JBW CONSULTANTS
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THE ACCOUNTANT

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INSIDE THIS ISSUE:

Family Business Succession

One of the most troubling succession planning decisions is how to divide your assets when you and your spouse are gone. It is one of the biggest reasons why family business owners don't complete succession planning.

Three factors make this division difficult for family business owners. First, between 60 and 80 percent of their total net worth is typically tied up in the business or business-related property. Available cash (profit) is ploughed back into the business. Family business owners often awaken to the reality that they have built themselves traps by having such a large percentage of their total net worth tied up in their illiquid businesses.

The second factor is determining the value of the business. Business valuation experts go into great detail explaining the three most commonly utilized formulas for determining the value of a business, and there are situations where it is worth the expense to have a formal valuation done. But most owners have a rough idea of what their businesses are worth, and their best estimates are usually very accurate.

The third factor arises when one (or more) of your children decides to work in the business and one (or more) doesn't.

Should you then leave the business to your children equally? If none works in the business, the issue may be when and to whom will you sell it?

The biggest hurdle family business owners must jump is the mindset of treating children equally. In dividing family business assets there is rarely fairness in the equal division of assets. Instead, owners must consider being fair and equitable. These goals can be mutually achievable.

The process is to realistically determine the value of assets and arrive at a formula whereby, children who do not receive the family business, or shares in the company, will receive a percentage of that value in other assets.

The methodology will vary from family to family depending on the nature of the business, the composition of assets, and the number of children involved. *****

Revenue Investigations & Custodial Sentences

Given that Revenue Investigations can lead to a criminal prosecution and in some cases a custodial sentence it might be appropriate to get legal advice. Some recent cases:

2012 DPP v Barry Donald (Cork)
- Charged with filing incorrect VAT and Corporation Tax returns
- Made cash payments to staff who continued to claim Social Welfare benefits
- Total loss to Revenue €600k (€44k paid by tax payer)
- Sentence: 2 years imprisonment + €150k fine

2011 DPP v Rowland
- Failed to pay VAT of €380k and instead used funds to keep business afloat and pay employees. Guilty plea
- Sentence: 4 years imprisonment (suspended)

2011 DPP v Alan Hynes
- Charged with knowingly and wilfully submitting false VAT and Income Tax returns and produced an incorrect invoice to Revenue
- Owed Revenue €110k. Guilty plea.
- Sentence: 9 month imprisonment

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New public procurement guidelines have been introduced which are designed to make it easier for small businesses to bid for public sector contracts. The new Office of Government Procurement is commencing its operations this year. However, recent figures show that only 10% of companies here pitched for any of the 7,500 contracts available last year.

64pc of the Irish workforce is expecting to move jobs in the next year, with 44pc of these intending to do so within the next six months according to the 10th annual Global Sentiment Survey from Ireland-based Berkley Group. The survey also highlighted that confidence is returning to the Irish economy in general, with 88pc of respondents reporting that their business was performing better than last year.

The Single Person Child Carer Credit (SPCCC) replaces the One-Parent Family Credit (OPFC) from 1 January 2014. It operates differently from the One-Parent Family Credit by being available in the first instance to the individual with whom the qualifying child resides for the whole or greater part of the year.

Full Self Assessment

The Finance Act 2012 introduced full self-assessment for chargeable persons and applies for:

- Corporation Tax where the accounting period commences on or after 1 January 2013,
- Income Tax for the year 2013, and
- Capital Gains Tax for the year 2013.

This new part requires the customer, or their agent, to self-assess when making a tax return, and allows for a penalty where no self-assessment is made. When completing a tax return a customer must self-assess. The ROS tax returns (Form 11, Form 1, and CT1) will compute the Income Tax/ Corporation Tax liability as before and provide an indicative calculation of the liability. The customer, when making the self-assessment, can choose to accept Revenue's calculation or disregard it and enter his/her own figures.

When the return and self-assessment is submitted, Revenue will not issue a notice of assessment. Instead, a notification acknowledging the self-assessment will issue. This acknowledgement will contain a copy of the self-assessment. There is no appeal against a self-assessment or an amended self-assessment made by the taxpayer.

In general, Revenue will not raise assessments, but there is provision to do so:

- Where the customer fails to make a return (S. 959AC),
- Where the customer makes a return, but fails to self-assess; Revenue can issue a self-assessment on the customers behalf (S 959U) – however a penalty may be incurred for failing to self-assess.
- Where Revenue is not satisfied with the adequacy of a return (S. 959AC)..

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Home Renovations Incentive Scheme

The Society of Chartered Surveyors Ireland has launched a new guide to the Home Renovations Incentive scheme, which shows homeowners how to claim tax relief on the costs of an extension or refurbishment of their home.

The scheme, which allows homeowners to claim tax refunds from a minimum of €600 to a maximum of €4,050, depending on the costs involved, was introduced in Budget 2014 and will run until 31 December 2015.

All work that costs between €5,000 and €30,000 is eligible and the guide includes several case studies and a HRI calculator that estimates the tax refund due.

The scheme is only open to fully tax compliant builders as the spending and the relief have to be registered with the Revenue Commissioners. It only applies to a person's principal private residence and homeowners wishing to avail of it will have to ensure their local property tax and household charge payments are up to date.

The guide covers the planning, design and budgeting stages as well as hiring a builder. It also outlines the health and safety obligations for the householder as well as the formula that applies to anyone claiming a Sustainable Energy Authority of Ireland grant.

The HRI guide and calculator, which also includes links relating to building standards and health and safety and to Revenue, is available free of charge at www.scsi.ie.

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Caution urged by the Director of Corporate Enforcement

Arising from a recent advertisement on a website seeking expressions of interest from persons to become directors of limited liability companies for relatively nominal sums of remuneration, the Director of Corporate Enforcement cautioned applicants in taking up such appointments. Company officers (directors or secretaries) are required to operate to the highest standards in accordance with the Companies Acts 1963 to 2013. "Nominal directors" are subject to the full requirements of the Companies Acts and indeed where a person acts negligently in that regard s/he may be subject to one of over 300 criminal sanctions under such legislation. Officers are required to be honest, work to the highest levels of commercial morality, are competent in the discharge of their duties, have regard to the rights of creditors, and have the ability to discharge the obligations to keep proper books of account, amongst a range of other legal obligations. In short officers are obliged to exercise their duties with care, skill, diligence and fidelity. Ignorance of the business of a company is no defence for a breach of company law. ****

On a seasonally adjusted basis the **Live Register** total recorded a monthly decrease of 3,400 in April 2014, reducing the seasonally adjusted total to 392,700. The standardised unemployment rate (SUR) in April 2014 was 11.7%, down from 11.8% in March 2014. The number of male claimants decreased by 25,476 (-9.6%) to 239,541 in the year to April 2014, while female claimants decreased by 3,558 (-2.3%) to 149,018.

Fuel Relief Scheme for Disabled Drivers/Passengers

The Disabled Drivers and Disabled Passengers (Tax Concessions) Scheme is open to people with disabilities who meet the specified criteria and have obtained a Primary Medical Certificate to that effect.

The scheme provides relief from VAT and VRT, up to a certain limit, on the purchase of a car adapted for the transport of a person with specific severe and permanent physical disabilities. An exemption from annual motor tax and a relief from excise on the fuel used in the car are also provided.

However in April last year the European Court of Justice ruled that the excise relief component of the scheme was incompatible with the EU Energy Tax Directive and therefore must be discontinued. The excise fuel relief scheme for disabled drivers/ passengers is to be replaced by a new fuel grant scheme from the 1st January 2015, with no change in benefits to members of the current scheme.

Arrangements will be made during the year to provide for the new fuel grant scheme for disabled drivers which will have the same levels of support as the current excise relief scheme.

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Outward Migration Grows

According to the CSO, total emigration from Ireland in the year to April 2013 is estimated to have reached 89,000, an increase of 2.2 per cent on the 87,100 recorded in the previous year. Of the 89,000 people who emigrated in the year to April 2013, Irish nationals were the largest group accounting for 50,900 or 57.2 per cent. 24.6 per cent (21,900) of emigrants went to the UK while 17.3 per cent (15,400) went to Australia

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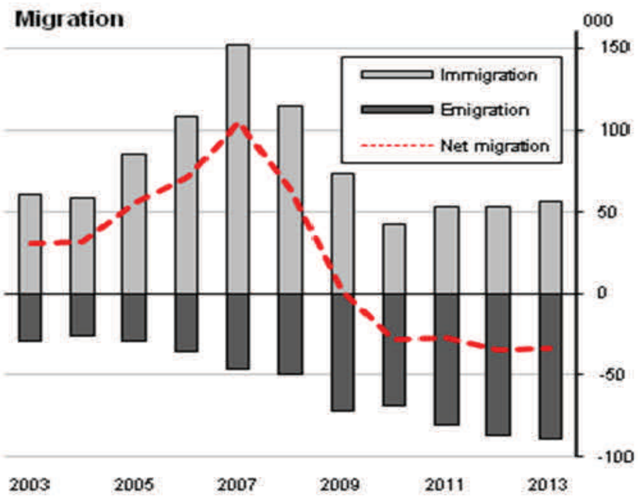

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CPA IRELAND | MEMBER FIRM

At JBW Consultants, we assist SME and start-up businesses, in the step-by-step process of developing your ambition for your business, be it increasing your turnover, diversifying into new areas or planning a retirement / exit strategy.

From our experience as accountants, auditors, taxation consultants and business management experts, we have developed methodologies to help you make the right decisions for the future of your business. We specialise in the provision of professional service solutions for family businesses and SME's in the South East region. Why not visit our website to see how we may be of assistance to you.

Safety Statements : BeSmart.ie

All employers including the self-employed must have a safety statement relating to their workplace and work activities. Too often generic safety statements that are prepared by someone with no real understanding of the activities undertaken by the employer.

The safety statement must be based on the risk assessment of the hazards that may affect the employees or visitors. It is the place to record the significant findings of any risk assessments. This means writing down the more significant hazards and recording the most important conclusions. For example, a workplace where fumes from welding may pose a risk may state: "Local exhaust ventilation has been provided. Manager to ensure that it is always used and is checked every month".

The safety statement must be reviewed and, if necessary, amended as required. This is to be annually or more frequently if for example your business changes and your employees are exposed to new hazards e.g. the introduction of new machinery or new work practices, or when there is reason to believe that it is no longer adequate, e.g. changes to health and safety arrangements and resources or a near-miss incident.

The safety statement must be brought to the attention of the employees and to any other persons at the place of work who might be exposed to the specific risks outlined in the safety statement. When bringing the safety statement to the attention of employees, it must be in a form, manner and, if necessary, a language that can be understood by employees.

BeSMART.ie - Business electronic Safety Management And Risk assessment Tool – has been developed to help small business owners/managers to prepare risk assessments and a safety statement for their workplace. It is easy to use and you can register online for free access at www.besmart.ie. *****

Building Financial Capacity

Announced in Budget 2014 as a new state support for business, the Building Financial Capability in SMEs programme is now available nationwide through ManagementWorks. It is a heavily subsidised programme for small business owners and managers and is funded by the Department of Jobs, Enterprise and Innovation. This programme will help you to improve your ability to source and secure suitable finance for the growth of your business. You will learn:

- how loan applications are assessed
- what information lenders/investors need to be able to make funding decisions
- the key performance indicators of business
- how to improve your ability to discuss your financial information with lenders/investors
- about the types of funding options available
- about the role of Microfinance Ireland & the Credit Review Office

The programme is delivered using a combination of group workshops and one-to-one mentoring sessions. The one-to-one mentoring gives you the chance to focus exclusively on your business:.
Visit www.managementworks.ie and follow the instructions to make your booking online.

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