

A comprehensive service offering

At Paish Tooth we deliver an extensive range of tax and accounting services. Alongside our traditional compliance offerings, we provide expertise in all of the following areas:

- **Succession planning**
- **Wealth Management**
- **Financial Management**
- **Profit improvement**
- **Personal tax planning**
- **Business tax planning**
- **Xero Cloud accounting**
- **Auto-enrolment**

Please just ask if you wish to discuss any of these additional service options.

A friendly team of experts

Paish Tooth is a relaxed and friendly firm with a team of 15 staff. We've been offering expert accountancy and tax advice for over 30 years. Paish Tooth is regulated by the Association of Chartered Certified Accountants (ACCA), and we also practise as Chartered Tax Advisors, authorised by the Chartered Institute of Taxation. Our drive has always been to gain an understanding of every client we work with, so that we can offer the appropriate tailored support and practical advice. We're always keen to build up strong, effective partnerships with our clients and help them achieve their full business potential.


Get in touch!

Paish Tooth is conveniently based in Cheltenham town centre, a short stroll from the High Street, plus we have client car parking available. Please give us a call if you would like to arrange a meeting with one of the team - we'd love to hear from you!

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Or why not join us on social media:

-  @paishtooth
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Download our free mobile app

The Paish Tooth app will keep you on top of the latest news and tax changes, and is packed with useful tools including calculators, tax tables, financial dates, a receipt manager and mileage tracker.



 **paishtooth**
ACCOUNTANTS & TAX ADVISORS

Succession Planning



So, where to from here?

As with successful sportsmen, retiring at the top is a potentially tricky proposition - and can be premature! An early stage and honest assessment of the inherent skills and experience of the proposed future managers, along with their ability to drive things forward, is a possible solution to the problem. In fact it's a fundamental pre-requisite, if the plan to step down from a leading role is to stand any chance of being successful- and no more so than when those future managers are the next generation of the family.

If that hurdle can be overcome, a well thought out tax plan becomes a significant factor in achieving the desired aims in the most tax efficient manner. This is where our team can help as they have considerable experience in guiding business owners through this potentially difficult phase in the life of a business.

Concerns of keeping it in the family

Whether a business passes to the next generation either during lifetime or on death will determine the timing of the tax implications. Today's benevolent tax structure can point in favour of the latter, and yet where the business is expected to grow in value, moving assets into the next generation's hands while their values are low is generally preferable to holding onto those assets. The need to balance those competing issues can lead to some interesting discussions. It should be borne in mind however, that the idea of gifting assets is often hampered by concerns

about the impact of possible death, divorce or bankruptcy within that next generation.

'Trusting' the next generation

A possible mechanism for settling these concerns would be the use of trusts, set up either during the lifetime of the present business owners, or on their death under provisions in their wills. Used in this way, trusts achieve the useful combination of keeping direct ownership of assets out of the hands of the next generation whilst at the same time allowing the advantages flowing from ownership to be enjoyed.

Benefits of gifting business assets

A gift of business assets during your lifetime may avoid inheritance tax implications, but capital gains tax always needs to be carefully considered. Here, however, all may not be lost as the legislation allows gains on certain gifts of business assets to be 'held over'. The effect of the provisions is that the donor is not charged tax on the gain and the donee will make a correspondingly larger gain when he/she disposes of the asset in the future. In short, tax is deferred, perhaps for many years; possibly with little or no ultimate liability.

A self-funding solution

A company 'purchase of own shares' can be a very tax-efficient means of effecting a change of ownership. Relying on a combination of provisions in company and tax law, it has been the case for a number of years that profits accumulated during the company's lifetime

can be paid to a retiring shareholder to buy out some or all of his or her shareholding. The company then cancels those shares, leaving ownership of the company in the hands of the continuing shareholders. It follows that this can be a very attractive alternative to using one's own money or potentially having to borrow the required funds.

As ever, conditions apply, in particular that the own purchase is of at least a substantial proportion of the retiring person's shareholding; secondly, that the circumstances are such that they meet the test of the own purchase being "for the benefit of the company's trade." A useful Statement of Practice gives guidelines that assist in meeting the overall conditions, and a facility also exists by which an advance ruling can be sought from HMRC concerning the effectiveness of the particular plan that is contemplated. A positive ruling from HMRC should ensure that the retiring shareholder becomes entitled to Entrepreneurs Relief, a helpful measure that reduces the rate of tax payable on the resulting capital gain to only 10%.

How can Paish Tooth help?

How to pass on business assets tax-efficiently can certainly be a challenge. Nevertheless, a successful plan - which is unlikely to emerge without a combination of lateral thinking, mature reflection and some professional input - is not without its rewards, both now and in the future. Speak to us if you would like any help in arranging your affairs for the time ahead.