

+ more news

Welcome to our summer newsletter. We hope you find it interesting and helpful. For more information on any of the matters covered, please get in touch.

Black Box secures successful business sale

The owners of Lancashire-based Black Box Security have been clients of RfM Chartered Accountants for more than three decades. When they decided the time was right to sell the business, RfM was there to guide them through the process and help secure a successful sale.

Directors Mark Rothwell and Douglas Robinson came together in partnership to form Black Box Security over 40 years ago. In 1990, as their venture grew and prospered, they appointed RfM Preston (then known as Demack's) to assist them in becoming a limited company. They have been clients ever since.

Over the next 27 years, Mark and Douglas worked tirelessly to establish the reputation of Black Box Security as a leading expert installer of intruder and fire alarms, CCTV and access systems.

From modest beginnings in Leyland, the business now operates from bases in the North West and North East, serving domestic and commercial clients including the NHS, KFC, Booths, Eric Wright Group and Spar.

Whilst they could not have predicted the exact path their company would take over its 40-year history, in recent years the partners were working towards a goal of selling the business – when the timing was right.

In the spring of 2017, it was decided that the directors and the company were ready.

Get in shape for selling

With advice and support from their advisors at RfM, Mark and Douglas had been taking steps to get the business ready for sale. They had introduced a management incentive programme for their team of experienced employees along with other measures that would help to ensure the business would continue to thrive without them. Each initiative formed part of a wider strategy designed to achieve two key objectives: to make the business an attractive proposition for potential buyers and to achieve a realistic



Black Box Security operates from premises in the North West and North East.

selling price. If they could sell the business to the right buyer for the right price, the partners' many years of hard work would have been worth it.

Finding a buyer

RfM initially approached a group of corporate financiers who specialise in finding buyers and managing the sale process. However, when the fees for their services were balanced against the anticipated value of the business, this route would prove unfeasible.

"Corporate finance companies specialise in business sales and acquisitions so it's in their interest to deal with larger companies where the rewards can be much greater," explains RfM Consultant Paul Newsham.

"Black Box Security is a solid, profitable business and would be a very good investment for the right buyer. In light of the proposed fees from the specialist brokers, we decided to take an independent approach to finding and attracting interested parties."

After discussions with Mark and Douglas, it was decided that they should draw on their experience and knowledge of the market – most importantly, the other players in their field – to put together a potential buyer list. RfM approached their list of ten companies

discreetly and confidentially to test the market. As a result, one competitor business expressed some initial interest in buying Black Box Security but did not go on to make an offer.

Paul also approached one of his business finance contacts, London-based corporate financier Lorenzo Russo. Lorenzo's company, Tradewinds Capital, also specialises in buying and selling businesses but, once again, Black Box Security did not fit the criteria for them to be involved.

However, the story would not end there...

Establishing the terms of the deal

Lorenzo expressed an interest in acquiring Black Box Security via his own investment vehicle in partnership with his business associate Andrew Wood but he was concerned about the impact on the business of the founders leaving. As a result, it was decided that a transaction made sense only if there was a person in the business capable of running the company on a day-to-day basis, who believed in the incredible growth opportunity ahead and who was willing to invest his personal money in the project. That person was Operations Director, David Barnes.

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What's putting you off writing a Will?

Writing a Will is one of those tasks that everyone knows they need to do, but nobody really wants to. That's because we'd much rather devote our time to thinking about living our lives, rather than what happens after we are gone. We aim to make the experience of writing your Will an easy and comfortable one, so you don't need to put it off any longer.

Since we introduced our Will preparation service, we have been surprised by the number of people who don't have a Will or any sort of estate plan in place. In fact, research shows that around 60% of British adults have not made a Will. It's hard to believe that around 31 million people don't mind what happens to their estate when they die, so what's putting them off?

Here are some of the reasons for not having a Will that we have come across.

I don't want to share the details of my financial situation.

The good news is that you don't have to.

We don't need to know the precise details of your financial situation and assets in order to prepare your Will properly. The questions we ask about your finances are very general, such as:

- Do you own any property or have a mortgage on a property?
- Do you own any property abroad?
- Do you have a pot of savings?
- Do you have any investments?

We only need general information because, hopefully, it will be a long time before your executors need to look at your Will to carry out your wishes, and the value of your assets will likely have changed by then.

If you ask us to look at planning to reduce your liability for Inheritance Tax, we will need to know more

specific details about the value of your estate. Our tax experts can put together a plan to ensure your estate is as tax-efficient as possible.

I'm not sure what or who I should put in my Will.

Until you come to prepare your Will, you may not have given much thought to exactly who will get what when you die. We understand that it can be difficult to make decisions about a time in the future when you are no longer here.

In order to make it easy for you to make decisions on how your estate should be divided, our Barrister Intermediary, Sharon Rigden, follows a clear, effective fact-finding process designed to help you think about particular scenarios. As part of this process, Sharon plays a series of short videos that will prompt clients to think about the implications of certain events they may not have considered before.

The videos demonstrate how your Will can be affected by events such as:

- The marriage or remarriage of your spouse after you have gone
- The premature death of a beneficiary
- The marriage or divorce of a beneficiary
- A challenge from an excluded beneficiary.

Once the fact-find has been completed, Sharon will have a clear understanding of your circumstances and the Will can be drafted. She will ensure that it is legally valid and a precise summary of your wishes.



I want everything to go to my partner. Won't that happen automatically?

If you are not married to your partner, regardless of how long you have been together, they are not automatically entitled to anything from your estate – unless it is specifically stated in your Will. Writing a Will is the only way to make sure your partner will get what they are entitled to.

I already have a Will.

Even if you don't think your circumstances have changed significantly since you wrote your Will, it is a good idea to have the document reviewed every few years. It is worth noting that if you remarry your Will automatically becomes invalid. If you have a child, it is also important to specify a guardian for them should the worst happen. We provide a complimentary Will review service to check that your documents are still valid and a true reflection of your wishes.

By keeping your Will up to date and structuring your financial affairs in the most tax-efficient way, you can protect your estate and your loved ones from unnecessary stress, tax and professional fees. RfM can offer you advice on the best way to:

- Protect against generational inheritance tax
- Give beneficiaries instant access to inheritance
- Reduce or eliminate the cost of probate.

To find out more about our Will review and preparation services, please call Sharon Rigden on 01772 431233, email srigden@rfm-more.co.uk or visit www.rfmlegal.co.uk.

Black Box secures successful business sale

Continued from front cover...

"Many of the employees have been with the company for over 25 years, and I have been Mark's right-hand person for the past decade," explains David. "It is our combined knowledge and expertise in the security sector that lies behind the good reputation and the success of the company."

Lorenzo and Andrew wanted to ensure that after the change of ownership it would be 'business as usual' at Black Box. Paul facilitated a meeting between Lorenzo and the owners so that they could discuss his proposition in more detail.

A short time later, with support from Paul, the Heads of Terms (the outline structure of the deal) was agreed, and in September 2017 the sale of Black Box Security was completed to everyone's satisfaction.

"A few things have changed since Lorenzo, Andrew and I became the new owners of the company – but everything has been for the better," says David. "They oversee the strategic direction of the business and any potential opportunity for growth outside our day-to-day operations (including any additional acquisitions) so that we can further grow the Black Box brand. We speak regularly and it's reassuring to know that I can call on their vast knowledge of business and finance at any time. Along with Lorenzo and Andrew, I am now one of the three directors of the company and I share their commitment to make the company even more of a success in the future."

Supporting you to sell your business

"There are a number of benefits to using RfM to help you find a buyer and manage the complete sale process," says Paul. "Depending on the type of business, we may be able to introduce you to a ready-made buyer. Our fees are subject to the size



FIRE & SECURITY SOLUTIONS

and nature of the transaction but will certainly be significantly lower than those charged by a corporate finance company. We will also carry out any of the associated tax work on your behalf as part of the transaction."

Following their successful acquisition of Black Box Security, Lorenzo and Andrew are also interested in acquiring other, similar service-based companies with turnover in the range of £1 – £5 million. RfM can provide an introduction and also manage the complete process on your behalf.

To find out more, call Paul Newsham on 01772 431233 or email pnewsham@rfm-more.co.uk.

FOCUS ON: Company Vehicles

Tax ad-van-tages

The benefits of driving a company van

If income tax is a consideration when choosing a company vehicle, it could be worth your while to choose a company van rather than a car. This applies to vehicles for company directors, who are also treated as company employees. A recent tax case highlights the differences in how cars and vans are defined for tax purposes.

Why choose a company van?

If an employee is given exclusive access to an employer-owned van, and it is available for private use, there is a taxable benefit. In 2018/19, this is a flat rate charge of £3,350 for vans that emit CO₂.

In contrast, the taxable benefit on a company car is generally between 13% to 37% of the manufacturer's list price of the car including accessories. The precise rate depends whether the vehicle is petrol or diesel, and the level of CO₂ emissions.

There are additional benefits to choosing a van in terms of fuel. Where there is a chargeable benefit for an employer-provided van, if the employer provides fuel for the private use by the employee, a van fuel benefit charge arises. This amounts to £633 for 2018/19.

Finally, in regard to National Insurance, providing either a car or van as a benefit in kind can result in an employer charge to Class 1A at 13.8% of the assessable benefit.

The definition of a van

Given the tax at stake, it is no surprise that the guidance from HMRC on what constitutes a van is complex. To further complicate matters, what holds good for Vehicle Excise Duty and VAT, doesn't necessarily hold good for income tax. The key point to consider is whether the vehicle fits the description of a goods vehicle: 'a vehicle of a construction primarily suited for the conveyance of goods or burden of any description'.

HMRC have issued guidance for off-road vehicles and double cab pick-ups. Double cab pick-ups are, broadly, pick-ups with a second row of seats.

They seat around four passengers plus driver, have four doors that can be opened independently, and an uncovered pick-up area behind the passenger cab. Generally, a double cab pick-up will have a payload of one tonne (1,000kg) or more, and there are guidelines on how to define payload, and how the vehicle hard top fits into the calculations.

HMRC say it is not possible 'to come up with a single categorisation for all double cab pick-ups. Nor is it possible to give a blanket ruling on any particular make ... so each case will depend on the facts and the exact specification'.

A recent tax case – modified vehicles

In a recent tax tribunal case, three vehicle models (the Vauxhall Vivaro and Volkswagen Transporter Kombi 1 and 2) came under intense scrutiny, largely because each vehicle had been modified.

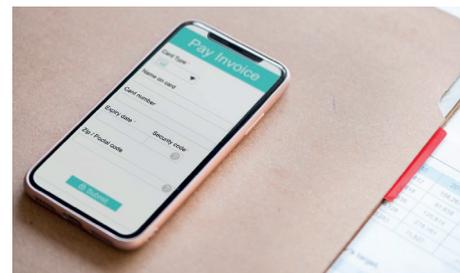
The judge considered the maximum load that could be carried, braking systems, loading areas, modifications like extra seating and storage racks, provision of seat belts, climate controls, power sockets and sound-proofing, and also the role of the bulkhead in enabling goods to be carried in the rear cargo section and ensuring protection of passengers in the mid-section. He determined that the Vivaro was a goods vehicle, but the VW Kombi was multi-purpose, and should be classed as a car. The judge suggested that vehicle modifications did not need to amount to a 'fundamental alteration in structure' in terms of 'core framework or chassis or body'. The definition of 'construction' could be wider than simply the 'original construction' of the vehicle and could include subsequent modifications.

Tax tribunals do not result in binding legal precedent. However, this case is a useful reminder that company vans can have tax advantages and, being such a complex area, it is wise to seek professional advice.

To discuss the tax implications of your company vehicles or other company benefits, please speak to your usual RfM advisor.

Late-payer cashflow problems – a new service

20% of small businesses regularly experience cashflow problems because their bills are paid late – a situation the government described as the 'scourge of late payment' in this year's Spring Statement. There is a government consultation in the pipeline and in December 2017 a new service was launched to help.



The role of the office of the Small Business Commissioner (SBC) is to encourage a culture of fair payment practices by:

- supporting Britain's 5.7 million small businesses to resolve payment disputes
- tackling larger businesses' unfair payment practices to drive culture change
- providing information via its new website to help small businesses with late payment issues
- receiving late payment complaints from small businesses.

There are certain criteria that must be met in order to access complaint-handling support from SBC. If the SBC is able to help you with your complaint, it will aim to make its recommendation within six weeks. An SBC decision is not legally binding, so court action and other options will still be open to you, should you require them.

If you are experiencing cashflow problems, you can find helpful general advice on our website. For advice on accessing funding, finance and grants please get in touch.

Calling all golfers...

We are looking for teams of golfers to take part in the annual Mark Lawrenson Golf Day to raise money for the Baby Beat Appeal. The event takes place at Preston Golf Club on 10th September. To find out more call Paul Newsham on 01772 431233 or email pnewsham@rfm-more.co.uk.



I'm self-employed... can I get a mortgage?

Finding a mortgage deal when you're self-employed can be tricky. But, yes, it is possible to get a mortgage even if you have only been trading for a short time.

Traditionally, mortgage lenders would require you to have been trading for at least three years before you could be considered for a loan. This is because it is more difficult to establish a person's income without this information, and consequently harder to assess the level of risk involved in lending to them. However, it's now entirely possible to find a mortgage deal, even if you've only been self-employed for a short period of time.

We can secure mortgages for:

- Limited company directors trading for 12 months
- 12 months self-employed with bad credit
- Established companies recently limited
- Sole traders only trading for 12 months
- Contractors working for 12 months.

Who will lend to someone newly self-employed?

It used to be that only a select few lenders would offer loans to self-employed buyers. However, more and more lending organisations are now considering them. These range from well-known high street lenders to smaller, more niche companies. The lenders likely to accept your mortgage application

will vary depending on your personal circumstances.

How long do I need to have been in business?

Many mortgage lenders will consider applicants with as little as one year's accounts, provided that they have completed and filed a tax return for their first year's business. However, if you're still in your first year of trading, it may still be a good idea to apply; decisions on mortgage applications can take up to three months to complete, so applying early is an option. If you apply before the end of your first year, lenders will use your projected income to determine how much they are willing to lend you. Whilst not wholly accurate, this will give you a good idea of the amount you're likely to be able to spend on a property.

How much can I borrow?

Self-employed buyers can borrow roughly the same amount as those who are employed. This is usually around five times your annual income. There are some lenders who may be willing to increase the maximum amount available to you, but this will be dependent upon your personal circumstances and proven affordability.



What if I have a poor credit history?

Provided that the property you're looking at is deemed to be affordable to you by the lender, you should still be able to secure a mortgage offer, even with a poor credit rating. However, you will almost certainly need a healthy deposit to put down (usually around 15%). The only issue will be if you have CCJs or mortgage arrears within the last two years, as this will severely hinder your ability to acquire funding.

If you're self-employed and looking to secure a mortgage, we aim to find the lender and mortgage product that's most appropriate for your needs. RfM Mortgage Services have access to the whole of the mortgage market, so whatever your circumstances we can help. To arrange a free consultation, call Sharon Rigden on 01772 431233, email srigden@rfm-more.co.uk or complete the enquiry form at www.rfmmortgageservices.co.uk.

Paying family members – the right way

When paying family members, to qualify for tax relief any costs must be incurred 'wholly and exclusively' for the purpose of the business. A recent tax tribunal case illustrates how easy it is to make an error, and we explain how to get it right.



How not to do it

Mr Nicholson wanted to claim tax relief on wages paid to his student son from his business. Over the course of several years, his son helped with computing and, whilst away at university, also helped to promote the business via the internet and with leaflet distribution. Mr Nicholson went to tribunal over payment of wages totalling £7,400. In his defence, he argued that he had paid his son less than the commercial rate for similar work. The figure of £7,400 was based on 15 hours work per week at £10 an hour.

The issue arose because there was no evidence that the wages had been paid in this way. In reality, Mr Nicholson sometimes gave his son cash. On other occasions, he used his own credit card to pay for food and drink when visiting him, and to fund the weekly student grocery shop. There were no records of the

hours worked. Based on these facts, the tribunal found that the expenses had a dual purpose. Although there was a business element, there was also a private element; they were made to support a son at university. Mr Nicholson lost his appeal.

Some good advice

When you pay family members to carry out work for your business, keep a record of hours worked. Make sure you can demonstrate how payments made relate to actual work done.

The tax tribunal was interested in seeing some form of methodology in calculating the amount payable and an accurate record maintained of the number of hours his son worked. Had Mr Nicholson been able to show evidence of this there would have been no need to question the expenses – and no need to appear before a tax tribunal.

RfM

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THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME OR PROPERTY. YOUR HOME OR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

The Financial Conduct Authority does not regulate some aspects of commercial mortgages and buy-to-let mortgages.

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