

BARNES ROFFE LLP

**Accounting and Tax  
tips for the Business  
Life Cycle**

Experience. The difference.

# BARNES ROFFE LLP

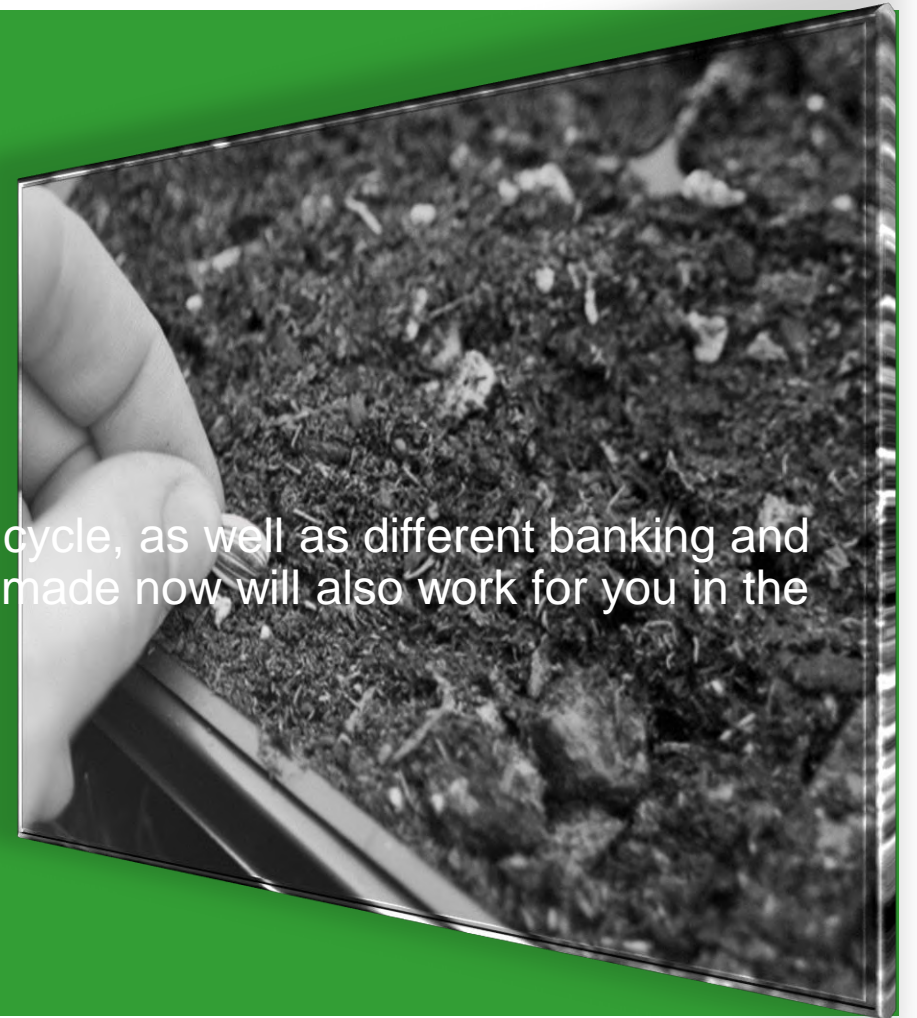
- + We specialise in owner managed privately owned SMEs
- + Many are family owned businesses
- + Need an accountant who understands and can look after them throughout their “journey”
- + An accountant for life, with a plan for now and for the future



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## Business Life Cycle

- + Start up
- + Growth
- + Maturity
- + Exit/Succession
- + Different accounting & tax advice needed at each stage of the cycle, as well as different banking and finance needs. Clever planning is needed to ensure decisions made now will also work for you in the future.



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## Start up – accounting issues

- + Need to consider structure – Sole trader
  - Ltd co
  - Partnership/LLP
- + How do we introduce new shareholders or partners?
- + How should owners introduce their funding?
- + Choice of accounting system?
- + Payroll?
- + VAT?
- + Investors/Financiers – Business plans, Cash-flow forecasts
- + Consider the working capital cycle
- + Capex requirements



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## Start up – common issues, tax solutions

- + Cashflow
  - Income Tax
  - Corporation Tax
  - Value Added Tax (VAT)
- + Sourcing capital
  - Seed Enterprise Investment Scheme (SEIS)
  - Enterprise Investment Scheme (EIS)



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## Growth – accounting issues

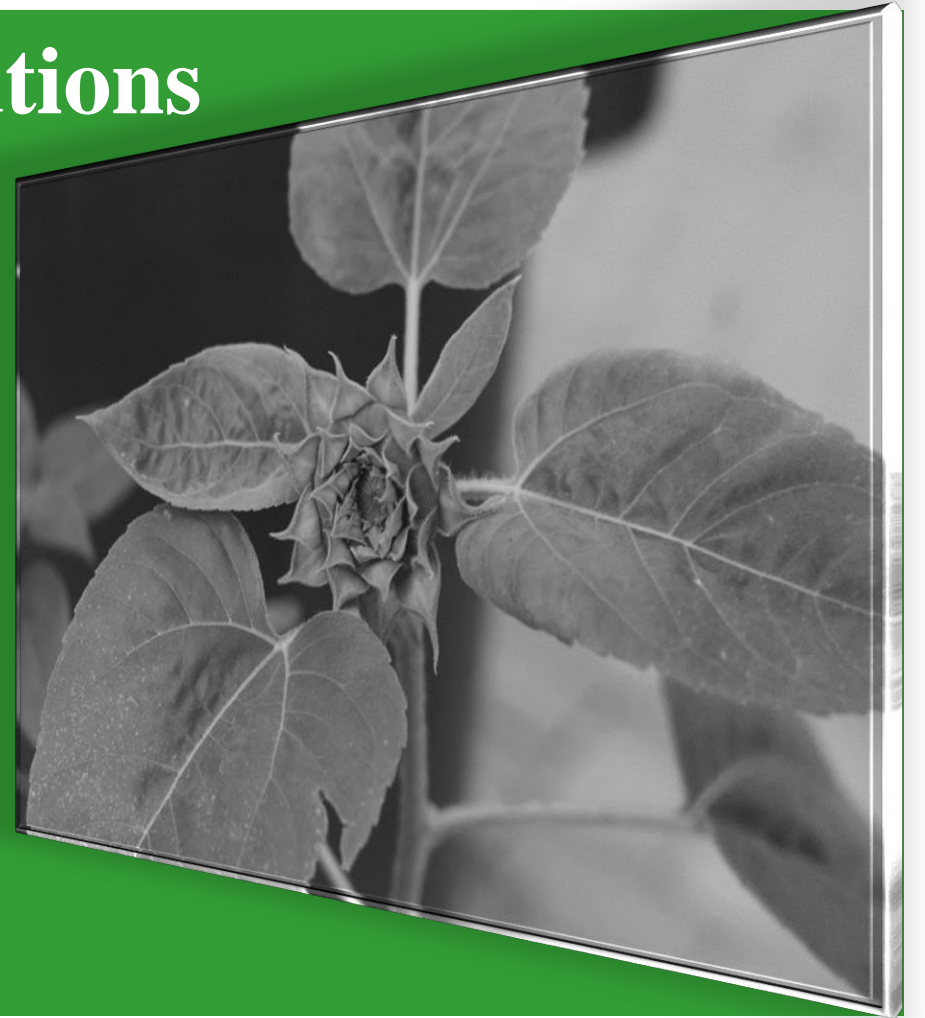
- + Compliance issues e.g. Audit, Financial statement disclosures
- + Shielding from competition – what information is in the public domain?
- + Internal accounting capability = Outsource?
- + Stock holding issues. Meet demand = Increase stock = Working capital drain
- + Crucial to have good MI, where are costs going, margins. (Historical information is quickly out of date (e.g. year end accounts)).
- + Good systems and controls needed



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## Growth – common issues, tax solutions

- + Staff Recruitment & Retention
  - Enterprise Management Incentive (EMI) Scheme
  - Company Share Option Plan (CSOP) Scheme
  - Growth Shares
- + Working Capital
  - Research and Development (R&D) tax reliefs
  - Patent Box
  - Asset Purchases



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## Maturity – accounting issues

- + Looking to final outcome – sale? pass on to next generation? MBO?
- + Communicate plans to senior employees
- + Don't overlook investment opportunities/acquisitions
- + If the business is to be retained, how involved are the next generation?
- + Excess reserves – how can these be protected?
- + Consider plans around property – especially if a sale is likely.



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## Maturity – common issues, tax solutions

- + Profit Extraction
  - Dividend, Salary, Interest, Rent
  - Consider reason for extraction, is there a better option?
  
- + Acquisition
  - Merger
  
- + Sale/Diversification
  - Demerger



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## Exit/Succession – accounting issues

- + If sale, plan for due diligence, improve controls and systems
- + Be realistic with business valuation
- + Business needs to be self sufficient to achieve maximum value
- + Is the management team capable – do they have the means? Are they tied in?
- + Understand the needs of buyers
- + Understand the costs of the sales process.
- + If succession, consider how to manage share ownership in the family
- + Avoid protracted shareholdings as this can lead to disputes and no overall control.
- + Are the next generation interested, involved and motivated?



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## Exit – common issues, tax solutions

- + Sale
  - Capital Gains Tax
  - Entrepreneurs' Relief
  - Sale to an Employee Ownership Trust
  - Management buy out
  
- + Passing on to the next generation
  - Inheritance Tax
  - Business Property Relief
  
- + Liquidation?



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