



A RISKY BUSINESS CAN SOUND THE DEATH KNELL

By Dawn O'Leary, Davis Burton Sellek



As the layers of the onion peeled away it became clear that the News of the World was never going to recover from the phone hacking scandal. The moral code of business ethics had been crossed and there was no going back. And we all know what happened next.

Whilst the small and medium sized business owner is unlikely to face a scandal of this scale, every business faces some degree of risk. Even when everything is planned to the nth degree, a business could close due to events beyond its control. So it's important to identify the risk your company faces and counter it to be successful.

The type of risk varies but can be anything from overhead costs, cost of equipment, sales volume, taxes, staff theft, competitors, local economy, shrinking markets, obsolete products/services and more. Other risks may include data loss, natural disasters, property theft, machine breakdown and cash flow - all of which can lead to business closure.

Failure to obtain the correct licences may also put the business at risk. Embezzlement, liability losses, public liability, a key shareholder who becomes ill can all hinder a small business. Cash is king – inaccurate cash flow is the biggest killer. A business may make bad business decisions as a result and saving costs recruiting unqualified key employees is a risky strategy too.

Your accountant can provide guidance on potential risk factors. Ultimately though, the onus is on the business owner to identify the risks and put in place good risk management techniques. Either way, this will make for a successful business built on well-informed business decisions.

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MORE COMPANIES SHOULD BE BENEFITING FROM EIS

It is still difficult for businesses to gain funding for growth, so any attempt to encourage investment is a step in the right direction. An Enterprise Investment Scheme (EIS) encourages investors to provide businesses with a long term investment. Unfortunately, since the scheme began in 1994, take-up has not been as good as was hoped. Consequently, the Government has made significant changes to encourage greater investment.

The changes have largely been an attempt to make the scheme more attractive to investors. With changes such as an increase in the tax relief from 20% to 30% there is also an increase in the threshold for qualifying businesses.

There are rules for qualification and schemes can be complex but if you can see past all of the constraints then an EIS can have significant benefits and, with a more focussed approach, any perceived pitfalls can be avoided.

Menzies has produced a set of *Business Helpsheets* to provide guidance on EIS. If you would like a copy or would like to find out more on how you or your company could be benefiting from EIS, please contact tax@menzies.co.uk.



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