

# BUSINESS UPDATE

## Green winner takes it all

Reducing the carbon footprint is both an immediate and longer term issue affecting personal and business investment. In recent times a range of taxation incentives have been implemented where 100% tax relief is available on certain qualifying plant and machinery purchases classified as energy saving.

In addition to this, further proposals were announced in the March Budget to encourage investment in further types of energy saving plant and machinery including zero-carbon vehicles.

It could be argued that the raft of tax incentives on offer is of little use, where finance is not available to fund the purchases. However, interest free loans for energy saving projects may be independently available from the Carbon Trust. In fact in its last reported financial year 2008/09 the Carbon Trust offered over £22 million of these Energy-Efficiency loans to replace old equipment.

### How does the Energy-Efficiency loan work?

The interest free loan facility is generally available to small and medium sized businesses (SMEs) where CO<sub>2</sub> savings are made from the loan provided expenditure.

The unsecured loans with no arrangement fee range from £3,000 - £100,000. However, the size of the loan and the duration is directly linked to the anticipated CO<sub>2</sub> savings which is now set at 2.5 tonnes of CO<sub>2</sub> savings per £1,000 of loan.

The maximum loan period is generally set at 4 years, the aim being that loan repayments are offset by energy savings.

Examples of energy saving projects include improved heating, refrigeration, lighting, and insulation processes.

### Does my business qualify?

An organisation, for example, a sole trader, partnership, company, club or charity, needs to have been trading for at least 12 months and to generally qualify as an SME. Larger businesses in England, Scotland and Wales may apply in limited circumstances but there is no size restriction in Northern Ireland.

The definition of an SME currently used by the Carbon Trust is:

- an organisation with less than 250 equivalent full time employees and where
- either turnover does not exceed €50m or balance sheet total does not exceed €43m.

The business must not have a substantial holding in a non SME business nor be substantially owned by a non SME. Substantial means 25% or more of the shares or voting power.

As the loans are government funded some business sectors are not eligible due to European Union rules on state aid. Excluded business sectors include certain agricultural, fisheries, horticultural, transport, coal and export-related activities.

However farmers in England can apply for a loan of between £3,000 and £20,000.

For more details about how to apply for an Energy-Efficiency loan and other frequently asked questions see the Carbon Trust website at [www.carbontrust.co.uk/cut-carbon-reduce-costs/products-services/business-loans/pages/loans.aspx](http://www.carbontrust.co.uk/cut-carbon-reduce-costs/products-services/business-loans/pages/loans.aspx)

### What about capital allowances?

The enhanced capital allowances (ECA) scheme for energy saving equipment is a separate scheme which can allow 100% tax relief on individual pieces of equipment (and cars with emissions not exceeding 110g/km) where that equipment features on specific Energy Technology Lists. For further details see [www.eca.gov.uk/etl](http://www.eca.gov.uk/etl).

The March Budget also announced a proposal to introduce a new 100% first year allowance for capital expenditure on new and unused zero-emission goods vehicles. The measure is due to have effect for a 5 year period commencing April 2010 but legislation for the proposal has not yet been put in place.

For further guidance or information on any of the above matters please do not hesitate to contact Mike Walsh on [mwalsh@roffeswayne.com](mailto:mwalsh@roffeswayne.com) or 01483 416232.



# Roffe Swayne launches Share Valuation Service

Roffe Swayne has recently launched its Share Valuation Service. Led by Corporate Finance Associate Partner, Matthew Katz, the service provides high quality share valuation reports for a wide range of purposes including resolution of shareholder disputes, negotiations with HMRC (for example as part of an employee incentivisation scheme or inheritance tax), divorce and transactional purposes.

Matthew is a member of the ICAEW Valuation Special Interest Group and sits on the UK200 Corporate Finance Panel, contributing to the UK200 Valuation index for SMEs. He is supported by Mark Leigh and Holly Williams who have in excess of 30 years valuation experience between them.

Roffe Swayne has an excellent track record for agreeing valuations with third parties. The majority of values are agreed on the basis of the report alone, without subsequent discussions and negotiations, thus minimizing additional costs to clients.

Matthew Katz said "In any twelve month period we have historically been valuing 30 to 40 businesses for both our existing client base and contacts. We feel that we have the experience and credentials to offer our service to the wider market."

## Our Approach

We have developed a structured work programme, which can be tailored to suit the specifics of each business we are valuing. For each individual share valuation we consider the following valuation bases:

- Assets
- Price earnings
- Discounted cashflows
- Dividends
- Other industry specific methods as appropriate

## Our Output

- We aim to deliver draft reports within 2 weeks of having received all relevant information requested
- We produce a written report, either:
  - Full report, examining and detailing all relevant bases and factors
  - A limited scope report
- A verbal discussion/presentation of the findings
- Negotiation with other shareholders/ third parties as required

## Our Experience

We have extensive experience through working on many varied Corporate Finance valuations. In the last 12 months alone we have provided valuations on over 30 businesses.

- Our share valuations range across a variety of sectors including: Support services, IT, Leisure, media and financial services amongst others
- For a range of purposes:
  - Transactions – to assist clients and other professionals on decision making processes surrounding acquisitions, disposals, mergers and fund raising exercises
  - EMI and other Share Incentive arrangements
  - Disputes – advising corporates, shareholders, individuals and other professionals
  - Divorce – to advise on value and where possible mediate on business value
  - Inheritance tax

## Valuation size

We work on a wide variety of share valuations, with the typical range from nil to £30m.

For further information on our Share Valuation Service please contact Matthew Katz on 01483 416232, or email [mkatz@roffeswayne.com](mailto:mkatz@roffeswayne.com)



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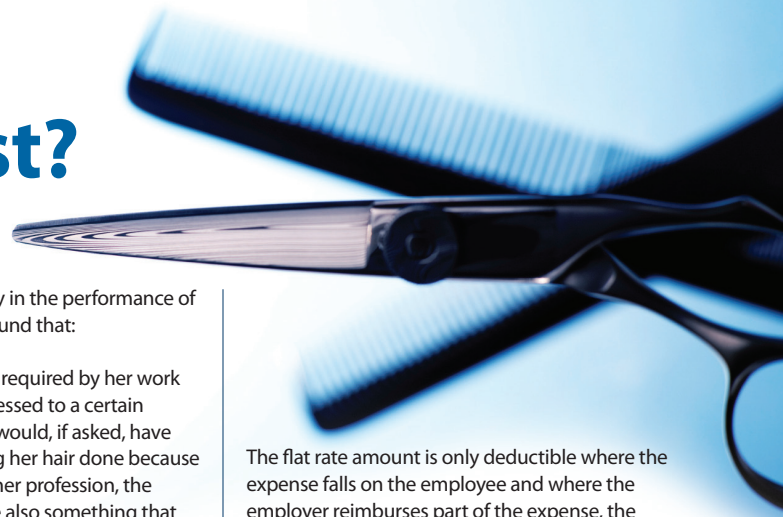


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# A cut above the rest?



**A recent tax case concerning a BBC newsreader goes to show just how difficult it is for employees to obtain tax relief for costs they incur in doing their job.**

Certain rules which relate to employees only allow tax relief for costs '...incurred wholly, exclusively and necessarily in the performance of the duties'. The courts have interpreted these words extremely narrowly over the years, as seen in the case of Sian Williams. The BBC television newsreader claimed certain deductions in respect of 'travel and subsistence costs' and 'other expenses and capital allowances'. Of these, the following items remained in dispute:

- Professional hairdo and colouring £975
- Professional clothing for studio £3,231
- Laundry of professional clothes £325.

The taxpayer claimed that these expenses were allowable expenses as incurred wholly,

exclusively and necessarily in the performance of the duties. The Tribunal found that:

'Even if the Appellant was required by her work to appear with her hair dressed to a certain standard, and even if she would, if asked, have stated that she was having her hair done because of those requirements of her profession, the hairdressing services were also something that she needed as a human being.'

So, costs incurred which have a dual purpose are unlikely to obtain relief. HMRC have agreed that particular deductions for clothing and equipment can be made from earnings for certain occupations. HMRC negotiates these flat rate deductions with trade unions to apply to certain classes of employees. The flat rate amounts are intended to represent the average annual expense incurred by that class of employees on the repair and replacement of work equipment, such as tools and special clothing.

The flat rate amount is only deductible where the expense falls on the employee and where the employer reimburses part of the expense, the deduction is reduced accordingly.

How do you know if you or your employees work in one of these areas? Can you get a free handout from HMRC for this year and possibly the last four? Well to view an up to date list of occupations and amounts, please visit [www.hmrc.gov.uk/manuals/eimanual/EIM32712.htm](http://www.hmrc.gov.uk/manuals/eimanual/EIM32712.htm)

Alternatively, please feel free to get in touch with Kerena Allen on [kallen@roffeswayne.com](mailto:kallen@roffeswayne.com) or 01482 416232 to discuss this further.

# Take care before you buy

**Are you planning to buy an existing building from which you are going to trade? If so, there are opportunities to reduce the effective cost of the purchase by maximising the potential capital allowances claims.**

Currently there is limited scope for capital allowances in respect of buildings or structures. However, in some cases a significant part of the purchase price may be attributable to 'fixtures' which qualify for plant and machinery capital allowances.

Typical examples of qualifying fixtures include:

- heating systems
- electrical systems
- sanitary ware
- air conditioning.

These fixtures are 'hidden' within the building which helps to explain why capital allowances claims are missed. Indeed the tax definition of a fixture is an asset which is installed or otherwise fixed in or to a building or land so as to become part of that building or land in law.

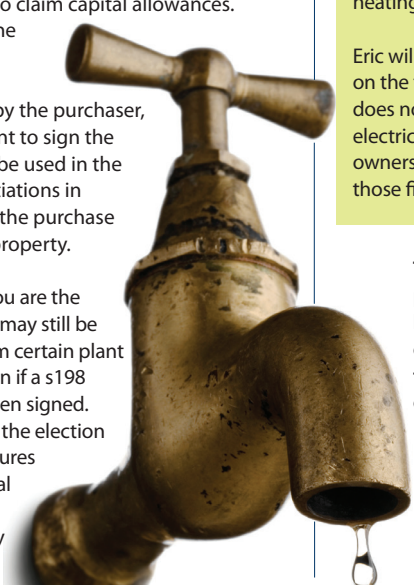
## Effective allocation

How is the allocation of the overall purchase for the building split between the fixtures and the remaining part of the structure? Clearly it is in the purchaser's interest to maximise the amount attributable to fixtures but there are controls.

- The main control in tax law where a property has been purchased is the need to apportion the overall price on a just and reasonable basis. If an apportionment has been included in the purchase agreement, HMRC can challenge the allocation as not being just and reasonable.

- The viewpoint of the vendor will also be important. If he has previously claimed allowances on the fixtures he may want a low allocation so that he retains some of the allowances he has previously claimed. The vendor is however also constrained by the just and reasonable override.
- A useful facility does however exist, known as a 's198 election' which, within certain limits allows the vendor and purchaser to jointly elect a value for specific fixtures. The vendor and purchaser could therefore agree to allocate a value of £1 to particular fixtures thus allowing the vendor to retain the benefit of allowances previously claimed. Clearly a low figure is not in the interest of the purchaser because it restricts their entitlement to claim capital allowances. However, if the nature of the election is understood by the purchaser, the agreement to sign the election can be used in the overall negotiations in determining the purchase price of the property.

In any case if you are the purchaser, you may still be entitled to claim certain plant allowances even if a s198 election has been signed. This is because the election only covers fixtures on which capital allowances have previously been claimed.



## Example

Eric is buying a nursing home from Amelia for a total purchase price of £1.2 million plus £15,000 for furniture. Amelia wants to include a s198 election in the contract with an elected price of £1. If Eric agrees to this, what effect will this have on his claim for plant capital allowances?

The just and reasonable values are considered to be:

Furniture	£15,000
Lift and central heating system	£90,000
Electrical and cold water system	£40,000

Previous owners (including Amelia) have claimed allowances on the lift and central heating system and furniture.

Eric will still be able to claim plant allowances on the furniture (as it is not a 'fixture', s198 does not apply to that part) and on the electrical and cold water system (as previous owners have not claimed allowances on those fixtures).

**This is a complex matter, so please contact Linda Warner on [lwarn@roffeswayne.com](mailto:lwarn@roffeswayne.com) or 01483 416232 before you sign the contract for the purchase of a commercial property.**

# Employer matters

## National Minimum Wage rates to rise again

The government has announced the National Minimum Wage (NMW) rates that will apply from 1 October 2010. In addition to the rate increases detailed below there are two further related changes. The first change expands the age range for the main rate, from workers aged 22 and over to workers aged 21 and over.

The second change concerns the introduction of a minimum wage for certain apprentices. It will apply to apprentices under 19 years old and those apprentices aged 19 and over who are in the first year of their apprenticeship.

From 1 October 2010, such apprentices will be entitled to a minimum wage of £2.50 per hour. All other apprentices are entitled to the NMW rate appropriate for their age.

The new rates are as follows:

- **£5.93 for workers aged 21 and over** (currently £5.80 for workers aged 22 and over)
- **£4.92 for workers aged 18 - 20** (currently £4.83 for workers aged 18-21)
- **£3.64 for workers (excluding apprentices) aged 16 and 17** (currently £3.57).

## Additional Paternity Leave and Pay

The government has announced its intention to introduce Additional Paternity Leave and Pay for fathers of babies due on or after 3 April 2011.



According to the press release:

- Families will have the choice to transfer up to six months leave to the father should they want to, which can be taken by the father once the mother has returned to work.
- This new provision will be available during the second six months of the child's life, giving parents the option of dividing a period of paid leave entitlement between them.
- Some of the leave may be paid if taken during the mother's 39 week maternity pay period. This would be paid at the same rate as Statutory Maternity Pay (currently £124.88 per week).
- Parents will be required to 'self certify' by providing details of their eligibility to their employer. Employers and HMRC will both be able to carry out further checks of entitlement if necessary.

Please contact Carol Davies on [cdavies@roffeswayne.com](mailto:cdavies@roffeswayne.com) or 01483 416232 if you need any advice on this matter.

## Your contacts

### Partners and Associates

Chris Baxter, Mark Leigh, Sharon Ward, Jeremy Gardner, John Fisher, Elaine Way, Tony Kelly, Linda Warner, Liz Beadsley, Helen Kay and Matthew Katz.

**Tax** Linda Warner, Liz Beadsley

### Outsourcing and Payroll Services

Jeremy Gardner

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## Thinking of Property Letting?

There are many issues for the prospective investor to take into consideration before deciding to plunge into property letting. With this in mind we have produced a factsheet on the subject. If you would like a copy please call Jane Steel on 01483 416232 or email her on [jsteel@roffeswayne.com](mailto:jsteel@roffeswayne.com).



# A gallant effort by Roffe Swayne Triathlon Team



Three brave members of our staff recently took part in the annual Crondall Triathlon to help raise funds for the Help for Heroes charity. Help for Heroes raises money to support members of the Armed Forces who have been wounded in the service of their country.

The energetic three are Audit Senior, Holly Daly (left), who completed a 400m swim, Trainee Accountant, Russell Chowney (centre) who ran 5 kilometers and Client Service Manager, Tim Hughes (right) who cycled 20km.

The team finished in a well respected fourth position. They were faced with crowded swimming pools, muggy running conditions and crashing changeovers in the cycle race but were delighted to knock 6 minutes off of the previous Roffe Swayne team time.

The team has so far raised over £500 for the charity.

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