

h CORRESPONDENT

WINTER 2004

THE CLIENT UPDATE FROM HARBINSON MULHOLLAND

‘NOTHING IN LIFE IS CERTAIN...’ BUT YOU CAN INCREASE YOUR PROBABILITY OF SUCCESS

Benjamin Franklin once said ‘Nothing in life is certain except death and taxes’. However, the good news is that there are ways of increasing the probability of success and certainty in other areas of your life as well as the taxman and the grim reaper calling at your door!

The success of a new business is never certain. The statistics speak for themselves. “A third of start-up businesses fail within the first three years.” Quite a depressing thought if you are just starting out in business. However, let us look at how you can stack the odds in your favour.

How do you go about increasing the probability of success?

1. Model yourself and your business on success.

“Success leaves clues.” Jim Rohn
This simple statement forms the core of all success strategies. In all areas of your life, this is the one key that will unlock life’s riches and enable you to create the kind of life you want and deserve. But only if you use it!

Model yourself on those who have been successful in the past. In business, look to the people in your industry who have made businesses work above and beyond expectations.

For example, Sir Richard Branson is probably one of the most successful entrepreneurs of the last few decades. His personal style and marketing expertise has placed him and his Virgin brand in the international arena. His numerous attempts

at circumnavigating the globe in a hot air balloon captured the attention of the media and public alike.

Regardless of success or failure, his daring adventures earned him tens of millions of dollars in free advertising on television, in the press and internet.

2. Learn from your mistakes and the mistakes of others!

Learn from your own mistakes. Only by taking the risks and making the mistakes can one truly learn.

Many companies, even the giants in their category, made mistakes that have cost them dearly. Most of us remember New Coke, which, surprisingly, didn’t fail because of taste, but because it implied that the original Coke, introduced in the 1880s, was no longer the ‘real thing’. It didn’t take long before New Coke was history and old Coke was reintroduced, with its original formula, as Classic Coke.

3. Look at life and work with a positive frame of mind. Negativity does not equal success.

Successful people believe they will succeed in whatever they put their minds to. They believe in themselves and believe in their goals. They envision themselves succeeding and expect to succeed. How you think and feel is extremely important. An optimistic and positive mindset encourages success.

4. Don’t just speak, act!

Successful people act. They do not sit around waiting for something to happen. They make things happen for themselves. Rewards go to those who take action. Taking action is its own reward and will feed your motivation to want to do more. Temporary setbacks should only act as springboards to greater actions and achievement. Whatever does not get done may come back and haunt you.

With a team of 53 pro-active staff, 13 service lines and a growing reputation as one of the leading business advisers in Northern Ireland, Harbinson Mulholland has worked hard to increase the probability of our own and our clients’ success. We are constantly looking at increasing it even more so that we can continue to say ‘Business is great and we’re hungry for more!’

“Quote of the Quarter”
"It is better to regret the things you have done than to regret the things you haven't done."

TAX TIPS FOR YOU

Register for online filing for PAYE returns, and receive £825 tax free!

Large businesses with more than 250 employees are required to submit their end of year annual returns online from 2004/05 onwards. As an incentive to encourage small businesses with fewer than 50 employees to submit their returns online prior to 2009/10, the Inland Revenue is offering tax free payments over a period of five years as follows:

2004/05	£250
2005/06	£250
2006/07	£150
2007/08	£100
2008/09	£75

If you are a small business, you may wish to consider registering at www.inlandrevenue.gov.uk to submit your PAYE annual returns online from 2004/05 (due for submission 19 May 2005) onwards and ensure you receive £825 tax free!

Reduce the Burden of VAT & Register for the Flat Rate Scheme

If you are registered for VAT and your

annual turnover does not exceed £150,000 (excluding VAT), you may be eligible to use the flat rate scheme. The scheme is designed to reduce the administrative burden for small businesses as the VAT liability is calculated by simply applying a trade sector percentage to the quarterly turnover (including VAT). Invoices are issued as normal. However, the business is not required to calculate its input and output VAT separately. In addition, a business can recover VAT on a capital asset costing in excess of £2,000. If you do not receive regular VAT repayments, it may be worthwhile contacting us to review whether the flat rate scheme is advantageous.

Save income tax and NIC on the Cost of Child Care from 6 April 2005!

The 2004 Budget introduced an exemption from income tax and NIC in certain circumstances where an employer makes payments or provides vouchers towards an employee’s child care costs from 6 April 2005. The maximum exemption will be £50 per week for each employee and the child care provided must be open to all employees generally.

GOING FOR A PINT?

The summer months turned out to be much busier than usual for some in Harbinson Mulholland as we had the pleasure of being involved in the recent sale of the Botanic Inns group of bars, restaurants and hotels.

Introduced to the prospective purchasers by Corporate Finance House, Beltrae Partners, we were then engaged by the purchasers to advise on the tax structure for the acquisition and to produce a financial and tax due diligence report.

Corporate tax partner Richard Holley and tax manager Mark Coleman worked closely with the purchasing team, going through various options before arriving at a suitable tax efficient structure. The tax team continued to be involved right through the transaction process, liaising with the purchasers’ legal advisers on tax warranties and indemnities and ensuring that tax compliance issues were dealt with at the appropriate times.

Financial and Tax Due Diligence...

The largest part of our work was to produce a financial and tax due diligence report for the buyers. A due diligence report is a

comprehensive document, covering both historic and projected financial information as well as other areas including management structure, systems and human resources. The objective of the report is to give the prospective purchasers a full picture of the business they are planning to buy. The in-depth nature of the work is time consuming but essential for the buyers. The potential for loss in a large acquisition like Botanic Inns greatly outweighs the costs of a due diligence exercise.

The financial due diligence work was carried out by a team of Harbinson Mulholland accountants headed up by partner Paul Mulholland and manager Darren McDowell. As the work included a review of the performance of all the outlets in Botanic Inns group, the staff involved found it fascinating. Everyone had their own views, based on personal experience, of the merits of each bar or restaurant.

Paul Mulholland voted himself into attending the final meeting, involving a conveyor belt system to sign a couple of rainforest’s worth of paper and of course the essential champagne drinking!



Tax Partners, Brendan McGuckin, Richard Holley and Tax Manager Helen Homes.

Criminal and Commercial Forensic Accounting Service

Meet some of the Criminal and Commercial Forensic Accounting Team in Harbinson Mulholland...



Partners, Jeremy Harbinson and Dearbhail Beatty with Managers, Nora Tallon and Brendan Dwyer.

What IS Forensic Accounting?

Just as doctors and engineers are brought in to provide specialist insight into investigations and legal actions, so a forensic accountant will investigate financial and business related data.

It requires specialist investigation skills and knowledge of legal precedent and practice which very few firms in Northern Ireland possess.

A forensic accountant must present what are sometimes complex and detailed investigations clearly and concisely in the witness box and under cross examination.

Why Use Harbinson Mulholland?

Harbinson Mulholland is one of the leading criminal and commercial forensic accountants in Northern Ireland. Having investigated over 1000 cases to date, Harbinson Mulholland have worked on a wide range of both commercial and criminal cases.

The department is headed by 3 partners and 2 managers who are supported by a large team. This provides us with the in depth strength to handle complex cases involving millions of pounds as well as much smaller cases. It also allows us to provide a quick response to the instructing solicitor and

Counsel. Also, all partners are very experienced at giving testimony in the witness box.

Types of cases we have worked on are listed below:

Criminal

- Money laundering
- Fraud
- Theft
- Fuel smuggling
- Tax evasion
- Concealed Income Analysis
- False accounting
- IT related cases

Commercial

- Loss of profits
- Breach of contract
- Company valuations
- IT data interrogation & Recovery
- Professional negligence

Relevant Experience

The team consists of highly qualified individuals who deal in cases where an independent investigation of the financial evidence is crucial to the plaintiff's or the defendant's case.

The majority of our managers have previously worked in key positions in industries such as construction, engineering, haulage, banking and the motor trade and so are able to bring a commercial and practical approach to each case. This is vital in assessing and compiling evidence in a case.

You can also benefit from **IT specialists who are experienced in data recovery and**

of the chattel

Exemptions

There are a number of exemptions and exclusions to the charge, the most notable of which are:

1. An annual exemption of £5,000. If the chargeable amount, calculated in accordance with the legislation is less than £5,000, no charge will apply. However, if the chargeable amount is £5,001, the full amount will be chargeable.
2. Property which remains in a person's estate for inheritance tax purposes.
3. Property which is subject to the GROB provisions.
4. Gifts between spouses or former spouses.
5. Property for which the taxpayer pays full consideration for its continued use.

Election

Anyone who has successfully gifted property and avoided the GROB provisions, can make an irrevocable election for the asset to be treated as part of his estate, thereby remaining liable to inheritance tax rather than POT. The election must be made by 31 January following the end of the tax year in which the POT rules first apply to him. It should be noted, however, that, although the election will ensure that the asset remains in the donor's estate for inheritance tax purposes, under general law, it will still be owned by the donee. It is unlikely to be beneficial for an elderly donor to make the election as the POT charge is unlikely to be as high as the inheritance tax saving.

systems interrogation when computerised data is involved. Their unique Microsoft recognition gives you access to a very rare combination of knowledge and experience in a team who work closely with our forensic accounting team in preparing reports for the courts.

Our forensic cases have covered a broad range of business sectors including:

- Motor trade – cars and commercial vehicles
- Construction / building sector
- Computer software industry
- Fuel suppliers
- Transport
- Property – commercial and residential
- Hospitality sector
- Investments
- Manufacturing industry
- Wholesalers / distributors
- Agricultural industry
- Furniture retailers
- Optometrists
- Variety of small businesses across many sectors

With ready access to experts with relevant skills applicable to a variety of commercial and criminal investigations, Harbinson Mulholland can draw on a large network of contacts in commercial and government institutions for advice. Internal support can also be drawn from services such as:

- Insolvency advice
- Tax planning
- Administrations, bankruptcy, liquidations and receiverships

Harbinson Mulholland also have a team of forensic accounting experts who specialise in cases such as those listed below:

- Personal injury
- Fatal accident
- Medical negligence
- Matrimonial

If you would like to find out more about the commercial and criminal forensic accounting service, call 028 9044 5100 today or email forensicteam@harbinson-mulholland.com

“GOING TO POT”

Brendan McGuckin, Personal Tax Partner discusses the new 'Pre-Owned Assets Tax' and its implications for inheritance planning

As if is not already a daunting enough challenge for the average human being to complete his self assessment tax return, the Chancellor appears determined to exercise the grey matter even further by introducing pre-owned assets tax, or “POT”.

What is POT?

It is a new income tax charge being introduced in April 2005, on anyone who has, since 17 March 1986 (this is not a typing error) given an asset away, or contributed to the purchase of an asset owned by someone else, while retaining the ability to benefit from it.

Why is POT being introduced?

The POT income tax charge is being introduced to counter what the taxman perceives as unfair avoidance of the inheritance tax gifts with reservation of benefit (GROB) rules. These apply when someone gives an asset away but retains a benefit.

A number of high profile schemes, frequently involving the disposal by a taxpayer of his principal private residence, while continuing to reside there, managed to successfully avoid GROB. While inheritance tax legislation has already been introduced to counter these schemes, POT appears to be a somewhat vindictive response by the taxman to those taxpayers who were able to take advantage of loopholes which previously existed in the inheritance tax legislation.

How does POT work?

A POT charge can arise in relation to land, chattels and intangible property. It is more convenient to deal with land than chattels together.

An individual must be in occupation of land, or have possession or use of a chattel which he previously owned, but has given them away since 17 March 1986. Alternatively, if the land or chattel occupied or used by the taxpayer was acquired using cash previously given away by the taxpayer, the POT charge could apply.

Example: a father gives his son £100,000 in January 2000, which the son uses to purchase a holiday home in Donegal, available for his father's use throughout the year. The father will be liable to POT (subject to exemptions and exclusions).

The definition of intangible property is “any property other than chattels or interest in land”, but, by in large, is most likely to apply to settled property in which the settlor has an interest in the income arising.

How is POT charged?

In relation to land, an individual is deemed to be in receipt of income equal to the appropriate rental value, less any payments made to the owner of the land in pursuance of a legal obligation. The appropriate rental value is essentially a full market rent.

In relation to chattels, the chargeable amount is expressed in terms of notional interest at the prescribed rate (5%) on the market value

Other options

For anyone who is caught by the provisions, the other main options appear to be to:

1. Pay the income tax, and the compliance costs of getting it right each year.
2. Pay for the benefit, which again involves costly valuation issues. Also, it is not possible simply to reduce the benefit to a taxable amount below the annual exemption of £5,000, as it is the gross and not the net benefit to which the de minimis threshold applies.
3. Terminate the benefit before 6 April 2005. This could be achieved, say, by ceasing to occupy property or using the chattel.

If you have any queries in relation to the new 'pre-owned assets tax' or any other tax issues, contact Brendan McGuckin on 028 9044 5100 or email bmcguckin@harbinson-mulholland.com

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