



Hornbeam Highlights 46

October 2011

Hornbeam Update

This is the first Highlights for some time that we have sent out by post as well as email. I hope you enjoy it. There has been quite a bit going on at Hornbeam.

Sending out Hornbeam Highlights by email, has one major advantage for Hornbeam – the distribution cost is close to zero – this advantage in turn has two major elements (1) it has cut our costs substantially, (2) it enables us to expand our distribution list without regard to costs.

Email does however have one major disadvantage – the suspicion is that very few people actually read the emails! So I would like to remind you of the really good (fun) article on Inheritance tax, which was our last email submission and is now available on our website.

Since we started sending out Hornbeam Highlights by email we have retained Richard Lomax's firm "common sense marketing" to advise us. To be honest they have been a bit blunt. Firstly, they pointed out that our existing websites were "crap". I think that must be a technical term. Anyway James and I have rewritten, and James has rebuilt all our websites as marketing tools. Two of the websites are pure marketing tools. www.hornbeam-acquisitions.co.uk and www.hornbeam-valuations.co.uk have been bringing in a steady trickle of leads for interesting and remunerative specialist work, particularly on business valuations. The commendations on www.hornbeam-valuations.co.uk are particularly gratifying.

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Client Funding

Whilst adapting to and prospering in the electronic world has been essential to this firm, dealing with the banking crisis has been important to many of our clients. We have been involved with a couple of major victories:

- Client 1 asked for a £20k extension to his facilities. The Bank refused, decided to withdraw his business mortgage, then offered to refinance at 8% over base instead of 2.5% over base. At this point I became involved. We found that Bank was profoundly in breach of its own terms and conditions, in particular had failed to review repayments at least annually maintaining the original term of the loan. As interest rates had fallen from a base of 5% to a base of 0.5% shortly after the £400,000 mortgage was taken out this meant that in effect the borrowing facility (the loan) had been reduced by £69,000 through three years of recession. The 25 year loan period had been reduced to 11 years. After heated argument the Bank agreed to put the client back to the position that he should have been in.
- Client 2 came to us to prepare a business plan and make a presentation for banking facilities to build up a trading / manufacturing / hire business. The manager that we saw stated that he hadn't seen any lending in East Anglia since 2008, so he didn't know where the national claims to be meeting targets were coming from. (That made 3 of us). None the less our request was met in full. The terms were "not great", but at least the lending was forthcoming.

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Interestingly, our marketing consultant also told us that two articles by major national institutions that we rebadged and sent out by email earlier in the year were boring, and they have forbidden me from doing that again!

Action points for you the reader:

- Go to www.hornbeam-accountancy.co.uk, choose “Hornbeam Highlights” from the “Resources” heading and read the article on Inheritance Tax. – Note the resources available from our website.
- If you would like the article by post or fax ring Di and ask for a copy
- Have a look at the business valuation website – read the commendations – note the marketing techniques embedded in this website – note that we offer business valuation as a service, and that we can create websites that are powerful marketing tools (also a service that we offer).
- If you aren’t getting hornbeam highlights by email, phone or email in with your email and we will put you on the list.
- Let us know if you would prefer to receive Hornbeam Highlights by post

There are other aspects of the electronic world that we have to master at Hornbeam. Over the last few years, first personal tax, then PAYE, then VAT and Companies House and, from April 2011, Corporation Tax have all moved to electronic submission. At each stage we have had to invest in software to interface with the government. The last of these has been the most difficult for us. The system adopted seems to be particularly complex and submissions which used to take 30 seconds into the post tray now take an average of about an hour each, as the “automation” by iXBRL has been decidedly not robust. I guess most of you have tried to buy things by internet and lost the connection about 25 minutes in, so you know what I mean!

I should also say that we have been entirely unable to help two small property developers, even though they have had some of the best lending propositions I have ever seen!

Away from banking we have also been instrumental in winning extra funds for a client who I felt was subject to an outrageous manoeuvre to reduce his 10% minority holding to 3%. A deal was done by the 90% holder to take a million pound payment for some relatively minor contractual changes then to exchange their shareholding for 27% of a new holding company and £45,000. Our client was given five days to sign the papers to take his 3% and £5,000 under the rules for minority shareholders. We argued with increasing belligerence that our client was entitled to 10% of the £1,000,000. The other side (a major local institution) instructed lawyers to threaten to sue our client for losses if the deal was scuppered. We were so convinced of our case that we refused to budge. After tense face to face negotiations we obtained a settlement of extra funds that resulted in the very unusual and delightful email from my client’s lawyer “I think that was a good result in the circumstances, well done”.

I have a thing about seeing my clients bullied; by banks, government, or large companies; and I generally find that logic, determination, and ruthless negotiation can obtain something close to what I regard as fair!

Action points:

- If you want help to resist bullying by banks, government, or commercial partners, ask Hornbeam.

Record Keeping and Fines!

When I set Hornbeam up, we majored on helping our clients to sort out their accounting systems, whether this was one person writing up a manual cashbook, or tidying up a much larger accounts department. One early success reduced our client's fees from £15,000 per year from another firm of accountants to £3,000 per year, with much better records and more control for the client. I have recently been back at this; showing two clients how to balance manual cashbooks, and having a day out in Oxfordshire sorting the sage records of a major TV personality.

This is more important than ever as HMRC have started a campaign against poor record keeping. They have had powers to levy £3,000 per client for many years, but have set up teams throughout the country to inspect client record keeping and have announced that they expect to collect an average of £3,000 from each taxpayer visited!

HMRC are also tightening up on deadlines, in a big way. Until this year fines for late submission of tax returns have been capped at 100% of tax payable. So for many people with no tax to pay this was zero! Not now. £100 fines have been boosted to £1,000 by £10 per day increments and are now due even where no tax is due. We have always regarded fines as additional tax that our clients do not pay. This is going to get much harder from now on. Fines for late submission are a voluntary tax – please help us by getting your records to us in plenty of time – don't pay this voluntary tax.

Action points

- If you need help with record keeping, or if you know anyone who needs help with record keeping, ask Hornbeam.
- Don't volunteer to pay extra tax in the form of fines for late submission, get your records to us in plenty of time.

Written by Phil Needham

DISCLAIMER

Most of the information contained in this Hornbeam Highlights is of necessity greatly oversimplified. We are trying to bring to your attention tax planning and business management opportunities. However, you should not take action based upon this leaflet without obtaining specific professional advice.

Whether you are a client or not, if we can provide further help or advice concerning any of the matters covered here, please do not hesitate to telephone us on (01603) 720424.

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