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Cashflow Planning and Asset Protection

At a recent seminar hosted by the ACCA, Derek Andrews, Taxation Director, Russell Brennan Keane spoke on the topical area of Cashflow Planning and Asset Protection



Cashflow management and asset protection are the most significant issues for business owners who are struggling to break even and keep bank repayments up to date. Commenting on the difficulties being experienced by small and medium sized businesses (SMEs), Derek highlighted a number of obvious ways of improving cash flow that are overlooked by SMEs. “Many businesses continue to report income for tax purpose by reference to a historical accounting year ends. A year end that is appropriate during the peaks and troughs of the boom period may not give the best result during a flat business cycle. Changing an accounting year end may enable a business to either lower a profit or increase a loss for tax purposes” said Derek.

From a shareholder’s perspective, Derek commented that while some shareholders are taking advantage of low valuations to take assets out of a corporate structure, others are doing the reverse and transferring assets into companies so that loan repayments can be made from company funds rather than after tax salary.

In relation to asset protection Derek mentioned that incorporation is an obvious option for self-employed persons given the limited liability status afforded by a company. Trading through a company may also enable a business to access cheaper working capital and provide more flexible pension options to shareholders working in the business.

“Existing corporate structures should be re-evaluated. For groups of companies this could result in the structure being simplified and surplus dormant companies removed from the structure to reduce ongoing compliance costs and historical exposures. Companies should also evaluate the benefit of separating assets and cash from the main trade to minimise exposure” said Derek. He concluded by emphasising the importance of having a plan and implementing that plan early.

Derek, an associate of the Irish Taxation Institute regularly lectures on behalf of the ACCA and other professional associations. He specialises in transaction planning and has significant experience in the areas of asset protection, corporate reorganisations and acquisitions and intellectual property. Derek can be contacted at dandrews@rbk.ie or tel 01 6440100.

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About RBK

Russell Brennan Keane is one of Irelands leading business advisory and accountancy firms. With 50 years experience providing professional advisory services to a range of clients in the mid to large corporate market in Ireland, from offices in Dublin, Athlone and Roscommon.

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