



LEISURE IN BRIEF



Welcome to Champion Accountants Leisure Division Briefing No. 2



Len Bell FCA, Director of Leisure

MARKET UPDATE

THE CREDIT CRUNCH, FALLING HOUSE PRICES AND RISING UNEMPLOYMENT IS AFFECTING THE UK PARK HOMES AND HOLIDAY MARKET. THERE ARE SOME BRIGHT SPOTS - NOTABLY HOLIDAY LETTINGS - HOWEVER PARK OPERATORS ARE GENERALLY PREPARING FOR TOUGHER TRADING CONDITIONS IN 2009.

Park home sales are stalling due to the logjam in the housing market. And, given that house prices are expected to continue falling, this market is unlikely to recover quickly.

In the holiday homes market, the market for lodge and twin unit sales is much more competitive and some operators are switching some capacity to holiday hire and sales with sublets. Sales of competitively priced and pre-owned caravan holiday homes are proving to be more resilient to the downturn.

Sales of Residential Parks and Holiday Parks have slowed in the second half of 2008. The combined effect of the weaker outlook for sales,

and the tightening of credit conditions on bank finance mean that this trend is likely to continue in 2009.

However the parks industry is underwritten by solid pitch fee income, on the holiday side by strong demand for UK holidays and the flexibility to respond to changing market conditions. The industry seems relatively well positioned to trade through the downturn.

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LEISURE IN BRIEF

Managing Through the Credit Squeeze

Champion's Group Director of Leisure, Len Bell, has first hand experience of running a growing park operator through the downturn and on to become one of the industry's leading park operators. Our leisure division is well placed to advise clients facing the current downturn - management information on the performance of your business is vital.

Our team will provide an efficient and cost effective service delivering your management accounts and reports, annual accounts/audit and tax compliance services on time and with a real understanding of your business. If you are feeling the credit squeeze we can apply our experience to help you:

- Review your information systems.
- Review your strategy for managing through the credit squeeze.
- Prepare cash flow projections.
- Apply for/negotiate bank facilities.

Generation Game

Many park operators are established family businesses. Park operation is suited to family ownership with family members finding their role. However, as the family grows, with successive generations, family members have different aspirations. This can be a source of friction and

concern to both parties and can be resolved by a family buy out (FBO). We can help you by:

- Preparing a projection and business plan for the FBO.
- Assisting you with your application for funding.
- Offering tax planning & succession advice.

Developments in Inheritance Tax

The changes to IHT introduced in the 2008 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 are likely to qualify for BPR.
- Advise on other methods of sheltering IHT.
- Review your succession planning.

Developments in 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 (see below) 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 improve their chances of success when making a claim for BPR, provided that the business activities are structured in the correct way.

Capital Taxes

Many park operators do not offer holiday lettings or operate clubs or retail on the park. In these circumstances they are more exposed to a challenge by HMRC that their business does not qualify for Business Property Relief from Inheritance tax or Entrepreneurs Relief for Capital Gains tax. We can help you by:

- **Advising on whether you are likely to qualify for relief.**
- **Considering strategies to improve your chances of qualifying.**
- **Offering other tax planning solutions.**

Get Ready to Invest

Recession can yield interesting opportunities - be ready to take advantage of these. While other operators cut back there may be an opportunity to acquire new assets or recruit good sales people or managers. You may need further funding to implement your plans. In the current climate it pays to prepare a well thought out application for funding including a cash flow projection. However, not all banks will have the same appetite to fund projects and you may need to shop around. We can help you:

- **Prepare your plan.**
- **Prepare funding applications.**

HMRC's New Investigation Powers

From 1st April 2009, the way HMRC will conduct their enquiries into your business will be changing. Put simply, they will have far greater powers of enquiry than ever seen before.

The Revenue is seeking a new & improved way of investigating businesses by:

- Risk assessing tax payers by looking for risk areas in business, eg; high cash takings, cross border transactions, weak accounting systems, returns filed persistently late, etc.
- Introducing "real time" investigation where business premises can be visited on issue of a 7 day notice.
- Covering all of the taxes in one go where there won't just be one inspector visiting, but one for each tax; VAT, CT, PAYE.

If HMRC decide to enquire into your business you may receive a 7 day notice, notifying you of the intended visit date. This visit will differ from the old PAYE compliance visit. It is likely 3 inspectors will arrive; a corporation tax inspector, VAT inspector & PAYE inspector.

If you receive a 7 day notice you

should notify your accountant immediately. Despite the new powers of the Revenue, there are limits to what information you reasonably have to provide.

You should act now by considering your compliance & accountancy systems, for example:

- *Are you dealing with your VAT correctly?*
- *How do you account for work in progress?*
- *Are all the mileage records for all the pool cars up to date?*
- *Are your accounting systems traceable, effective and do they record accurately your business transactions?*
- *Do your employees keep mileage records to support their expenses?*

We advise you to review your business and we will be happy to assist you with any areas of concern.

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SCOPE OF CHAMPION SERVICES

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

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- Business Support
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- IT
- Management Accounts
- Payroll
- Tax Compliance
- Tax Enquiry Insurance
- Tax Planning
- Vehicle Solutions
- Wealth Management

To discuss any areas covered in this edition of Leisure in Brief, or indeed any other business or taxation issue contact **Len Bell FCA, Director of Leisure** on **01244 404420** or e-mail **len.bell@champion-accountants.co.uk**

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