



Business Briefing

Spring 2008 – Web edition



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Comment

SINCE the Chancellor's announcements in his first pre-budget report, CGT has seldom been out of the headlines. The Institute of Chartered Accountants has even said that the proposals may violate EU law which asserts that changes to tax legislation must provide taxpayers with a reasonable period of time to assert their right to claim reliefs. ICAS claims that this right could be denied if the proposals are implemented in April. One to keep your eye on.

Paul Renz provides his take inside on who is likely to gain and feel pain from the changes. And if you missed it, you can get the latest on CGT in our digital version of Tax Briefing Spring '08 on our website.

According to Simon Cunningham, everything might not be ok, but it is getting better as different functions and departments come together to define the pieces of the risk assurance jigsaw. More inside.

We also report on the latest uncertainty to shroud the new Companies Act, Donald Forsyth looks at share options for your employees, Scott Craig flags up important changes to VAT rules relating to building renovations and Gareth Magee talks about his involvement with the community on South Uist.

And exclusively to this extended digital version of Business Briefing: Stewart MacDonald looks at company structures, market listing options and Nick Bennett examines the issues surrounding common good land. If you have any queries on any of the issues addressed in this issue, contact the authors direct or your usual Scott-Moncrieff adviser. ■



Integrated Assurance – [Simon Cunningham](#) has his eye on the big picture.

SOMETIMES I am accused of dreaming, particularly after a 'healthy' lunch!

So is the following scenario the result of an early afternoon siesta or a realistic aspiration to derive real commercial advantage from that well known cure for insomnia, 'risk management'!

"I'm supposed to be responsible for ensuring that our response to all these risks is satisfactory, that it's okay", thinks the chairman of the audit committee.

"But the CEO says 'this is okay'; the CFO says 'that is okay'; the CIA says 'that isn't okay', and the CRO says 'it might be okay'. Meanwhile the FSA are saying that it's not okay for the CIA to say that what the CRO says is okay!

"All I want is for someone to tell me that everything is okay"!

Providing the 'big picture' for those with ultimate responsibility for the success of an organisation – those charged with governance – has always been a challenge. It's not unusual for lots of different parties to be willing to offer a piece of the big picture 'jigsaw' but for no-one to be prepared to stake a claim to providing the final piece that completes the jigsaw, thereby presenting the entire big picture, 'joined up' for the chairman of the audit committee to admire and breathe a deep sigh of relief!

But at long last, the issue of integrated assurance is rising to the surface. Different

parties within an organisation are increasingly coming together to define the pieces of the risk assurance jigsaw they each hold and to fit these together to present to the Board and Audit Committee as the complete 'big picture'. And not before time.

However, there is still a problem with taking ultimate responsibility – who has determined what the complete picture will look like and who is putting all the pieces together and confirming they are all in place?

Assurance is all about being confident that things that could go wrong won't and things that must go right will. But how does an audit committee chairman know what could go wrong and must go right?

To answer this the organisation must have developed a robust, but manageable and, therefore, easily assimilated, risk management framework that defines, describes and evaluates the critical risks facing the business.

This will define the parameters of the assurance jigsaw, and enable the source of each of piece to be identified. There must be a structured, ongoing process for identifying and evaluating risk, facilitated and administered by a Chief Risk Officer and team, but which is the responsibility of management and which is endorsed and adopted by the Board.

Different functions within the organisation will be able to provide assurance with respect

to different subsets of the critical risks. In the 'three lines of defence' model, management (as the first line of defence) will provide at least partial assurance on all areas – they ultimately are responsible for managing risks effectively in their respective areas of responsibility. Their reports and associated representations will offer audit committees significant assurance in well-managed organisations.

The second line of defence is made up of functions such as compliance, legal, health and safety, quality assurance and, indeed, the risk management team itself (if it exists), each able to provide significant assurance, or perhaps in some cases more accurately 'reassurance', that management are indeed on top of the regulatory, statutory, environmental, ethical and quality requirements and associated risks, critical to the ongoing and future success of the organisation.

But without co-ordination, duplication or overlap will occur with assurance on the same risks being provided by more than one function. Wasted use of resources is the only conclusion here, highlighting the value of a co-ordinator, someone who can stand back, look at the picture on the box, identify the missing pieces, locate them and slot them in and complete the big picture for everyone – and the audit committee in particular – to admire.

The third line of defence, and ideally placed to pull it all together and tell the audit committee chairman that 'everything IS okay', is the Chief Internal Auditor. Independent through internal audit's principal reporting line, accountable to the Audit Committee, and

"All I want is for someone to tell me that everything is okay."



Gain or pain?

What do the proposed changes to the capital gains tax regime made in the Pre-Budget Report mean for taxpayers? Asks **Paul Renz**.



with the authority to require divisional management and other functions within the organisation to provide clearly defined assurance on their specific areas of responsibility, the Chief Internal Auditor has the opportunity to deliver integrated assurance.

So assign the task of providing this integrated assurance to Internal Audit, and specifically the Chief Internal Auditor. Release management and each of the second line of defence assurance functions from providing anything other than the key pieces of the assurance jigsaw that only they can respectively provide. Free up their valuable resources to concentrate, not on superfluous assurance reporting but on identifying and implementing more effective, efficient and, in particular, economic means of managing risk and delivering success.

Celebrate for the first time the recognition that risk management is relevant to success, the confidence within the business to pursue opportunities sometimes into the unknown, the positive impact on profitability, and reflect on the Audit Committee Chair's assertion that 'everything IS okay'. ■

Simon Cunningham,
Partner, Audit &
Assurance.



simon.cunningham@scott-moncrieff.com

UNFORTUNATELY, the answer is still not clear. The government's proposals to tax all capital gains at a flat rate of 18%, irrespective of the marginal tax rate of the taxpayer, could yet be revised following consideration of the views of business groups and other interested parties.

However, if the Chancellor proceeds with his original plan without making substantial amendments there will be both winners and losers. Those with smiles on their faces will include higher rate taxpayers selling residential property. Under the current rules they face a minimum CGT rate of 24% – six percentage points higher than the 18% proposed. Such people, and anyone currently facing a tax charge of 40% on a capital gain, should clearly delay sales of assets until the next tax year.

However, what about the potential losers? Higher rate taxpayers selling commercial property or AIM shares would potentially be worse off – their minimum possible CGT rate currently being 10%.

Owner-managers who can benefit from business taper relief currently, and who could potentially pay a 10% rate on the sale of their business, are also potential losers. Any owner-

manager currently in the process of selling up would be wise to complete the deal before 6 April 2008.

It should be noted, however, that there are many pitfalls attached to taper relief so that the 10% minimum rate is not always available.

Therefore the actual tax cost of having to pay 18% on any gain may not always be as severe as expected.

It should be stressed that the final tax rules on capital gains have yet to be confirmed. In the latest edition of our Tax Briefing, I take a look at the concessions announced on January 24 to CGT which have been designed to help smaller businesses. It's available for download on scott-moncrieff.com. ■

Paul Renz,
Head of Tax.

paul.renz@scott-moncrieff.com



Paul Renz



Should I cash in?

Is it worth your while opting for the transfer value on your pension? Probably not, says **Andrew Cumming**, but there are those who could benefit.



IN the vast majority of circumstances, transfer values from final salary pension schemes offer poor value for money, and transferring will usually result in inferior benefits. This is due mainly to the assumptions used by the actuaries which can significantly undervalue the cost of providing the same benefits on the open market. For 95% or more, a transfer will not be appropriate, however, for some people a transfer can provide options which are not otherwise available. Advice on final salary transfers is a specialist area and the FSA is very clear on the level of qualifications needed to provide advice and transact such business. It is important to ensure that the person you are talking to is a properly qualified transfer advice specialist.

Final salary pension schemes are usually set up to provide benefits in a clear and defined manner with very little choice about structure. For example, most will increase pensions at around 3% per annum and provide a spouse's pension of 50% on the pensioner's death. These

"The seriously ill, smokers or just those in poor health could get a better rate."

benefits come at a significant cost and, should you not need them, the money 'reserved by the actuary' on providing them will be wasted, unless you take a transfer value, where the cost of provision is included.

For example, to provide a pension of £10,000 increasing each year at 3% for a man aged 65 with a wife of 62 who will inherit 50% of his pension would cost £209,590. However, the same man who was single would be able to buy a pension of £11,242 – an increase of 11% guaranteed for life. If he chose to give up the increase on the annuity then he would be able to purchase an income of £15,291 – 52% more than the original income and still guaranteed for life.

For those with serious illnesses, smokers or just in poor health, an even better annuity rate may be available through specialist providers who can provide a better rate of income based on the insurance company's opinion of life expectancy (impaired life annuities).

The other side of this equation is that final salary

schemes will often not provide for unmarried (or un-civil partnered) partners. On this basis, the spouse's pension provided by the scheme is equally useless to the member but he or she may still want to provide for their partner. By taking a transfer value, it is again possible to structure pension benefits so that an unmarried spouse can benefit from their partner's pension fund.

Other areas where a transfer may be appropriate include where benefits are not protected in full by the Pension Protection Fund, wanting to retire earlier than permitted by the scheme rules, needing more control over the benefits from the fund to take partial benefits, and terminally ill individuals who can markedly improve their death benefits. ■



Andrew Cumming,
Wealth Management.

andrew.cumming@scott-moncrieff.com

VAT: Rule changes for building renovations

From 1st January 2008 the VAT rules associated with the renovation of existing residential dwellings changed. Where a dwelling has been unoccupied for 2 years the renovation of the property will now attract VAT at the reduced rate of 5%.

Contractors who are renovating residential properties that have been empty for at least 2 years on 1 January 2008 should only account for VAT at 5% on supplies that take place on or after that date. Contractors should ensure that they are fully aware of



the tax point rules when determining the time of their supplies.

Whilst the onward sale of the renovated property will still be exempt (and as such all associated

input tax blocked from recovery) these rules allow VAT on the cost of renovations to be reduced by 12.5%.

If you would like a copy of our VAT building renovations table to

help you to calculate your VAT liabilities, send me an e-mail. ■

Scott Craig,
VAT Partner.

scott.craig@scott-moncrieff.com

Sharing the spoils

Donald Forsyth examines offering share options as a way of keeping and motivating staff.



WITH talented people in short supply across all sectors, any ambitious company needs to think long and hard about its reward and retention strategy. Share options are one tried and tested way of encouraging what business 'gurus' like to call 'an alignment of interest' between key employees and the owners of a business. Everyone works hard, the shares go up, everyone prospers.

However, share options are not appropriate in every situation. They are most ideally suited to high growth businesses where the founders have an exit in mind in, say, three to six years time. The high growth part is important because to be valuable, a share option, which is, crudely put, the right to buy x number of shares at today's price at some time in the future, needs to be worth more when the option is exercised than when it is granted.

If the business fails to thrive and the business's shares lose value, so that the options are worth less than they were when they were granted, the options are said to be 'under water'. Staff holding options that are 'under water' are not going to be happy and, unless they can see some prospect of their shares picking up value in short order, their sense of having been given something worthless, when they thought they were getting something of value, will increase rapidly. That is not the way to retain staff.

Another point to bear in mind is that while any company can issue shares, the shares are only liquid, in the sense of being able to be turned relatively easily into cash, if there is a market for them, if the shares are actively traded.

However, if the company is growing and gaining in value, and there is a market for its shares, then a share option is an excellent

reward mechanism. Options have tax advantages that bonuses do not have. Under the Enterprise Management Initiative (EMI), companies who do not have more than £30 million of gross assets, can run an employee share scheme that is tax advantageous.

From the employee's point of view, it means that provided they have held the options for more than two years, when they elect to buy and sell shares under those options, they are taxed as if they had owned the shares from the date the option was granted. This effectively means that they will pay tax at 10% (instead of 40%) on any gain they make.

One of the pitfalls of granting options concerns the value of the share at the date of granting. To get round this, it is ever so much better for a young company to agree the value of the options it is granting with the Revenue at the time it grants these options. Then there can be no doubt about the value, and the value will be low, because the company itself is new and has not had a chance to acquire great value.

If you have an option with a low value, buying it at that value, usually with a loan from the bank that you then repay the next day once you have sold the shares at the market rate, can result in a



nice windfall – upon which you only pay 10%. Small wonder then that share options are hugely popular in Scotland among growth businesses. ■

Donald Forsyth,
Business Advisory.

donald.forsyth@scott-moncrieff.com

Companies Act update

Considerable uncertainty continues to surround the Act's implementation. Writes **Iain Lee**.

IT'S not quite a decade since it was first formally proposed that company law in the UK be updated. But it's still long enough to assume that by now the Government would know exactly what is going to happen and when. Apparently not.

November saw many of the changes affecting (amongst other things) company formation, shares

and company constitutions deferred from October 2008 to October 2009. Given that the original intention had been to implement the whole Act by October 2007 this is all taking a little longer than originally envisaged. About three times longer.

Similarly, only recently have detailed consultations on the impact of the Act on Limited Liability

Partnerships (LLPs) been published. It would, however, not be fair to criticise those involved in putting together the original proposals for company law reform for failing to spot that the changes would also affect LLPs; they started so long ago there was then no such thing as an LLP in the UK.

Despite the problems, parts of the Act have already come into force. In

particular, many of the provisions concerning directors' duties, company meetings, and resolutions have had effect since October 2007. And we still expect most of the accounting and audit changes to come in April 2008. But then ... ■

Iain Lee,
Partner, Audit & Assurance.
iain.lee@scott-moncrieff.com



On the road

The stunning scenery
of South Uist

Gareth Magee talks about his involvements with the community on South Uist.

I HAD never been to South Uist before starting work on the community buy-out, and getting to know and understand the community and the people was an essential first step. It was a very different experience to more 'routine' accounting assignments, and it was a real pleasure to find myself becoming so involved in what was a truly community led project. The local priest, Father Michael, was heavily involved in the team, while a local salmon fisherman called Angus MacMillan led the buyout group. At every level in the process, there were "ordinary" members of the community who were working towards doing something quite extraordinary.

Working with any client, it's important that I understand what they want, but this case perhaps involved a more complicated basket of desires. The buyout involved 92,000 acres, with mountains and beaches and farmland, all with their own issues with erosion, irrigation and development.

It's a community that has been scarred by tragedy. In 2005, winter storms claimed the lives of five members of one local family who were swept off a causeway as they tried to drive to safety. On our first visit to South Uist, we drove past the causeway on the way in from the airport, and that was one of the first things that was pointed out to us. It was a tragedy that still touches the community, and underlines the concerns people have over coastal erosion and making sure it is properly dealt with.

The people on South Uist had done years of homework to prepare for the buyout. The likes of Angus and Father Michael were very clued up, on company structures and how this could be done. They had gone a long way on their own to getting this right, and it was exciting for us to see people putting so much effort into this.

It's fair to say that I knew nothing about coastal erosion before this work, so part of the enjoyment for us in leading this team for the community was getting the right experts working alongside us, and making sure we were fully aware of the issues.

It's now eight months since the deal went



through and it has been very successful. The new developments will take time, and like any acquisition success in the early months is all about business as usual and bedding things in. In some respects not much has changed, because they are the people who have always been there and they will be the people there going forward, but they now are in charge of

"They are the people who have always been there and they will be the people there going forward."

their own destiny. Some of the projects that they have in mind are things that they can now take forward and run with and do for themselves.

I have an ongoing relationship with the South Uist community, as a financial advisor moving forwards. The golf course development has probably attracted the most attention: on the west coast of South Uist is a course designed in 1892 by the legendary Old Tom Morris. At the moment there is just a nine-hole course on the site, but the plan is to restore the full 18 holes of the "Lost Course of Askernish" and create what is sure to be a sought after golfing destination. That is the kind of ambitious project that has been made possible by the buyout.

At the moment people croft and fish, but

there is hope of mineral discoveries and renewable energy has been explored.

It was a unique situation in that it was by far the largest buyout of its type. The issues on South Uist were very different to other buyouts – we had environmental issues, erosion issues, and the impact of those had to be incorporated into the transaction in some way.

One particularly enjoyable experience I had was joining the community on a fund raising road show to London. There is quite a large South Uist ex-pat community in London and we had an event to raise the profile, and raise money and support. It was a stunning evening of song, dance, poetry and music from South Uist. It was a fabulous thing to be involved with – music is a great love of mine and the music from South Uist is very haunting. I'm very much



looking forward to when we next go back – perhaps I'll take my guitar and we can play more music together. ■

This article first appeared in CA Magazine.

Gareth Magee,
Partner,
Corporate Finance.

gareth.magee@scott-moncrieff.com

Focus ... Business Technology

Be prepared

Paying lip service to Business Continuity Planning is no longer enough, warns **Robert Mackenzie**.

THE hot breath of the regulator is being felt on the necks of those managing companies and public bodies across a range of sectors, as the requirement to have a Business Continuity Plan (BCP) is fast becoming mandatory for more and more of us ... and not before time.

Almost one in five businesses can expect a major disruption in the next five years. Currently, of those businesses affected by a major incident, 80% close within 18 months. Of those that lose data, 90% cease trading within two years.

The risks of serious disruption are steadily increasing due to the greater complexity of modern business and the burgeoning range of potential threats. Just as we experienced the 'Winter of Discontent' almost 30 years ago, the UK has faced a 'Summer of Disruption' in 2007. Terrorist attacks, landslides, severe flooding, foot and mouth – all in the space of a few weeks, impacting on thousands of businesses and public sector bodies.

Regulators responsible for monitoring private sector companies and public sector bodies are accelerating the speed with which they will insist on organisations having a fully developed and tested BCP in place if they wish to operate. Across the sectors in which I operate – public, commercial, financial services, charities and housing – the same trend is developing; key regulators are looking to reduce the time horizon in which they expect BCPs to be obligatory from five years to three.

Regulatory bodies such as the FSA, OSCR (Office of The Scottish Charity Regulator) and Audit Scotland are no longer willing to accept that Business Continuity Planning is simply 'good practice'. They are looking to it becoming a mandatory requirement. Although there are different regulators in diverse areas, they all appear to be taking a similar approach. They are, in effect, creating an environment where they are demanding proper compliance in the field of Business Continuity Planning and management. Businesses can no longer get away with just paying lip service to BCP but need to actually do it.

And this is not simply 'red tape' rearing its ugly head once more – it is basic commercial sense. This is exemplified by the growing

insistence of influential supermarkets that are increasingly driving suppliers to have BCPs – integrity of the supply chain is fundamental to their ability to operate, and suppliers will either have to demonstrate they have a comprehensive BCP in place or face being de-listed.

The public sector has taken a lead in Business Continuity Planning with its response to the Civil Contingency Act, which placed a requirement on organisations such as Fire, Police, Ambulance and Local Authorities to have a BCP in place. The impact of this legislation has cascaded through the tiers of the public sector and we now see Local Authorities placing a similar requirement to have a BCP on those not-for-profit organisations that they are engaging to supply many of their services.

Some private sector companies may see the accelerating drive towards obligatory BCPs as another imposition on over-stretched resources and yet more bureaucratic tangle, but this really comes under the 'head in the sand' approach to management.

Undoubtedly, there will be those that doggedly adhere to the 'keep the head down,

work towards that next pressing deadline and keep your fingers crossed' approach. Although they may not realise it, the regulators' move to introduce mandatory BCPs could be the salvation of their business.

Such 'dinosaurs' have to look beyond the immediate challenge of producing their BCP and appreciate that the discipline of creating such a document has the major benefit of helping identify operational bottlenecks and weak points in their organisations. Addressing these stress points in their infrastructure can make them operate more effectively, so the BCP is not simply a 'safety net' and a way of keeping your regulator happy, but a fundamental means of analysing your organisation's strengths and weaknesses.

It will enable management to understand the key business processes, improve the organisation's resilience, identify business-critical information and, importantly, provide the confidence that the business can recover from disruption.

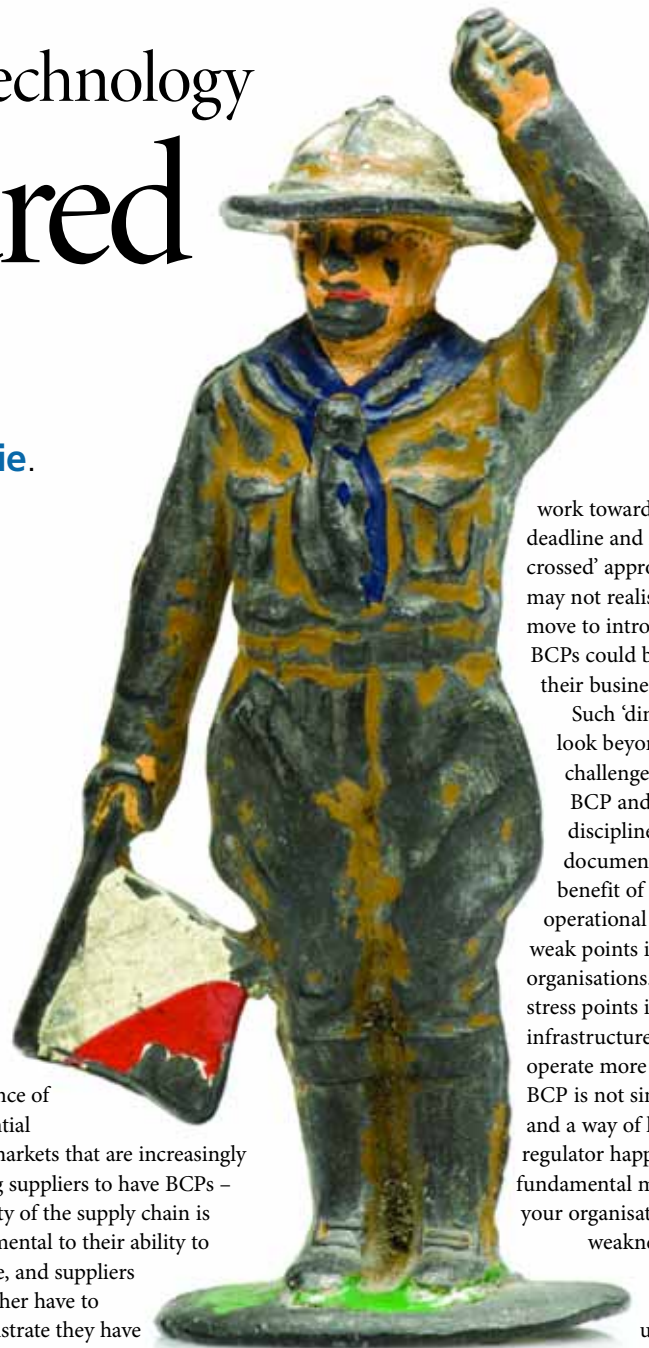
Once developed, the most important thing to do is keep the BCP up to date. Do not stuff it in a drawer and forget about it, but review it on a regular basis – at least once a year. It's not a case of keeping the regulator off your back,

but of making sure your organisation is fit to face the unexpected – and survive. ■



Robert Mackenzie,
Partner,
Business Technology
and Consulting .

robert.mackenzie@scott-moncrieff.com



Wealth Management ... Focus

Charitable alternative

Not happy with leaving your life savings to an insurance company's shareholders?

Andrew Cumming recommends the 'Alternatively Secured Pension' or ASP.

THE compulsion to buy an annuity at age 75 had long been an issue for many individuals because it forced them to hand over their lifetime pension savings to an insurance company knowing that, should they die early, any surplus would be converted into profit for the company.

Then in April 2006 a new piece of legislation – the Alternatively Secured Pension or ASP – was introduced, which offers individuals the opportunity to maintain their pension funds after age 75. The principle behind ASP is that the pension remains invested and the individual can choose how much to draw as income each year, within government set limits. As the fund remains invested, it can grow to replace the income drawn and, potentially, leave a substantial fund on the owner's (and spouse's) death.

Significantly for many of those who have those who have become aware of the Alternatively Secured Pension, there is the option to designate a charity to which any remaining surplus goes, rather than swell the coffers of the taxman or the insurance company.

As the gift of the fund to charity occurs only on the death of the individual and his or her spouse, nominating a charity does not deprive the surviving spouse of income. There is also no impact on the estate outside the pension fund – this is essentially 'new' money able to be left to charity that was not available before April 2006.

Let's be clear; ASP may not be for everyone – indeed, it really only starts to look like an effective option for those with other sources of income outside their pension and with funds in excess of £250,000. Increasingly, however, there are more and more individuals who fall into this category, and for those that are able to use ASP, there are considerable advantages in being able to control the investment of the pension fund and provide benefits for a spouse on death without resorting to insurance.

So, how does the Alternatively Secured Pension work? On the death of the individual and their spouse, there are three options for the remaining funds:



1. The remaining funds are paid to nominated beneficiaries' pension funds subject to penal taxation, often 82%! This is made up of inheritance tax, an 'unauthorised payment charge', a surcharge for the size of the payment and a further charge on the pension administrator for allowing the unauthorised payment!
2. A Charity Lump Sum Death Benefit is paid, meaning that the entire sum is paid to a charity

"This is essentially 'new' money able to be left to charity that was not available before."

3. The pension provider can choose what to do with the remaining funds, assuming no other nomination is made.

Perhaps one of the reasons that there has been a slow realisation of what the ASP can offer stems, in part at least, from the penal tax charges described under option 1 above. Added to the negative criticism of pensions that has been prevalent for some years now, and widely covered by the media, plus frequent changes in legislation, increasing red-tape and perpetual talk of a crisis, it might all combine

to obscure the positive aspect of option 2 above – the ability to leave the whole pension fund to a chosen charity or charities.

It seems highly likely that many individuals would prefer 100% of their pension surplus to go to charity rather than 18% to their children's pension funds and the rest to the government! To put it in figures, many people may well choose to benefit a charity by £250,000 rather than their children's pension funds by £45,000 and the taxman by £205,000.

Furthermore, should the final decision on what to do with the surplus be left to the discretion of the pension provider then they, too, have the option of passing the fund to charity. Again, from a 'good PR' point of view at least, it is



likely to be seen as a more publicly palatable option for the company than that of retaining it as profit for shareholders. ■

Andrew Cumming
Director (Wealth Management)
Scott-Moncrieff.

andrew.cumming@scott-moncrieff.com



Corporate clean up

Could your company's structure do with a spring clean? Asks **Stewart MacDonald**.

OVER the years what starts out as a simple corporate structure can become complex. This can happen as a result of completing a management buy-out or making acquisitions, when a new corporate vehicle may be introduced to facilitate the transaction. Should such corporate vehicles be used on a number of deals completed in the space of a few years, you could be left with an unnecessary complicated business structure containing a number of intermediate holding companies. The group might also contain companies that have become dormant, perhaps the remains of acquired subsidiaries that no longer trade.

Clearing up the structure could be worthwhile, saving you on-going administration time and costs, as well as advisers' fees.

Conducting such a spring clean needs to be done carefully, as restructuring your group could have tax implications. For example, brought forward trading or capital tax losses need to be protected, to make sure they are available to offset against future profits from the same trade or capital gains, respectively. Similarly, inter-company loans may exist between active and dormant companies, but waiving such loans during a restructuring could give rise to a tax liability.

There are also accounting issues to address. For example, paying dividends can be an effective way of transferring money out of a company, but requires the presence of distributable reserves – normally a positive profit and loss account. Other accounting issues can arise on the carrying value of investments in subsidiaries, when shareholdings are transferred within groups.

Once redundant group companies have been "tidied up", they can be struck off if they no longer contain any assets or liabilities – a low cost, simple method of removing them. This is preferable to the more expensive liquidation process.

Moving assets around and transferring or assigning contracts or leases could mean that legal advice will be required, alongside the input of accounting and tax specialists. ■



Stewart MacDonald
Head of Corporate finance.
Scott-Moncrieff.

stuart.macdonald@scott-moncrieff.com

Market matters

Businesses seeking to raise finance via a listing in 2008 could choose between London's three core market options. Writes **Stewart MacDonald**.

LONDON offers plenty of choice for businesses wanting to list. The main market provides its first division offering, while AIM can be seen as the competitive second division contender. However, there is also an increasingly attractive third division option for smaller companies – Plus.

Plus is more lightly regulated than AIM, which means it is also lower cost. So 2008 could see more companies that are seeking to raise

less than £5 million opting for Plus. That said, AIM has a strong reputation and greater liquidity, which may make it the preferred market for some companies.

For larger fund raisings, the main market has remained attractive. For example, Moore Stephens recently acted as reporting accountants to Central Rand Gold, a £350m market capital mining company that completed a joint listing in

London and Johannesburg.

How much listing activity continues into 2008 will depend on the UK and world economies. The credit crunch, combined with concern over oil prices and falling property values, will have an impact and all three London markets could be affected. Investors will be judging companies more critically, with businesses that depend on consumers' discretionary spend

being the most vulnerable.

Companies that can demonstrate a degree of protection for their revenue streams, such as those in sectors where the government has pledged increased funding, will have the strongest appeal. Even so, all companies that decide to seek new funding via a listing in 2008 will need to make sure they have a persuasive business case, whichever market they decide to go for. ■

I need to raise cash for my business. How do I get it right?



Gareth Magee advises.

ACCESS to finance is better than ever, but don't be tempted to rush in. Before speaking to anyone, do your homework.

Make sure you know how much you need. Too many businesses fail to raise the finance they need, simply by not being clear about what they are asking for.

Timing is everything. Know when you need it, and for how long.

Be clear about what you need the money for and establish what type of finance is most appropriate. Do you need bank borrowings, or an injection of equity?

Be clear about how you are going to repay, and what returns you are offering.

Research your audience diligently. Bankers and investors are human – all different, with

particular likes and dislikes. Choose your advisers well - work with someone who knows the investment community well, can help you target the right individuals and can help you hone your pitch to perfection – often, you have only one chance to get this right.

Focus on your business, not on your business plan. Do you have a clearly defined product or service? Does this satisfy a market need? Do you have a strong team that can deliver on sales, technical, financial and administration? Make sure you can communicate all of this clearly and concisely.

Be realistic. Too many business fail, simply by not securing enough cash at the outset.

Realise that everything will take twice as long and will cost twice as much. Get good advice,

and make sure your financial projections are robust and realistic.

Finally, don't forget that the easiest business to raise finance for is one that doesn't need finance – if you only do one thing, focus on making your business cash generative – nothing else will make a bigger impression with your investors. ■



Gareth Magee,
Partner, Corporate
Finance.

gareth.magee@scott-moncrieff.com

Alternative rewards

There are many methods for rewarding and incentivising staff. Are share schemes right for you?

While the Enterprise Management Incentive scheme remains one of most popular ways to reward employees and give them a stake in a business, it may not always be appropriate or available. For example, companies operating in certain sectors, such as property

investment, are not allowed to introduce EMIs.

There are alternative schemes, both approved and unapproved, worth considering. Some approved versions, such as the Company Share Option Plan, can be limited to particular individuals. Others apply to all employees. For example, Save As You Earn share option schemes enable employees to save £250 per

month, with the right to use this cash to exercise options at certain time periods, with income tax and national insurance benefits. Share Incentive Plans, again applying to all staff, enable employees to be given and/or buy a total of up to £7,500 worth of shares a year.

Unapproved schemes may sometimes be appropriate, and these also take many forms. For example,

deferred share plans enable employees to delay paying for shares until they are sold, with obvious cash flow benefits. Schemes could involve a new class of share, perhaps only allowing the holder to benefit from future value growth, thus achieving income tax advantages.

For tailored advice on what could suit your business, contact your Scott-Moncrieff adviser. ■

Common good

The Palm House
at Glasgow's
Botanic Gardens

Nick Bennett examines the issues surrounding common land set aside since the 15th century.

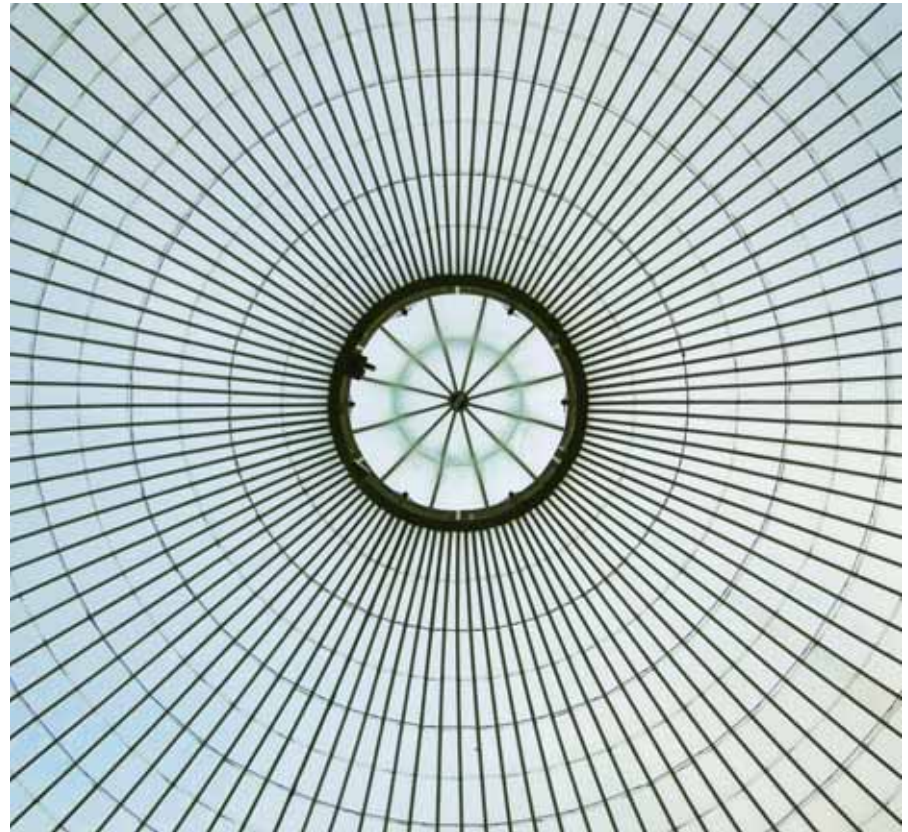
COUNCILS across the UK, under the mantra of good asset management, are increasingly looking to sell off or develop surplus, or apparently non-productive, land and buildings. Inevitably with a pro-active policy such as this, title issues come to the fore. The press has been littered with cases where there has been public outcry that the Council is trying to sell or develop ground that is not theirs to do so. Many of these protests focus on land and property classified as 'for the common good'. Whether it is plans to develop Glasgow's Botanic Gardens or Edinburgh's controversial plans for Caltongate, there are persistent claims that Councils are disregarding the safeguards surrounding common good assets.

The common good dates back to the 15th century and the grant of land and property to the Burghs of Scotland. It is unique to Scotland and represents land and property held for the common good of all the people of that Burgh. The Burghs of Scotland are now gone, subsumed in various local government reorganisations, and title has now passed to the current unitary local authorities of Scotland. But the rights associated with the original Burghs still remain i.e. that a local authority in administering common good land and property must have regard to the rights of the inhabitants of the local area to which the common good originally related. The exception to this is that the municipal authorities of Glasgow, Edinburgh, Aberdeen and Dundee must have regard to all the inhabitants in their area.

Legislation gives a local authority the power to do anything that it considers is likely to promote or improve the well-being of the area and/or people within that area, as long as it is not prohibited by existing legislation. Title to common good assets lies with local authorities, but it is the restrictions that come with the asset and the responsibilities to the local rights of the inhabitants, that puts common good assets into a separate category. These responsibilities and restrictions are set out in a myriad of regulations and Acts, some dating back centuries.

"The press has been littered with cases where there has been public outcry."

It is clear that in some local authorities appropriate registers covering common good assets have not been in place. Yet the precise and effective recording of common good assets is at least as important as recording all other Council assets and, arguably, more so. The inclusion of common good assets on these registers does present particular difficulties as



In theory, with common good assets protected in law, their use restricted and disposal often only permitted with the authority of the courts, why should there be so much concern about the safeguards in place? The two most significant reasons are the paucity of good quality records recording precisely what land and property falls under common good and a lack of consolidated legislation covering local authority's responsibilities in this area. Both of these areas can be addressed if local and central government have the will to do so.

Local government should have been maintaining appropriate asset registers covering all the authority's assets since the early 1990's. These registers are vital in ensuring the effective stewardship, control and management of council assets.

a result of the historic nature of many of the assets and the numerous reorganisations of local government since these assets were endowed to the local inhabitants. But without a register which is supported by clarity over who has legal title, disputes and mistakes will continue to happen. Listing and clarifying their ownership is not an insurmountable job. It needs this task to be given a priority, by members and officers alike.

And the Scottish Parliament has a role in this too. The Petitions Committee has seen a number of submissions from members of the public concerned about this area. It now requires the Scottish Parliament to act to bring together and clarify local government powers and responsibilities in relation to common good. It is right that asset management has



become a hot topic for local and central government, but this needs to be accompanied with a focus on title, stewardship and responsibilities. ■

Nick Bennett,
Managing Partner.

nick.bennett@scott-moncrieff.com

4D defence

Stewart MacDonald lists ways to ruin a business – death, disability, divorce and departure.

Planning for these eventualities provides peace of mind for you, your business partners and your heirs. It could also save your business.

Death

Thinking about your own death may not be pleasant, but it is necessary to protect your heirs and your business. For example, a tax liability is attached at death to the market value of an owner's shares. Could your heirs pay this without having to sell the business? How

will any partners in the business react to your death? Will they do the right thing? If you die without leaving any written plan, outlining your ownership rights and what is to happen to your stake, your business partners could try to cut your family out. You need to agree detailed terms in your lifetime.

Disability

Unexpected disability could make it impossible for you to work in the business. It could also jeopardise the ability of the business to keep

trading. Partners' interests can suffer too. A disability buy-sell agreement established beforehand can provide protection, for example, by specifying the insurance cover partners should take out in case of forced early retirement.

Divorce

Love can turn sour and if it does, businesses can be destroyed by divorce settlements. In the absence of a pre-nuptial or other agreement, the law may require all assets to be divided equally between the parties

– which could mean your business has to be sold. The need to finalise the sale fast could also lead to a lower value being achieved for the business than you expected.

Departure

You can't bank on your partners wanting to remain in the business, or even on your own long-term commitment. It is important to plan ahead for how a departing individual will be paid their share of the business' value, without damaging its future viability.

Key Taxation Dates: February to May

For the full year in tax deadlines visit our website: www.scott-moncrieff.com

February

- 2 February**
P46 (CAR)
Quarterly filing date for notification of change of car.
- 28 February**
Self assessment 5% surcharge.
Surcharge on tax due 31 Jan but still not paid by 28 Feb.

March

- Approach of the end of the financial year**
Time to get financial affairs in order and put those important dates in your diary.
- ISA, EIS, VCT**
Although VCT's and EIS's are not April dependent in all circumstances, a number of providers often close schemes on a tax year basis as with Film Partnerships.

April

- 5 April**
End of tax year.
Last day to make retirement annuity payments to carry back to previous tax year. Last day to maximise ISA contributions.
- 6 April**
Electronic filing of end of year returns.
Employer now able to voluntarily file end of year returns and tax payments online.
- 14 April**
Income tax for companies and CT61 due for quarter to 31 March
- 19 April**
PAYE/NIC for 4th quarter due.
CIS monthly return due.

May

- 3 May**
P46 (CAR) due for quarter to 5 April. Quarterly filing date for notification of change of car.
- 19 May**
Deadline for PAYE forms P35/P14/P38/P38A returns.
CIS monthly return due.
- 31 May**
Deadline for giving P60s to employees. Details pay and tax to the year ended the 5 April. The employer must include detail of any employee working for them on the 5 April by the deadline or face penalties.

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