Business & Finance

Business rates

the silent corporate raiders

By Douglas Shanks

A young Austrian client rang me up the other day and asked me for help with her domestic rates. I told her we're accountants; someone else deals with rates. *Who?* No idea. *So Doug, you deal with personal tax, corporation tax, fuel tax, VAT, insurance tax, other indirect taxes, PAYE and national insurance, self-assessment, partnership tax, tax on benefits and LLPs and sundry other taxes but not rates?* The other taxes are set nationally; rates are a local government tax. *But they're a tax, and you don't deal with them.* Well, yes. *And you don't even know who does?* If you were a business you could try ringing a surveyor, I said helpfully. *Domestic rates?* No idea...

The other problem with business rates are these helpful companies that cold-call. The ethics of the contingency rates-rebate boiler-house industry are for others; hearsay tells us to put the phone down, with many horror stories of clients being small-printed.

The networking dinner I always attend is the Vistage Alumni hosted by that giant of a man, physically and as a personality, Charles Llewellyn. This year I met Matthew Kirby, Head Yak Driver at *Chozen*, founder of my favourite fast-food emporium, and delighted in showering him with praise. Aiming never to be negative, I do try and utter only genuinely-believed positive: the brown-rice option, the generous portions, the excellent and varied sushi, breaded prawn and chicken side dishes, the noodles and the salads. Hannah and Kirsten enjoy an early evening burger in Beaconsfield, when collected from work, for the late-night big-Jag Edinburgh dash. *Chozen's* outlet at the service station is one of its best, and is an authorised paternal travelling feast; so everyone's happy.

I first fell in love with Chozen during half-a-dozen happy years working in Borough Market, before Hannah moved in, and I grabbed the opportunity better to get to know No1 (chronologically) daughter, and moved HQ home. I said to Matthew I was surprised he'd given up what was an ideal site at the top of Borough High Street, pretty much a flagship. The quality of the food sat well alongside the various wonderful but pricey independent outlets in the market, emphasising the value for money that *Chozen* represents. Matthew said that the rent was being tripled from £50,000 to £150,000 so that would make the site uncommercial. I said I would have thought such a site could take a £100k hit. Yes, Matthew agreed, but not £200k, taking into account a corresponding hike in business rates; particularly bearing in mind it wasn't likely to end there. So that's it: a successful young business pushed out by business rates. By that stage I'd pressed most of Matthew Kirby's buttons:

"Business rates is almost a stealth tax, often applied without logic. Take our Beaconsfield and Cobham locations. Absolutely identical in footprint and other factors (both in service stations) and pretty similar. Rates increase in April 2017 will be a very modest 2.5% in Cobham, and 104% in Beaconsfield! Ridiculous. We will have to fight the latter and share any relief with the surveyor. So much for the government trying to look after the High Steet. No rates on the internet so retailers once again disadvantaged. End of rant". **www.chozen.co.uk**

I can't be the only accountant outraged by our own complicity. For years we've been telling ourselves rates are someone else's problem. My Austrian client is right. Firms up and down the country are waking up, ensuring clients gain the same level of protection from the business rates, as they do from revenue and customs and all the other iniquitous disingenuous stealth-raiders. The state can stick its ingenuous 'immoral avoidance and evasion' rhetoric. It takes too much and wastes it. Accountants in blue woad are bouncing back to flush out iniquity. With Trump shaking up America like it's 1776, 'no taxation without representation' has never felt a more relevant anti-establishment battle cry.

Douglas Shanks is DSC Metropolitan's purple-faced railing-at-the-rates-with-swagger-and-attitude partner.

Angel Investing

By David Barrie

Since the financial crisis of 2008, the alternative market for private investment in enterprise has grown dramatically. Record low interest rates, increasingly generous tax reliefs under Enterprise Investment Schemes, stress tests on banks and a change in attitude towards entrepreneurship have been key. Alternative finance business lending is now more than 12% of the market for lending to all small businesses in the UK – and it is experiencing eye-watering year-on-year growth.

'Crowdfunding' enables individuals to back products or services for equity, in shares, or debt, in bonds or mini-bonds. Equity-based investment trebled in value to over £300m in 2015, with online platform Seedrs recently reporting results from its portfolio of an overall 14% annualised rate of return. Five years ago, there were just a handful of plucky startups in the sector. Equity-based crowdfunding was just 0.3% of the total start-up and early stage equity investment in the UK. Today, it is almost a fifth.

'Peer-to-peer' lenders match savers, who are willing to lend, with borrowers – either individuals or small businesses. Zopa and Funding Circle, the two biggest lenders in the UK, report that they have facilitated loans valued at over £4bn. According to analysts AltFi, absolute returns are just over 5%.

Then there are 'angel' investors. There are some 18,000 active 'angels' in the U.K., who invest an average of £47,000 every year into early-stage businesses, says the UK Business Angels Association. Individual angels are making more investments than ever and the Association reports average returns of 15% - 20% p.a. when invested across a portfolio.

Two years ago, I founded a network of angel investors in West London, with support from the Royal Borough of Kensington & Chelsea. Members of Wild Blue Cohort seek profit on their investment but also a more vibrant entrepreneurial economy; and local, on our doorstep, if possible. Members have invested in 11 companies to date, with 4 new deals about to close. Investments range from £10,000 to £200,000+, have created well over £2m+ in value and 35+ new projected full-time jobs.

The popular image of angel investing is of an elite gin-Jag-golf-club millionaire with piles of cash, confronted by a nervous, rambling entrepreneur intent on revolutionising home shelving or the safety of garden sheds.

Reality could not be more different

Think of the Chief Financial Officer of a cloud computing company, or alumni of a global private equity or venture capital firm; and an ambitious, progressive entrepreneur set on displacing a market leading firm, removing intermediaries in transactions, achieving fast growth and winning guidance and support, not just cash off the table.

Over the last twenty years, the rise of Silicon Valley, global banking, the development of computing and corporate culture have transformed entrepreneurship, the nature of wealth and its investment.

Angel investors offer entrepreneurs a sizeable lump sum, as individuals or a syndicate, but also sector expertise. Eight members of Wild Blue invested recently in an online 'marketplace'. Two investors joined the Board of the company and a third is acting as an informal advisor.

Technology, healthcare, online marketplaces, e-commerce businesses, education, food and drink companies have been favoured by angel investors in recent years. Businesses that appeal have an inspirational, trustworthy entrepreneur, a clearly addressable market and solve a defined problem. They are able to scale quickly, attract new investors and have a clear 'exit' strategy.The age of raising finance for your business on the fairway of the 18th hole is well and truly over. It is now about online clicks, links and a flight of local angels schooled in the new economy.

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