



Insider

August 2010

## The age of the entrepreneur is upon us

Some are suggesting we are headed toward an age of austerity, a name that conjures up images of failing businesses, empty shelves and a stoic population bearing hardships with great British resolve.

But statistics suggest a different scenario. A recent survey shows that from January to May this year over 36,000 new business enterprises were launched – amounting to 240 start ups a day! More significantly, these figures represent an almost 20 per cent increase on the same period last year.

And with large scale redundancies in the public sector looming and the conventional job market still weak, it is not unreasonable to assume even more people will decide to become self employed and use what ideas and resources they have to launch an enterprise of their own.

Add to that the bleak prospects for young people entering the job market with, reportedly up to 70 graduates pursuing each vacancy and a 2:1 degree often the minimum requirement, we can expect to see a large number of budding young entrepreneurs setting out their stalls in the months ahead.

The irony is that despite the dire economic conditions, the present climate is in many ways favourable for those seeking to venture out on their own. The recent Budget showed signs that the new Government is keen to support emerging businesses with tax breaks, NI concessions, promises to improve funding availability and other forms of assistance slated for further

down the road, although there are those who feel that the dismantling of the Regional Development Authorities might herald a reduction in support and funding for start-ups.

Looking at the bigger picture, the substantial increase in the entrepreneurs' relief lifetime limit from £2 million to £5m makes the prospect of setting up in business even more attractive. Building a successful business can now be seen not just as providing a means of livelihood in the short and medium term but also as a potentially major investment in your future retirement.

The elephant in the room, of course, is the current availability, or rather lack of availability, of finance, especially for small, untested businesses. Despite their protestations to the contrary, it seems that the banks are still not lending anywhere near enough to small businesses. It is to be hoped that the new Government can make good on its promise to free up more funds in this area. In any event, the statistics tell us that 240 entrepreneurs a day are finding the necessary resources to get started despite the tight conditions. In some cases this will be through bank lending or loans from other institutional lenders but in others it will be from alternative sources of funding such as redundancy pay or even loans from family and friends. There also seems to be an increase in less resource hungry start ups using more nimble business models, including for many working from home.

The chances are that even if you are not thinking of starting in business yourself, you know someone who is. So why not talk to us about how we can help, or refer your friend to us? We have years of experience helping start ups and guiding them through all the stages of the business cycle from planning and formation, through growth and maturity to exit strategies and disposal.

The months and years ahead don't all have to be all doom and gloom. We are excited about the prospect of a resurgence of the entrepreneurial spirit in this country and are committed to playing our part in helping to transform the financial outlook for both this and future generations.



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## Capital gains tax changes – act now

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The changes to capital gains tax announced in the recent Budget have resulted in a more complex regime, with a two-tier rate system now in place – 18 percent and 28 percent. The situation is made all the more complex by the fact that the changes were introduced mid year, which makes tax planning for the present year more difficult, especially where it comes to offsetting reliefs and losses in the most favourable way possible. If you have concerns about your CGT exposure in the light of the Budget changes we recommend you contact us sooner rather than later.

## VAT increase and your business

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The reaction to the VAT increase in the recent Budget has been mixed, with opinion divided on the extent of the impact on small businesses. Clearly some businesses will be affected more than others. The one saving grace is the delay in implementation until January next year, which gives businesses some time to plan for the rise and explore any options there might be for limiting potential damage to sales in January. The standard rate is likely to remain at 20 percent for most of the lifetime of this government. Contact us if you need help or advice with your VAT planning.

## Are you making adequate provision for your retirement?

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The latest Scottish Widows Pension Index reveals that the number of people setting aside an adequate amount to retire comfortably has fallen from 54 percent last year to just 48 percent this year.

Retirement savings had been on the rise for the previous three years but now the economic downturn is being blamed for that trend reversing. And those who are the most vulnerable, the over 50s, are saving the least, with fewer than half making adequate provision. The irony is, of course, that the downturn should be motivating people to save for retirement not deterring them!

As with many things, the key to making adequate provision for retirement is planning ahead, and we have seen many of our clients improve their prospects through well-advised retirement planning.

If you have not done so recently, we recommend you contact us for a retirement planning review.

## HMRC getting tough on VAT Time to Pay requests?

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New figures revealed by HMRC under the Freedom of Information Act show that they rejected over 11 per cent of all VAT Time to Pay requests in the first quarter of this year, which is more than twice the number for the same period last year. Particularly hard hit are businesses that are unable to pay their VAT bill because of delayed payment by their customers.

## Beware of the new anti bribery laws

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The new Bribery Act, which received Royal Assent in April, introduces a number of new offences, including 'failing to prevent bribery'. This means that if anyone in a business makes or receives a bribe the business itself, whether large or small, can be held culpable for bribery committed on its behalf. The only defence is to demonstrate that the business has put in place 'adequate procedures' to prevent bribery and corruption. Don't leave this one to chance. Seek professional advice if you have not already done so.

## Busman's holiday

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In these tough times it seems it is getting harder for bosses to relax. A recent survey reveals that almost two thirds of owner-managers in the UK are planning to take only one week's vacation or less this summer, with almost the same number saying they will be in daily contact with staff during their break! Busman's holiday anyone?