



LEISURE IN BRIEF



Welcome to Champion Accountants Leisure Division Briefing No.1



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Director of Leisure

CHAMPION'S NEWLY FORMED LEISURE DIVISION BRINGS TOGETHER A TEAM WITH OVER 25 YEARS INDUSTRY EXPERIENCE AND IS A DEEP

RESOURCE ENABLING US TO PROVIDE A UNIQUE SERVICE TO PARK OWNERS.

Our experience of managing acquisitions, development and growth in both the Park Home and Holiday Park sectors enables us to provide direct support to growing park operators. Our industry knowledge and experience will enhance the credibility of strategic reviews, business

plans and funding proposals. Wide ranging tax advisory and wealth management capabilities serve to add value for park owners planning their future – tax planning, succession planning and disposals.

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LEISURE IN BRIEF

Developments in Capital Gains Tax

The changes to the Capital Gains Tax regime brought on a last minute rush to complete deals before 6th April. Park owners now need to familiarise themselves with the new regime and plan accordingly. Some park owners may benefit from the change depending on indexation allowance and trading status.

We can help you:

- Review your business and advise on the availability of Entrepreneurs' Relief
- Advise on other methods of sheltering Capital Gains Tax
- Prepare your business for sale

Coping with the Credit Crunch

During the last significant downturn in the housing market, park home sales suffered as sales volumes fell. Caravan holiday home sales proved much more resilient, and this together with an increase in hire and short stay led to the view that the holiday market was recession proof. History tends to repeat itself, however, given the increases in average prices of caravan holiday homes it remains to be seen whether sales prove to be as resilient this time

around. If your business is being affected by the credit crunch and the downturn in the housing market we can support you with a range of services from cash flow management to strategic review. We can help you:

- Manage your cash flow
- Analyse your profits by activity and market segment
- Prepare applications for funding
- Prepare/review your business plan

Capital Gains Tax Case Study

Entrepreneurs' Relief provides for a favourable 10% capital gains tax rate on an individual's qualifying gains on the sale of their trading business or the sale of their shares in a trading company, up to a lifetime allowance of £1,000,000 of gains. A simple example of the application of Entrepreneurs' Relief follows.

Mr X sells his shares in Holiday Park Limited, which has been confirmed to be of trading status, for £1,100,000. The shares were originally acquired for £250,000. Mr X has not previously utilised any of his Entrepreneurs' Relief lifetime allowance of £1,000,000 of gains. Mr X's taxable gain will be calculated as follows:

		Without Entrepreneurs' Relief	Tax Saving
	£	£	
Proceeds	1,100,000	1,100,000	
Acquisition Cost	(250,000)	(250,000)	
Gain on Sale	850,000	850,000	
Entrepreneurs' Relief-> Exempting 4/9ths of the gain	(377,778)	n/a	
Taxable Gain – assuming CGT annual exemption utilised against other gains in the year	472,222	850,000	
Capital Gains Tax liability @ 18% i.e. an effective rate of 10% on the gain on sale	85,000	153,000	68,000

Developments in Inheritance Tax

The changes to IHT introduced in the budget were welcome but given the increase in park values, tax planning remains very much on the agenda. Business Property Relief is valuable but you would be unwise to rely on this for tax planning without taking further advice. We can help you:

- Review your business and advise whether you will qualify for BPR
- Advise on other methods of sheltering IHT
- Review your succession planning

Park Development and Improvement

Many park owners have recognised the benefits of improving and upgrading park facilities and infrastructure. The move towards a higher quality and environmentally friendly product has transformed the industry. However development projects can be complex and some challenging decisions need to be made as the market becomes more competitive. We can help you:

- Evaluate the profitability of the project
- Advise on the taxation aspects
- Prepare funding applications

Changes to Capital Allowances

The budget brought wide ranging reforms into effect from April 2008. The reforms include changes to the rates of writing down-allowances for different types of plant and machinery, a new category and rate of relief for fixtures and the phasing out of industrial and agricultural buildings allowances over four years. These changes will have a significant impact on park owners. We can help you:

- Review your claims prior to April 2008 - many park owners have under claimed allowances on park buildings and infrastructure
- Advise you on expenditure incurred and planned post April 2008

Inheritance Tax Case Study

BPR is an extremely valuable relief and can be given in relation to the lifetime inheritance tax, death tax and tax on trusts.

Therefore, BPR can apply to a wide range of ownership structures including for example company shares owned by trusts, as well as owned by individuals.

Relief is given at either 50% or 100% depending on the circumstances.

Broadly, if a 'business asset' qualifies as such and has been owned for more than 2 years and the asset is owned by the business rather than owned personally, it is likely that the business asset will qualify for 100% relief.

It is crucial that succession and will planning are considered where business assets are held to ensure that on death, such assets pass in the most tax efficient manner.

For example, if Mr X dies owning shares in Holiday Park Limited valued at £1.1m, and the shares are left to Mrs X, no

inheritance tax liability will arise on the first death because assets passing to a spouse are exempt from IHT.

In this case the BPR is wasted on the first death and there are specific ways to structure wills from a tax perspective, to maximise the use of the BPR and to therefore significantly reduce the amount of IHT payable on the second death.

Qualifying Business Assets

Previously, HMRC have paid a lot of attention to caravan parks and the availability of BPR. This is on the basis that the activities of the business or company may consist of 'letting property'. The Revenue seek to deny BPR on such a business on the grounds that it is one of making or holding investments.

Case law exists in this area and it is clear that the taxpayer can be successful in making a claim for BPR provided that the business activities are structured in the correct way.

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SCOPE OF CHAMPION SERVICES

CHAMPION PROVIDES A COMPREHENSIVE RANGE OF SERVICES FOCUSED ON ADDING VALUE TO YOUR BUSINESS.

- Audit & Accounts
- Business Support
- Corporate Finance
- IT
- Management Accounts
- Payroll
- Tax Compliance
- Tax Enquiry Insurance
- Tax Planning
- Vehicle Solutions
- Wealth Management

To discuss the above or any other business or taxation issue contact
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We are looking at ways to improve our carbon footprint and want your help! Would you be happy to receive Leisure In Brief by e-mail in future? If so, please send a blank e-mail with "Leisure In Brief" in the subject box to liz.madden@champion-accountants.co.uk

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