Asian Business Forum

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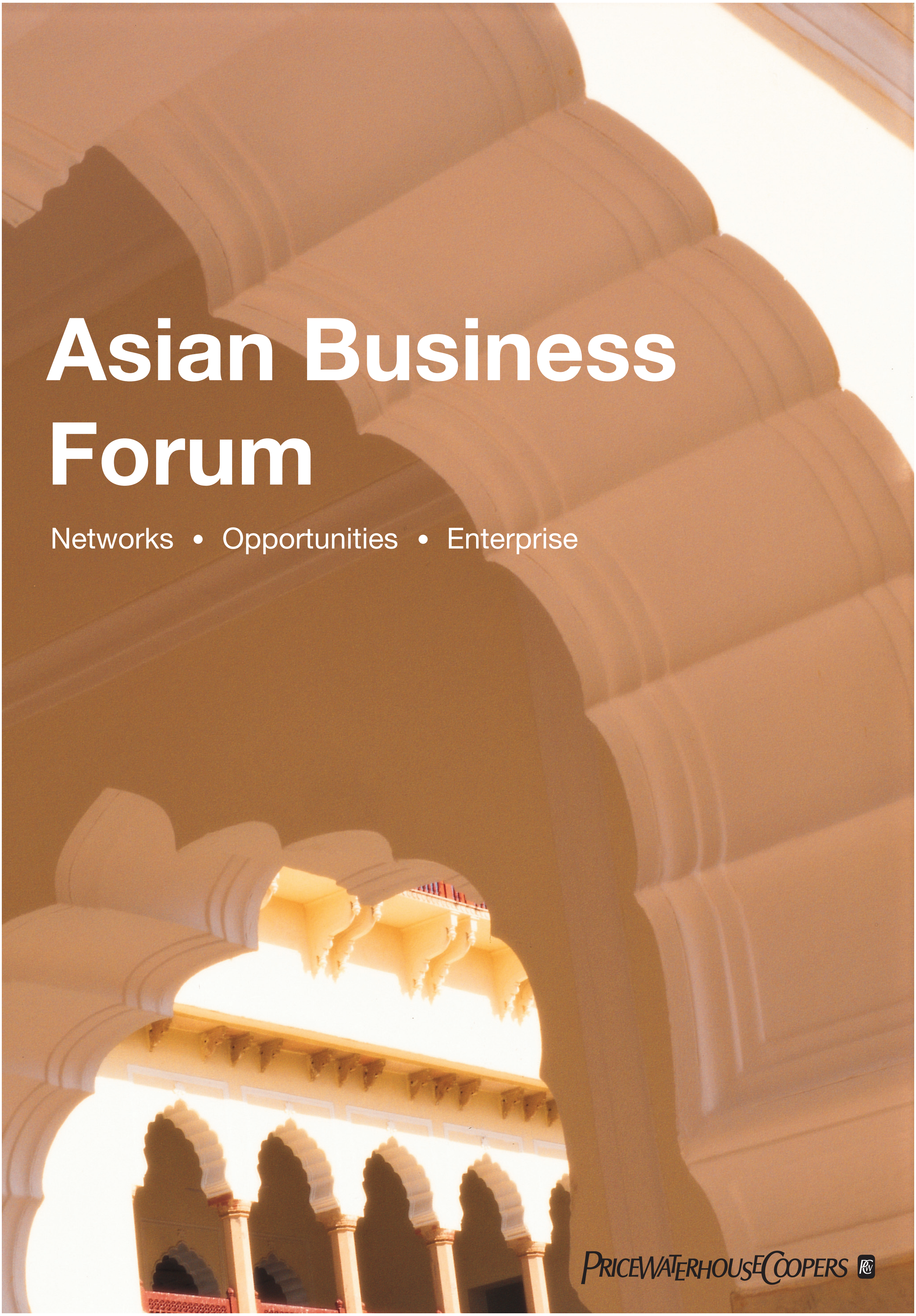

PricewaterhouseCoopers

THE ASIAN BUSINESS FORUM

Welcome to the latest edition of the PricewaterhouseCoopers Asian Business Forum newsletter.

The forum was launched by PricewaterhouseCoopers in 2004 to provide a platform for our members to share their experiences and discuss strategic business issues facing the Asian business community. In the past three years the forum has gone from strength to strength and this newsletter aims to offer a flavour of the activities the forum is engaged in, as well as highlighting some technical expertise that may be relevant to members.

In this issue, we profile Mayank Patel, the young and energetic founder of Currencies Direct, one of the fastest growing businesses in the UK. It is always a pleasure to hear of success stories, particularly when told with the passion clearly exhibited by Mayank.

We also provide an overview of a few hot topics that our clients frequently ask us about – inheritance tax, capital gains tax and pensions – and report on PwC's growing India desk, which supports clients with ties to the sub-continent.

It is well known that entrepreneurs are often generous philanthropists, so we have also featured Magic Bus in this issue, a charity working with street and slum children in Mumbai, India.

Lastly, we have included snippets of some of the events that have been held recently and been warmly received. In addition to this, the Asian Business Awards that we part sponsored in May, were a huge success and it was good to speak to so many of you there! We hope you will join us at one of our forthcoming events.

If you have any feedback or thoughts on how we can improve, please don't hesitate to get in touch with me or any one of the PwC team. Our contact details are on the back page.

Best wishes,

Ruby Parmar

Ruby Parmar
Partner, PricewaterhouseCoopers LLP

Emerging India

India is a key emerging global market with indications of a bright future. It is the world's largest democracy, the fourth largest economy in terms of purchasing power parity, and the tenth most industrialised country in the world. Business confidence in India is high and is reflected in the increased levels of foreign direct investment that flows into and out of the country.

Goldman Sachs report that India's economy will become the third largest in the world by 2032, after the US and China. Easy liquidity and a booming Indian capital market has provided readily available cash for Indian buyers. As a result, Indian firms are now expanding abroad and investing in companies across the globe.

PwC has responded to the opportunities in India by establishing an emerging markets group, providing a fully-rounded focus on China, India, Russia and the Middle East.

Indian activities are managed by Mukesh Rajani, an experienced UK partner and Sahil Verma, a manager, both of whom have strong links with PwC India.

The India desk deals with a wide range of issues and works with UK clients looking to invest in India and Indian clients looking to establish in the UK/Europe. Specialists from the UK and Indian firms work together to provide tailored solutions across all industries and sectors.

We believe the Indian growth story is set to continue and expect significant activity across all our groups in the foreseeable future.

For further information on how we can help please contact Mukesh Rajani on 020 7804 2709 or by email on mukesh.ranjani@uk.pwc.com.

Currencies Direct started trading in 1996 and has grown into one of the world's largest independent foreign exchange specialists, with offices in four continents and a 1,500 strong franchise network of business partners and affiliates.

Mayank Patel, group chairman and CEO of Currencies Direct, speaks to Ruby Parmar of the PwC Asian Business Forum.

From his home office, a converted windmill at the bottom of his garden, Mayank talks with passion and enthusiasm about the journey that has taken him from a boy he believed was destined to fail, to the success he is today.

Born in Uganda in 1967, Mayank grew-up and was educated in Zambia. He completed his undergraduate studies in London followed by the first year of an MBA diploma in Birmingham.

'I didn't know what I wanted to do with my life,' Mayank recalls. 'But when I started dating my girlfriend (now my wife), I realised I needed to do something to become self-sufficient and stand on my own feet.'

He initially trained with David Cockley Ltd as a futures and options broker. With evident pleasure, he describes the aggressive culture, how he was thrown in at the deep end and expected to sell in order to earn his right to a place within the organisation. I loved it,' he says before revealing how crestfallen he felt after receiving his first pay cheque. 'It was painful for me to tell my father as he had been so successful in his career and supported me through university.' However, Mr Patel senior told his son not to give up, only to try harder.

Evidentially Mayank persevered and then thrived. After five years, he moved on to Philip Alexander, where he set up the managed futures desk. During this time Mayank spotted a gap in the foreign exchange market. 'I had itchy hands', he says simply.

Mayank recalls the tiny office in Paddington where, in 1996, he and a former colleague set up Currencies Direct. He remembers an exciting time. 'There was that feeling inside that this is your own; that no-one can take it from you,' Mayank recalls, 'but it was very hard.' They had no brand, no credit rating and no clients, so Mayank trawled through import and export directories targeting small- and medium-sized companies. His wife helped out, supporting Mayank by helping with the bills, typing letters and vacuuming the office in the evenings.

'It was a real struggle, but we made it happen. I just didn't want to be a failure,' Mayank reveals. 'I just kept going.'

Finally, his commitment paid off and clients agreed to give Currencies Direct a chance. Four years later Mayank parted company with his partner and built the business into one of the largest independent foreign exchange specialists in Europe, with operations in four continents. Mayank's office is decorated with framed magazine articles profiling his success, and amongst the photographs of his wife and children, there are pictures of Mayank meeting Tony Blair and Bill Clinton.

Currencies Direct has 140 employees, a management team and a board of directors that includes two non-executive directors: Lord John Taylor, the first black high court judge, and Leslie Priestly, former chief executive of TSB. Mayank's most recent challenge has been building a team who can take the company to the next level.

'Every now and again, I sit back and analyse the business,' Mayank says, 'I look for cracks and weaknesses and ask, is this business sustainable? Can it stand the test of time?' He decided the business needed to be strengthened, which required bringing certain skills and experience in-house.

What Mayank has sought above all has been 'emotional connectivity'. 'Searching for the right people to be guardians of your company is exactly the same as looking for guardians for your children,' he says, 'no different.' 'The team that has been put together is a bunch of people who are able to get their hands dirty and make things happen.'

Taking something of a back-seat and a more strategic view, Mayank now views Currencies Direct as an investment. He receives daily 'flash reports' from their offices around the world, detailing the key information he needs to know to build the business into a truly worldwide player.

As an investor, Mayank is interested in pursuing other interests where he can make a difference to a business. When Currencies Direct began, there was no other non-banking organisation like it, so they were forced to build the model from scratch. Mayank believes he can use the knowledge and experience he gained as a result to help other emerging businesses.

So is he content? Has he achieved enough? 'I don't ever want to be content,' Mayank says. 'If I'm not driven, I'll turn into a vegetable!'

When it comes to assessing your personal tax situation, the terms ‘residence’ and ‘domicile’ are key. Your liability for UK taxes is dependent on your residency and domicile status. The rules in this area have come under closer scrutiny recently following the recent high-profile case of Robert Gaines-Cooper in 2006 and the wide-ranging changes announced in the Chancellor’s Pre-Budget Report (PBR) of October 2007.

Residence, ordinary residence and domicile

In broad terms, an individual’s residence is based on the territory in which he or she lives, whereas ‘ordinary residence’ can be thought of as residence of a more habitual nature. Being resident and ordinary resident in the UK usually results in an individual’s income and capital gains being subject to tax in the UK.

Domicile is a quite separate concept. Your country of domicile is broadly the country you regard as your home country and is not necessarily your current country of residence. Your domicile of origin is usually acquired from your father and, therefore may not necessarily be the country in which you were born. It is possible to establish a domicile of choice in a different country, though there are certain criteria which must be fulfilled to do so. Domicile is a key factor when considering the taxation of foreign income and gains, and your domicile may also determine your liability to inheritance tax.

The Gaines-Cooper case

Robert Gaines-Cooper had been resident, ordinarily resident and domiciled in the UK; he claimed that he had ceased to be UK resident and had abandoned his domicile of origin in the UK in favour of the Seychelles.

Relying on the frequently cited 91-day test as evidence of his non-UK residence Mr Gaines-Cooper had, as was normal practice, calculated his number of days in the UK by disregarding the days of arrival and departure. HM Revenue & Customs (HMRC) took a broader view of his position. It compared Mr Gaines-Cooper’s presence in the UK to his overseas presence and examined this in detail. HMRC found that rather than being an overseas resident who had made visits to the UK, Mr Gaines-Cooper had not in fact established permanent non-residence abroad and remained UK resident and ordinarily resident throughout. The 91-day test was not relevant to the case since Mr Gaines-Cooper did not leave the UK.

HMRC argued that to ignore days of arrival and departure in this case would produce a distorted picture and prepared alternative figures, based on nights spent in the UK. Following the case, HMRC confirmed that its normal practice of ignoring days of arrival and departure in considering residence had not changed. However in the October 2007 PBR the Chancellor announced that, with effect from April 2008, days of arrival and departure are to be counted when considering an individual’s UK tax residence.

Taxation of UK resident, non-UK domiciled individuals

One of the headline-grabbing measures announced in the October 2007 PBR concerned the taxation of ‘non-doms’, i.e. those who are tax-resident in the UK, but are domiciled overseas. Currently, non-doms enjoy favourable tax treatment so that only income and gains arising in the UK are assessed to UK tax. For non-doms, overseas income and gains that are not remitted to the UK fall outside the UK tax net.

The wide-ranging announcements, if they take effect from April 2008, will change the tax planning landscape for non-doms significantly. The key proposed changes are:

- Remittance basis for non-UK investment income and gains will continue to be available but from 2008/09 there will be an annual levy of £30,000 for those who have been UK tax resident for at least seven years and claim the remittance basis. A higher charge is under consideration for those who have been UK resident for longer than 10 years. The alternative will be to pay UK tax on worldwide income and gains.
- No income tax personal allowances (currently £5,225) for those who claim the remittance basis.
- A number of changes to deal with anomalies in the detailed remittance rules – this is potentially the most significant part of the announcements as this means ending a number of planning techniques that have been available – the HMRC press release refers specifically to income ’ceased source’ planning, planning using offshore trust and company structures and extending the meaning of the term remittance.
- Draft legislation will be published towards the end of 2007 and although the changes will be effective from 6 April 2008, it is possible that some will have retrospective effect (e.g. the source ceasing planning).
- No changes were announced on the inheritance tax rules for non-UK domiciled individuals.

If you are non-UK domiciled and have all or part of your family wealth outside the UK, and particularly if structured through offshore trust or company structures, it will be essential to review the impact of these proposed changes as action may be required before 6 April 2008. Whilst the necessities of moving overseas take priority, you should consider the implications of your movements and time spent overseas.

If you are considering non-residence based tax planning and would like to discuss your position with one of our experts, please do not hesitate to contact us.

Capital gains tax reform

The announcements made by the Chancellor in his October 2007 Pre-Budget Report (PBR) included widespread changes to the UK’s capital gains tax (CGT) regime.

The announced measures propose to simplify the CGT regime by withdrawing both indexation allowance and taper relief. Instead, all disposals made by individuals after April 2008, for business and non-business assets, will be taxed at a flat rate of 18%.

For disposals which would currently qualify for full business asset taper relief i.e. a 10% effective CGT rate, the legislative change implies an 80% increase in the effective tax rate. You may want to consider a range of planning alternatives that allow you to lock-in indexation allowance accrued to date or the 10% effective rate for capital gains to date, independent of the date of any intended future sale. There is a short window of opportunity to April 2008 to consider planning.

Inheritance tax planning for entrepreneurs

The subject of inheritance tax (IHT) is attracting increasing attention. Anyone who is UK domiciled or deemed to be UK domiciled (i.e. has been in the UK for 17 out of the last 20 years), or has assets in the UK, will be subject to IHT in the UK. However, the growth rate of wealth has far outstripped the growth rate of assets that can be passed on free of IHT.

If the main assets are shares in a trading company, the shares will normally attract business property relief (BPR) which currently provides 100% relief from IHT. However, the qualifying conditions for BPR require a cautious approach and it is important that any intended investment is carefully structured to maximise the available relief, particularly businesses which include non-trading elements. For example, many construction and development companies will build an office block or residential property and keep some units as investments, not realising the BPR will be restricted. Land, which does not move, or cash that accumulates, creates a 40% inheritance tax liability. And this applies to other assets too, such as a painting in the boardroom or shares in a non-qualifying subsidiary. This is particularly a problem where companies have invested excess cash in commercial property, for example, to generate a greater return.

In addition, if the non-trading element comprises more than 50% of the entire business, BPR may be denied altogether. If structured correctly, it may be possible to include a non-trading element as part of a group's business and full relief can be claimed. For example, if a holding company is wholly or mainly the holding company of a trading group, that holding company may also manage a rental property business. Alternatively, a company holding cash to meet the group's insurance needs, or acting as a group's finance house, can also qualify for BPR.

If IHT is an issue for you, you should consider the following:

- using the nil rate band and annual exemptions;
- gifting assets which do not trigger an immediate charge to IHT; and
- making gifts from surplus income.

It is vital to understand the merits of the options available to you and to plan early – investing a few hours now could save thousands of pounds later on.

Pensions – an alternative view

Since the Government introduced new pension rules in April 2006, there has been an increase in demand for bespoke advice in this area. Entrepreneurs and family businesses possess unique requirements which typically result in significant tailoring of the pension plan, dovetailing with the wider considerations around succession, wealth preservation and overall family tax planning. Within this context, a holistic view of family and corporate priorities is needed and the demand for non-institutional solutions, usually involving self-management of all aspects of a director's or family's pension arrangement, is growing.

The extra flexibility provided by the changed legislative context has resulted in an increasing trend towards investing pension assets either back into the business or into personally sourced property assets. If structured correctly these pension arrangements can invest in commercial property (with the aid of borrowing), either for occupation by the business or purely as an investment, and can also lend funds back to the employer to help grow the business.

Business owners are significantly more enthusiastic about using all the tax advantages of a family orientated pension arrangement when they can control the investment strategy and the pension scheme chequebook is firmly in their own pocket (rather than with an institution such as an insurance company). Whether thinking about using pensions for the first time, or reviewing existing arrangements, it is vital to consider the possibilities that these flexible arrangements offer.

If you would like to learn about how our specialist pensions team can help you, please contact Stephen Etherington on 020 7212 4977 or by email on stephen.g.etherington@uk.pwc.com.

Charity tackles huge ethnic health problems

Did you know that South Asians aged 50 and over have a 25% risk of developing diabetes, a 50% higher risk of dying from a heart attack? They are also the ethnic group with the highest death rate from heart attacks. To educate the South Asian community on this issue, Dr Kiran Patel, a Birmingham-based cardiologist, set up the South Asian Health Foundation (SAHF).

SAHF works directly with the community, visiting temples, mosques, gurdwaras and community centres across the UK to talk about heart disease, diabetes, medicines, diet, exercise and the simple things we can do to look after our health, often speaking in the communities' own language to ensure all age groups benefit. In addition, SAHF advises governments and think tanks about particular health needs and potential solutions.

The charity relies entirely on grants, donations and the work of its volunteers to make sure our communities remain well informed.

To find out more, go to www.sahf.org.uk, or call Dr. Patel on 07771 933939.

Something for the children?

Magic Bus is a non-profit making organisation which believes in a child's right to play. The organisation's objectives are to encourage the emotional, mental and physical development of street and slum children in Mumbai, India, using outdoor activities and sport as a means of empowerment.

This award winning development organisation works with thousands of children between the ages of seven and 18 every year. The children are able to visit Magic Bus' outdoor centre for learning and development in Mumbai, which includes a state of the art high ropes course and climbing wall for learning, development and play.

Led by mentors, a third of whom have been through the programme themselves, Magic Bus inspires street and slum dwelling children to reach their personal goals and go on to build sustainable lives for themselves, realising their full potential.

For further details please log on to www.magicbusindia.org or email Alison Adnitt at infouk@magicbusindia.org

Asian Business Forum events

Industry dinners

The Asian Business Forum is committed to hosting events where forum members can share ideas and engage in lively debates. As part of this, we host industry-focussed events where forum members can share their experiences with others involved in similar industries, as well as benefit from PwC's expertise and knowledge of the market. Recent dinners have focused on the food and drink, retail and nursing homes sectors. Our next dinner is aimed at those involved in the property sector.

For further information, please contact Eloise Steiner on 020 7212 4306 or by email on eloise.a.steiner@uk.pwc.com.

Annual networking event

The most recent Asian Business Forum's annual networking event was held at The Energy Clinic in the City of London in May 2007. Our guest speakers were Gita Patel of Stargate Capital, founder of Trapezia, the first venture capital fund set up for investing in women-focussed businesses, and Jamal Hirani, founder of Tiffinbites, the innovative and exciting new chain of Indian restaurants in the capital. With over 100 entrepreneurs attending, the event was an undoubted success and guests enjoyed the opportunity to catch up with old friends and make new contacts.

The next event has been pencilled in for May 2008. Please contact Monica Warren on 020 7804 9814 or by email at monica.a.warren@uk.pwc.com if you are interested in attending.

Suzi Woolfson of PwC, Gita Patel of Stargate Capital, Jamal Hirani of Tiffinbites and Ruby Parmar of PwC at the annual networking event

Tax planning update for professional advisers

The Asian Business Forum's programme of tax planning updates for advisers was launched in 2007. The first event, bringing the latest tax planning ideas to accountants, lawyers and financial advisers in the Asian Business Forum, was well attended. Feedback received from the event showed that it was the variety of planning ideas and the ample networking opportunities (as well as the good food and drink) that were most valued by advisers. We have since received a plethora of suggestions for topics to cover in future events.

We hope to make this a biannual event with the next update in late spring 2008. Please contact Carole Davies on 020 7804 1513 or by email at carole.davies@uk.pwc.com if you are interested in attending future events.

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