

# Business Intelligence

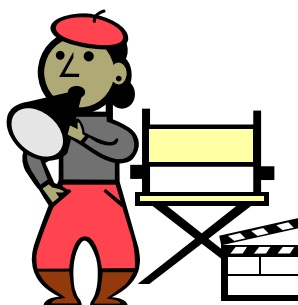
*moving forward with you*

# BHG

Chartered Accountants

## Welcome to our new Director

BHG has its origins in providing accountancy and tax services to its client base but now with a broad portfolio of clients, we have the expertise to address most aspects of a client's financial and business affairs.



We are pleased to announce that Anne Snow has joined the BHG team as a Director responsible for Consultancy which includes marketing, business development, business reviews, strategic planning and executive coaching. She is well known to the firm, having worked with Bernard Harrington for a number of years where she headed up the consultancy division of a top 20 accountancy practice.

Anne is an innovative and successful consultant used to operating at board level; she is experienced at creating and growing businesses, improving profitability and building revenue streams and developing people in private, professional and public sectors.

Anne has many years experience in working internationally across a broad range of sectors, organisations and cultures.

She has worked with entrepreneurs, boards and senior executives for more than 20 years. Before training as an executive coach, she has worked for multinationals and consultancies both in industry and the City. She has advised many of her clients on organisational change, including major corporate transformations and reorganisation in both the private and public sector. Anne has supported high achieving individuals in large organisations through to partners in professional practices, family owned businesses and high net worth individuals.

Anne acts as a sounding board for entrepreneurs and senior executives on confidential issues including succession planning and performance. She has had practical experience as a main board director and understands the many issues to be addressed at this level. Building a trusting relationship creates the most productive environment for clients to explore the opportunities and challenges of their workplace. Her style is to challenge where appropriate in an empathetic and supportive environment. Anne trained as a coach at Henley Business School and is a member of the European Coaching and Mentoring Council.

If you would like to have an initial free consultation with Anne, please contact her on 01793 780480.

## It's just as bad overseas

If you're looking for some green shoots of recovery, look away now. 1 July 2009 proved to be one of the most single most prolific days in international VAT increase history. The Baltic states buckled with further 2% VAT rises to meet their ballooning deficits and were joined by Israel and Hungary, the latter increasing the VAT rate by a whopping 5% to 25%. German and Polish politicians have issued strenuous denials of similar VAT rises in the pipeline. That just leaves Tanzania, which is backing the UK's VAT cutting strategy in the current downturn; they cut VAT by 2% to 18% on 1 July, to harmonise with the East Africa trade block.



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## straightforward

Like you, we're straightforward people. We give you straight advice, you take your business forward. No nonsense. Straightforward isn't it?

## Pensions anti-forestalling provisions

In articles on pages 1 and 2 of our last issue we looked at the rather arbitrary rules restricting tax relief on pension contributions by higher earners in the current and next tax year. The rules have now been relaxed, but not by much.

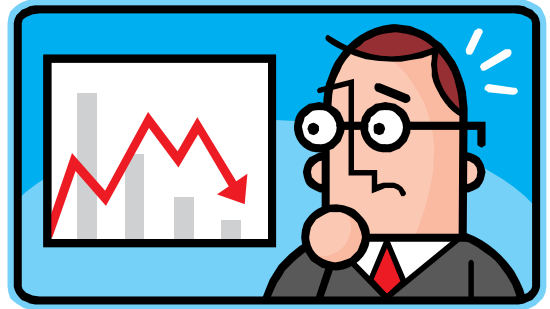
Readers will recall that where contributions had not previously been made on a 'regular' basis (quarterly or more frequently), the fully tax-relieved contribution was originally to be limited to £20,000 in a tax year for those high-income individuals.

Following the amendment full tax relief will now be given for the lowest of:

- the average of the contributions made in each of the three tax years 2006-07, 2007-08 and 2008-09;
- £30,000; and
- earnings (as opposed to income) in the tax year of the contribution.

There is no requirement for all the contributions taken into account to be made to the same pension scheme.

Although this amendment should mean that those making annual contributions may be able to obtain full tax relief for higher contributions than under the original proposals, such taxpayers will still be disadvantaged as compared with those who were making monthly or quarterly payments. For example, a taxpayer earning £250,000 a year and paying £5,000 monthly in pension contributions since before April 2009 will continue to obtain full tax relief on the £60,000 paid. On the other hand, someone with the same income who pays the £60,000 each year as a single annual premium will obtain full tax relief only on £30,000 in 2009-10 and 2010-11



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## Tax debt catches up with gangster

Self-proclaimed gangster, actor and author David Courtney has been made bankrupt owing the HM Revenue & Customs, his main creditor, an estimated £250,000. The published author, whose books include *Dodgy Dave's Little Black Book* and *The Ride's Back On* is understood to owe an estimated £400,000 to creditors.

It is believed the taxman took the law into his own hands and applied for the bankruptcy order against him. Courtney had a small part in the 1990 film *The Krays* and supplied the security at Ronnie Kray's funeral. He is also reported as being the inspiration behind the character played by Vinnie Jones in the Guy Ritchie movie *Lock, Stock and Two Smoking Barrels*. Courtney's registered address is a house in south east London, known as Camelot, decked out with union jacks and a large knuckle duster on the gate. Very tasteful.



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## The new ghost towns on UK high streets

Shoppers up and down the UK need look no further than their local high street to witness the harrowing effects of this recession. Towns that rely on a few big-name retailers to drive shopper footfall are being marred by voids as spiraling closures hammer trade.

An exodus of the multiple retail brands, hoardings plastered over once thriving shopfronts and a glut of struggling independent retailers... all are symptomatic of how the downturn is affecting secondary and tertiary towns. Many are rapidly turning into retail ghost towns.

The disappearance of Woolworths, Zavvi and Principles to name just three has left a distinct hole in the retail landscape. The trouble is, it's a vicious circle - as the major footfall-driving fascias such as Woolworths have started to disappear, the pulling power of many local towns decreases, next to no one is tempted to open a store there, and existing trade continues to spiral downwards. UK vacancy rates have climbed from 7 per cent this time a year ago to 11.5% last month.

Experian has investigated more than 3,000 shopping locations in the UK, taking into account factors such as the presence of key retailers, multiple retailers and void rates. The resultant Retail Rankings provide the tell-tale signs of places where the recession is hitting Britain's shops the hardest.

What does the future hold for our embattled high streets? Much depends on the state of the employment market. A further climb in unemployment figures - as is predicted - will further batter consumer confidence and leave the UK's high streets in an even more precarious state.

Furthermore, a polarisation of the UK's top high streets and those that are foundering is likely to become even more pronounced. For retailers in secondary and tertiary high streets not only has the pie got smaller, their share has dropped even further. Importantly, though, it is not only the faltering economy that is to blame. Years of planning policy and retail strategy have had a profoundly negative effect on Britain's high streets by trying to encourage people to come away from core high streets and go to edge-of-town and out-of-town centres. It gives people a reason not to go to the high street, so in the past three years there's been a mass of property built away from the high street.

But, of course, the only way to assess the true state of retail in secondary and tertiary high streets is to pay them a visit. In Camberley, the town's vacancy rate is a staggering 43 per cent. That's partly because it was home to no fewer than eight of the big multiples that have gone into administration; Woolworths, Zavvi, Rosebys, Principles, Priceless, Barratts, USC and Bay Trading.

Between December last year and May of this year, 25 retailers have shut their doors in Camberley, 18 of which were multiple retailers. Its void rate has shot up from 3.6 per cent at a year ago and now stands at 12.6%, a staggering 350% increase - a perfect example of what happens on a local level when national chains go bust - its high street just isn't strong enough to cope with the losses it has suffered. But this is still only the average national vacancy rate.

A worrying number of towns in the country are now in a downward spiral. The biggest danger is that when the economy does start to recover, the prime pitches will be the first to benefit and the secondary and tertiary streets will be left behind. Although there are already signs of recovery in the prime centres, for retailers struggling for survival in places such as Camberley, a protracted economic recovery could prove too much for many.

Improbable as it may seem, we're in comparatively good shape in this area. The top five UK high streets with the most voids are all a long way from here:

1. Gateshead, Newcastle - 52%
2. Camberley, Surrey - 43%
3. Walkden, Salford - 40%
4. Dumbarton, Scotland - 35%
5. Milford Haven, Pembrokeshire - 30%



## Finding the money to develop your business

Are you looking to start a business, or in need of capital to expand? We discuss here a number of options other than bank funding.

### External finance

For most businesses, the principal source of funding has traditionally been in the form of overdrafts and fixed term loans, which account for about 50% of all external finance. The Bank of England has said that there is 'no real evidence of firms having difficulties accessing bank finance'.

However, the need for some form of security can occasionally result in even the most well-presented request for funding, accompanied by an impressive business plan, being declined. And with over 40% of business funding being provided by hire purchase, leasing, trade finance, invoice financing, partners and shareholders, less than 10% is provided by venture capital sources.



### Debt finance

Many lending institutions have developed 'credit scoring' techniques that assist them with small business funding applications. The determining criteria include credit history, past bank account management, the applicant's track record in business and willingness to invest their own money in the business, and evidence of repayment capability based on a business plan.

If an individual does not have a previous track record and has little or no capital, the application will focus on the entrepreneur's ability and willingness to provide some form of security against the borrowing. One possible source of guarantee for finance is the Enterprise Finance Guarantee under which the Government will guarantee lending to viable businesses to ensure they can secure the working capital and investment they require. This scheme provides a guarantee for lending from 3 months to 20 years, to UK businesses of up to £25 million. This scheme is intended to facilitate the securing of loans between £1,000 and £1 million. This scheme is available to 31 March 2010.

### Equity alternatives

Equity finance accounts for about 8% of external finance for small and medium-sized businesses. Those companies that do attract this type of funding tend to be highly innovative and have a prospect of good growth. According to 97% of respondents to the Government's 'Bridging the Finance Gap' consultation, there remains a significant lack of equity finance available, but this is a source of funding that looks set to increase in the future.

### Business angels and informal investors

There are reckoned to be 20,000 to 40,000 angel investors in the UK, putting between £500 million and £1 billion per annum into between 3,000 and 6,000 businesses. An InvestorPulse survey showed that in 2002, 75% of angel investors made investments of less than £50,000, with an overall average investment of £35,000.

### Enterprise capital funds

The Government has announced its intention to launch a series of 'pathfinder' funds, based on the US-style 'Small Business Investment Company' (SBIC) model. These are to be known as 'Enterprise Capital Funds' (ECFs), and will involve the Government offering debt at a favourable rate of interest to privately owned and managed funds. An ECF would then be able to access private funds and offer these pooled funds to UK businesses.

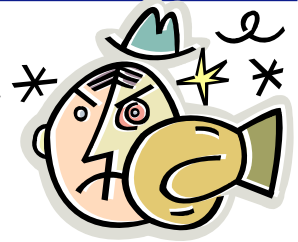
### How we can help

As accountants we have experience in working with clients and advising on available financing options, and lenders recognise the important role we play alongside businesses. If you see a need arising in your own business or know anyone else who would benefit from our expertise in raising finance, do please let us know.

Visit our website [www.bhglp.com](http://www.bhglp.com)

## Are you on the taxman's hit list?

This article deals with the research methods deployed by HMRC to locate cases for enquiry, and just how much they know about their putative subjects.



Candidates for tax enquiries are selected in a variety of ways. If you operate a clandestine activity, such as a strip club, or a massage parlour you are likely to be a regular target. Similarly, if you appear in local "trade it" type newspapers promoting a new restaurant, a new kung fu club, plastic surgery, or second hand CDs, you may be selected for enquiry.

But the tax man has other methods; they look at planning applications in the newspapers for projects such as the conversion of a shop into flats. Landlords, particularly those that have houses in multiple occupations are a current target.

A third way of identifying "non-compliant" members of the community is via ongoing taxi driver "projects" which involve approaching the local councils for lists of possible taxi drivers. They provide HMRC with mileage details, how long the driver owned the car for, whether anyone else was driving the car, and how many employees a taxi firm had.

Another source of intelligence is informants, who contact HMRC complaining about all sorts of things, sometimes maliciously or without foundation. Rumour has it that HMRC has now become so target-driven, that they are pursuing music teachers, who supplement a paltry income with some private tuition.

With the government's tax take falling, the number and intensity of enquiries is set to rise further. At least our clients can sleep easy in the knowledge that we provide free insurance cover against the costs of full-blown tax enquiries.

## Bankers behaving badly

Actor Neil Morrissey is being sued for £250,000 owed under a personal guarantee of an earlier loan of £3.6m to a failed company which is now in liquidation. Morrissey was attempting to establish a hotel and country club in Wales and had acquired three properties to develop. However, the project ran out of money and Morrissey severed ties with the other parties involved but has apparently remained liable under a personal guarantee to Bank of Scotland.



## New advisory fuel rates announced

HMRC have published revised advisory fuel rates for company car users, which take effect from 1 July 2009.

The revised figures give about one month's notice of the changes and apply to all journeys on or after 1 July 2009 until further notice. As was done for previous rates, HMRC are content for the new rates to be implemented immediately where employers are able and wish to do so.

The new rates are as follows:

Engine size	Petrol	Diesel	LPG
1400cc or less	10p	11p	7p
1400cc to 2000cc	12p	11p	9p
Over 2000cc	17p	14p	12p



Petrol hybrid cars are treated as petrol cars for this purpose.

Customs will also accept the figures in the table for VAT purposes though employers will need to retain receipts in line with current legislation.

## Private use of cars by motor traders

Certain businesses in the motor trade are entitled to reclaim VAT on the purchase of cars but are required to account for output tax on the private use of company cars, demonstrator vehicles and rental cars. This applies to motor dealers, manufacturers and concessionaires, daily vehicle rental companies and contract hire companies.



These businesses have the option to use a simplified 'car averaging' calculation to work out the private use element, which has been agreed between HMRC and various motor trade bodies. Belatedly, HMRC has announced new value-based bands to be used in the simplified 'car averaging' method of calculating private-use VAT on cars for businesses in the motor trade. The new bandings apply from 1 May 2009.

HMRC has issued VAT Information Sheet 07/09 to announce new value-based bands to be applied when using the simplified method of calculating private-use VAT. The new bandings apply from 1 May 2009. Full details of the bands and the basis of calculations are in the Information Sheet.

The change is being made to simplify procedures for businesses by applying the same bands for calculating the VAT due on private use of a car as those for direct tax purposes. It does not alter the basis of the simplified calculations agreed with the relevant trade bodies. The trade bodies have been consulted on the new bandings.

Returns which span the date of change (1 May 2009) can either be apportioned or businesses can use the new bands from the first full VAT period which started after 30 April 2009. However, in recognition of the late announcement, if a return has already been completed HMRC does not expect businesses to recalculate the VAT already accounted for. In such cases the new bands may be applied from the beginning of the next VAT accounting period.

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## Poor old women?

Women over the age of 50 have been hardest hit by the downturn over the last 12 months, with increasing numbers giving up on pensions saving altogether. Overall, almost half of those who could and should be saving for their retirement are not currently doing enough.'

Recent research found the extent of adequate pension provision is increasing among 30 to 50-year-olds, but deteriorating among over 50s. This may result directly from 'belt-tightening' during the recession and concerns about possible loss of employment. While the gender gap had narrowed in the equivalent survey last year, the recession has reversed that trend - 59% of men are on track for a comfortable retirement compared with 47% of women.

Many women have broken employment records as they take time out of work to raise children and subsequently lose out on national insurance contributions, which in turn are used to calculate pension rights. It appears that many of them may have concluded that it is just too late for them to try to build up worthwhile retirement savings. The percentage of women over 50 not saving at all for their retirement has increased from 14% to 22%.

Insurers say that those who can should put be saving 12% of their income. If you or your spouse is not achieving this level, we may be able to help - there are numerous ways the self-employed can save for retirement and build up pension pots for family members, even children and non-working spouses.



## How Michael Jackson squandered his fortune

Michael Jackson could never escape people's vested interests in life, nor will he be able to in death.

While millions of people around the world were shocked to hear of the death of the "King of Pop", his creditors will already be trying to make sense of the tangle of finances he left behind; Jackson the multi-record-selling money making machine was also Jackson the squanderer of vast fortunes.

Jackson's balance sheet is no doubt as colourful as his singing career was. For the man who made the cover of *Rolling Stone* magazine at age 11 and still holds the record for the biggest selling album of all time with *Thriller*, Jackson leaves behind an unprecedented financial mess.

Eccentric lifestyles don't come cheap. Costs for his legal battles after accusations of molestation, plus his lavish spending on clothes, travel - not least his \$10,000-per-night suites at the Four Seasons - alongside the upkeep of his ranch, pushed the star to the brink of bankruptcy.

During the good times the artist reportedly spent as much as \$30 million a year but despite his sensational success, this was a lifestyle that even he could not sustain. He ran up huge debts, at one point owing more than \$270 million to Bank of America.

Forbes, publisher of the rich list, estimated that the artist had earned more than \$500 million by 2003. But he also owed as much as \$200 million to creditors including Sony, his record label.

As well as decimating his fan base, the allegation of child molesting cost Jackson a fortune; he spent \$20 million alone to settle a civil action in 2003. The legal cases have never stopped, with a former publicist, video director, attorney, and financial advisers all having had a pop at emptying Jackson's pockets. Just recently, the organisers of a proposed Jackson Five reunion concert filed a \$40 million lawsuit against the singer, claiming that his forthcoming string of concerts in London's O2 arena violated the terms of a 2008 contract

Things got progressively worse as the star became more reclusive. In 2006, authorities ordered Jackson's Neverland Ranch - the fantasy land symbolic of the star's successes - to be boarded up. They fined him for failing to pay his employees or maintain proper insurance. At the same time he was also failing to make mortgage payments on a house in Los Angeles that had been used for years by his family. Two years later he defaulted on a \$24.5 million loan secured on his ranch and the 2,800-acre circus was to be auctioned, with an investment firm eventually taking joint title on the property for \$22 million.

Fast forward to July 2009 and reports of his current level of indebtedness vary wildly, with newspapers citing between \$100 million to almost \$400 million of debts.

But not all of Jacko's financial decisions were calamities. His shrewdest move was to outbid Sir Paul McCartney for a 50% interest in a music publishing catalogue that includes the rights to the Beatles' songs. He spent \$47 million on the investment, which is now estimated to be worth as much as \$500 million.

The Jackson brand has always been about more than just the man himself. There is the white spandex glove covered in Swarovski crystal sequins that Jacko wore frequently throughout the 1980s. This alone has been valued at as much as \$200,000.

His executors are likely to need to realise this and other assets to pay the next round of legal bills as the squabbling continues!



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## Internet marketing trends 2009/10



Due to its cost-effectiveness and inherent measurability, expect many more small businesses to take internet marketing seriously in 2009. This includes everything from email marketing, pay-per-click advertising and social networking, to increased investment in websites, microsites and custom landing pages.

**Recession Marketing** - Expect to see a lot more marketing messaging related to the recession. Don't be surprised to see lots of offers that "save you money" throughout the year. With fewer purchasing pounds available, how will your marketing message be distinctive and stand out?

**The Customer Voice** - Customers are demanding a voice in your business, or they will seek alternative solutions. Think forums, blogs, feedback forms, etc.

**Video Marketing** - Many studies show that adding videos to a website increases traffic and time-on-site. Look for a major increase in online videos in 2009/10. If your website does not yet have any videos, look to add them this year, but be sure that they are relevant and useful to your target audience. Look for interactive video technology in 2009, through which users can click on elements within the videos to be taken to associated content and microsites

**Blogging** - Look for blogging to continue its growth. The barriers to entry in blogging are low, so expect many more small businesses to launch their own blogs in the coming year.

**Social Marketing** - Small businesses have been relatively slow overall to embrace social marketing. With greater virtualisation of social media and social networking websites, expect more small businesses to get involved in targeted environments where ROI will be easier to achieve.

**Mobile Marketing** - It feels like everyone has an iPhone or other similar type of digital mobile device these days. Mobile marketing will finally realize its potential in 2010, especially for local businesses such as restaurants, movie theatres and just about anyone targeting Generation Y.

**Behavioural Targeting** - Expect online ads to become behaviourally based. Many new behavioural advertising networks will become available in 2009, some serving dynamically generated images and messages based on each user's online behaviour.

**Behavioural Analytics** - Complementary to Trend 8, expect the world of measurement and web analytics to take a behavioural turn as well. This means measuring not only which pages people visit on your website, but more importantly why they do so.

**Widget Marketing** - Widgets (tiny, interactive Web applications) are relatively inexpensive to develop, and they can be an effective way to ensure that your customers spend more time with your brand on an ongoing basis. What widgets will you deploy in 2009/10 that will save your clients time, help them get things done, or simply provide them with useful information?

### Innovation

With the recession will come a greater intensity of competition for the fewer available purchasing pounds. With this will bring a surge of creativity and innovation in the online marketing world. Do not let your competition out-innovate you.

**Back-to-Basics Marketing** - Expect less fluff in 2009/10, and more marketing messages about how companies solve problems for their customers. Be sure that you understand how your business solves real-world problems, and then clarify that in your marketing messaging.

**Action Plan** - Is your business ready? Based on the above Internet marketing trends, explore and define ways that your small business can leverage the opportunities in the upcoming marketing landscape so that your company grows and you achieve your 2009/10 business objectives.

## Data Protection Act breaches

A survey of over 500 SMEs carried out by the British Standards Institution (BSI) has found that nearly one in five businesses has unwittingly breached the Data Protection Act (DPA) at least once.

Almost 50% of businesses said they had breached the DPA on several occasions and an additional 18% said they were not sure whether they had or not.

A "breach" could refer to the illegal transfer of information to a third party, failure to hold information securely or neglect of other legal obligations.

The survey provides a snapshot of how UK businesses manage the personal information they hold on staff and customers, including sensitive data such as racial or ethnic origin, trade union membership and criminal proceedings. It was carried out to mark the publication of a new British Standard on data protection which will help organisations put in place a framework for maintaining and improving compliance with data protection legislation and good practice.

The survey also found that:

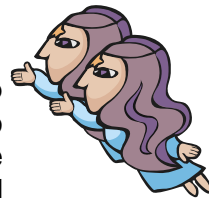
- 65% of businesses provide no data protection training for their staff;
- nearly half of those surveyed admit that there is no one in their business with specific responsibility for data protection;
- 15% of businesses are not confident that their data sharing practices conform to the DPA and, worryingly, almost 5% of these frequently share data regardless;
- 18% of businesses said that data protection is less of a priority in the current economic climate.

It's sad to say it but we were recently forced to report one Swindon-based firm of solicitors to the Information Commissioner because of their fairly fundamental breach of the Act - over ten years after it came into force, they hadn't even registered!

## The tax man gets cheeky

A bankruptcy petition has been filed against the pop duo Cheeky Girls by the tax man who is seeking to recover £60,000 in unpaid tax. A hearing took place last month with Romanian twins Monica and Gabriela Irimia represented by their mother and manager Margit. The case was adjourned until early July.

It was reported in August 2006 that the girls -whose hit Cheeky Song (Touch my Bum) sold more than a million copies worldwide faced bankruptcy over unpaid VAT, but they claimed it was due to their record company Telstar collapsing in 2004 owing them £2m.



B H G, Chartered Accountants  
Bernard Harrington BCom(Acc) FCA FCCA  
BHG LLP  
Blandford House  
77 Shrivenham Hundred Business Park  
Majors Road, Watchfield, Swindon,  
SN6 8TY  
t: 01793 780480  
f: 01793 780180  
[bernard.harrington@bhgllp.com](mailto:bernard.harrington@bhgllp.com)  
[www.bhgllp.com](http://www.bhgllp.com)

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### Newsletter Content

This newsletter deals with a number of topics which, it is hoped, will be of general interest to clients. However, in the space available it is impossible to mention all the points which may be relevant in individual cases, so please contact us for personal advice on your own affairs.

### Disclaimer

This update is provided without charge and no responsibility can be accepted for action taken or not taken as a result of its contents. Formal advice will be provided on request under terms that will be agreed in advance.

# straightforward

Like you, we're straightforward people. We give you straight advice, you take your business forward. No nonsense. Straightforward isn't it?