounting issues, please speak to Keith Seeley on 01225 486305.**

