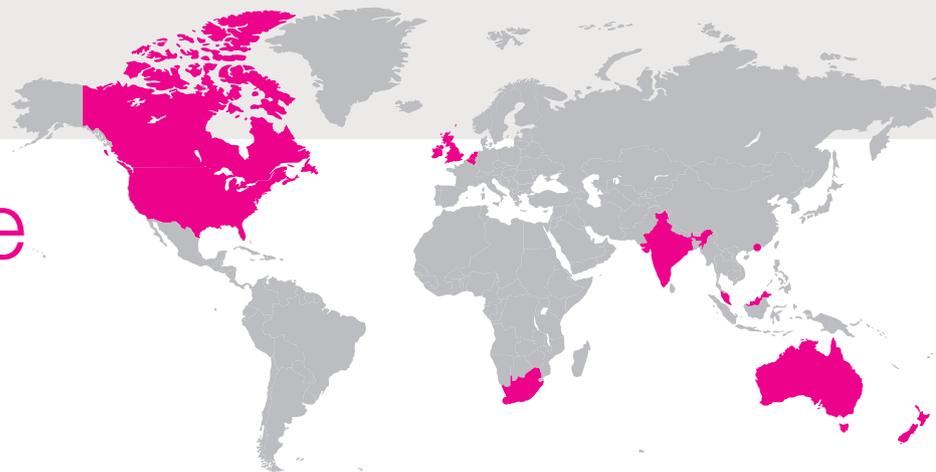




TAX PLANNING
AND LEGAL ISSUES

Ensure you're
tax & legally
compliant

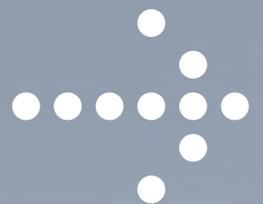




“They were in a dark place when I went for my first meeting.”

Crispin Mardon - CFO Centre part-time CFO

reflecting on his first meeting with a client who had a GST problem.



Executive summary

Managing your tax and legal responsibilities effectively is a critical skill and one that few SME owners possess. This report explains why getting specialist tax and legal advice is crucial for all SMEs and how doing so can be hugely beneficial for businesses and their owners.

Highlights

- Benefits of being tax and legally compliant
- How a part-time CFO will resolve your tax and legal compliance challenges



Introduction

Complying with tax legislation is an *'uphill struggle'* for many business and results in the wastage of precious management time, according to the CBI.¹



It's estimated that mid-sized businesses spend 110 hours or nine days a year preparing, filing and paying corporation tax, labour taxes and value added tax, says PriceWaterhouseCooper.²

Most companies need to comply with at least eight categories of tax. That doesn't include the industry-specific taxes (such as those in the construction, waste management, and oil and gas industries) that they must also pay.

"Each tax has its own legislation, associated case law that has built up over years of interpretation, varying thresholds for calculations and qualification of reliefs, and a myriad of payment dates, reporting deadlines and filing requirements," says the CBI.

"It is difficult to comprehend, let alone manage. It takes time and effort to ensure that a business is fully compliant in the taxes it needs to collect on behalf of the government and pay in terms of its liabilities – distracting it from commercial priorities and reducing management capacity for strategic decision-making."

Mid-size businesses don't have the resources or expertise that large companies possess to navigate tax rules and legislation, nor do they receive the targeted support that the Government directs at small businesses..

For example, in the UK when a company's annual taxable profits hit £1.5 million, it must pay tax up front in quarterly instalments. That means those companies have to adapt to a new cash flow model.³

Few have the funds or flexibility to be able to adapt so easily to a new regime. Instead, they're often forced to divert resources away from investment.

If another company or investor buys a stake of more than 25% in the business, it no longer qualifies for Research and Development (R&D) tax credits. It's no doubt why tax worries so many owners of mid-sized companies. As is the case with most finance-related matters, the anxiety usually stems from not having a strategy in place to deal with the issues which arise.

¹ 'Stuck In The Middle: Addressing The Tax Burden For Medium-Sized Businesses', CBI/Grant Thornton, www.cbi.org.uk, www.grant-thornton.co.uk, Jun 2014

² 'UK slips two places down league table of effective tax systems', Nicholson, Kevin, PwC (PriceWaterhouseCooper), www.pwc.com, Nov 21, 2014

³ 'Medium-sized businesses need more support to stop them from falling over the tax cliff', Prosser, David, The Independent, Jun 23, 2014, www.independent.co.uk





Medium-sized firms are not able to benefit from the incentives that small firms do and, at the same time, most cannot afford to have an army of tax consultants on speed dial to help them wade through the complexities of the system.

JOHN CRIDLAND, THE FORMER CBI DIRECTOR-GENERAL

Most CEOs and MDs don't like 'finance' but feel a responsibility to 'do something' and show the rest of the team that they are in control. But trying to manage the financial strategy in the business without the right level of knowledge while simultaneously growing the rest of the business is almost impossible. Furthermore, it is dangerous to allow unqualified people to deal with your company's tax planning strategy or legal matters.

As soon as the business owner accepts that they need a tax specialist as part of their team, the faster they can offload the burden knowing that their back is covered.

In other words, because tax is inherently complicated it really doesn't make sense for CEOs and MDs to spend their own time trying to understand the detail. Accepting that this is the case and delegating out the responsibility to a capable, experienced part-time CFO removes an immense weight from the shoulders.

When we conduct reviews with our clients, we often discover a deep-seated anxiety about the pitfalls of failing to understand tax issues.

The primary concern is usually the idea that the business may be building up significant arrears of tax, which remain unpaid. There are often worries about whether or not the accounting system used is recording information in the right way and will reveal significant holes in the event of a tax inspection.

Corporation tax, GST, the implications of capital gains tax vs. income tax, failing to claim tax breaks, understanding R&D credits and are common areas of discussion with our clients as is the desire to keep up to date with new legislation.

Most business owners simply want to know that their company (and personal) tax affairs and legal issues are being properly looked after; that they are as tax efficient as they can be and that all statutory requirements are being met. Most companies do a poor job of this because tax is inherently complicated and when things get complicated in business the most common reaction is to move onto something else!

Delegating your tax planning and legal responsibilities to a tax specialist is a must. Knowing that you are not paying tax you don't need to be paying and having peace of mind that all your tax deadlines will be met without you having to take on the responsibility personally will allow you to focus on growing the business while we take care of the details.

How a part-time CFO will resolve your tax challenges

The CFO Centre will provide you with a highly experienced senior CFO with ‘big business experience’ for a fraction of the cost of a full-time CFO. This means you will have:



This means you will have:

- > A leading CFO, working with you on a part-time basis
- > A local support team of the highest calibre CFOs
- > An international collaborative team of the top CFOs sharing best practice (the power of hundreds)
- > Access to our national and international network of clients and partners

With all that support and expertise at your fingertips, you will achieve better results, faster. It means you’ll have more confidence and clarity when it comes to decision-making. After all, you’ll have access to expert help and advice whenever you need it.

In particular, since every CFO Centre CFO is a qualified accountant and has experience of the kind of challenges which many business owners may feel are beyond solving, he or she will help you with your tax and legal position.

It is always a great relief to our clients to know that this high-risk area is being looked after for them.

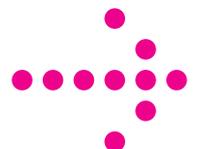
In the UK, it was a problem with VAT that led one family-owned ceramic tile business to contact The CFO Centre.

Crispin Mardon, one of The CFO Centre’s part-time CFOs recalls his first meeting with the Italian business owners well. “They were in a dark place when I went for my first meeting,” he says. “They had a VAT problem and they were paying that off.

“Two brothers and their wives formed the board. The company had been trading at a loss, running out of cash and they were all just constantly cutting costs.

“I asked them what they thought they needed to do and I replayed it to them at the end of the day and all I did was say ‘You do that, you do this’ etc.

“They knew what they needed to do, but they just didn’t have the confidence to do it.



“It took us about nine months to sort it out. We put a strategy together and sold off a couple of the showrooms.

“Now, in our second year, we have three showrooms instead of five and yet our turnover is greater than what it was when we had five.

“The family is in a place where they love going to work. They like what they’re doing and they want me to keep going in because I give them the confidence to make decisions about the business.”

Bespoke software development company Igence, which creates software for large defence and aerospace companies, is another business to benefit from specialist tax advice from one of our part-time CFOs.

“He sorted out the R and D tax credits, which has also been a big help particularly because it came along at a time where life could have got quite tough if we’d had to pay out a huge tax bill,” recalls owner Dave Knight. “We hadn’t even considered the R and D tax credits so this was a big win.



“

“I can relax knowing that I’ve got somebody watching over the financial side of things. Because I recognise that I’m not a numbers person and that it could all go completely awry if it were left to me to look at the numbers and understand what was happening.

“It really helps to know that the finances are being professionally looked after. Our CFO is able to come in and steady my nerves if we are going through a difficult patch.

“Having our part-time CFO has given my confidence in the business an enormous boost. I have no worries at the moment because our CFO lets me know when I need to focus on something. His input has meant that I am free to think about all the other things that I’m trying to do without worrying too much about the financial health of the business. When I do need to look at something urgently he can bring the issue into sharp focus then.”

In certain cases where the structure and complexity of the business dictates, it may be necessary to seek out a tax specialist (or even tax experts) to work alongside your part-time CFO. It’s your CFO’s role to determine the requirements for your business and ensure that the plan is implemented in the most effective and efficient way possible.

A man with short brown hair, wearing a blue sweater over a light-colored collared shirt, is shown in profile from the chest up. He has a thoughtful expression, looking towards the right. The background is softly blurred, showing what appears to be an office or meeting room with large windows.

An CFO Centre part-time CFO will work with you to:

Determine your requirements and devise a tax planning strategy and remove the fear of the unknown so that you and your senior team can offload the burden.

- Work with our wider network of tax specialists to solve complex issues as and when required.
- Undertake negotiations with IRAS on your behalf.
- Implement processes that ensure that tax deadlines are met.
- Translate specialist terminology into language you will understand and explain the plan in plain English.
- Prepare cash flow forecasts for IRAS that support applications to defer payments.
- Devise an optimal tax efficient exit strategy for the business.
- Ensure the tax advice fits with the overall business strategy
- Discuss the most efficient ways for you and your employees to be remunerated.
- Ensure that your company is kept fully up to date with new tax legislation.
- Establish systems that record data the most effectively for tax purposes.
- Deal with day to day legal issues – such as terms and conditions – and make sure your company is compliant.
- Work with our wider network of solicitors to solve important/complex legal issues.
- Help interpret legal letters and contracts.
- Collaborate with our internal network of CFOs and draw on over 5,000 years of combined expertise to find solutions to unusual problems.

Our review process will enable us to discover where you need help and quickly begin the planning process.

Conclusion

Delegating your tax planning and legal responsibilities to a tax specialist is a must, and we would never recommend that you use unqualified people in these areas..

If you have not yet created a comprehensive tax planning/legal strategy, then we would love to help. Your part-time CFO will work closely with tax specialists who are most appropriate for your business and make sure that your best interests are being catered for.

It is always a great relief to our clients to know that this high-risk area is being looked after for them.

Knowing that you are not paying tax you don't need to be paying and having peace of mind that all your tax deadlines will be met without you having to take on the responsibility personally will allow you to focus on growing the business while we take care of the details.

To ensure you're tax and legally compliant contact us on

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