

your personal pension. Then, the pension can acquire the commercial property. Please note that you will need to speak with your accountant and an independent financial adviser to explore this further.

4 Attractive tax breaks for investors

If your nursery business is a limited company, you may be able to attract investors to fund your expansion. Investors want to minimise their risks and one way to do this is to offer them a tax-efficient investment with attractive tax breaks.

Imagine persuading an investor to invest £100,000 which gives them £50,000 income tax relief back (provided they've paid that amount of tax already). This means they only have £50,000 of their money at risk. Let's assume they are a higher rate (45 per cent) tax payer and that things don't go well with the investment. In this situation, they can claim an income tax loss on the remaining £50,000 (£50,000 x 45 per cent = £22,500). This means that of their original £100,000 they now have a total of £72,500 back (the original £50,000 tax relief + the subsequent £22,500). This represents a massive 72.5 per cent tax relief.

One such scheme is a tax-efficient investment called the Seed Enterprise Investment Scheme (SEIS). In the SEIS, if all goes well and investors hold their shares for a period of three years, they can sell their shares tax-free. You can see why this is attractive.

Please note that as with all tax breaks, both the company and the investor must meet certain requirements in order to qualify. Please explore these with your accountant as you will need professional specialist advice to avoid falling foul of the rules.



5 Seven alternatives to a bank

Apart from investment from friends and family or personal funding, here are seven alternatives to a bank loan:

- business angels
- crowdfunding
- grants and government-backed loans
- kick-start funding
- incubators and accelerators
- venture capital
- peer-to-peer lending.

6 Franchising or licensing

Rather than going it alone, franchising or granting another person a licence to use your nursery's name and systems can provide a quicker and less capital-intensive route for expansion.

In essence, someone else provides the funding needed to open another branch in your name. They pay you an initial amount for training and then ongoing fees based on income. The duration could be three to five years, after which you both undertake a review to see whether the relationship is worth carrying on.

You will need to have a solid business, systems and knowhow or trademarks to make it attractive for a franchisee or licensee. If you go down the franchise route, it is advisable to speak with the British Franchising Association and test the market first with what is called a pilot franchisee.

You will need to invest some time or money to get your systems right. This, of course, will benefit your business even if you eventually decide not to go down this route to get your funding.

Bear in mind that you will need to manage the expectations of the potential franchisee or licensee and do choose them carefully. Never grant a franchise or a licence to someone just because they have funds to invest.



7 Collaboration and acquisitions

Could you start collaborating with or simply acquiring a competitor? According to a recent survey, about 49 per cent of nurseries do not make a profit and more nurseries are closing partly due to the 30 hour funding crisis.

Instead of starting another nursery from scratch, it might make sense to talk to some of your competitors to see if you can collaborate or help them by taking over their nursery. You will be surprised what deals you can make. You may be able to release someone who wants to exit a nursery business. At the same time, you can expand without a huge investment. You can then look at areas to improve the nursery you've acquired and use the current fees to fund working capital. Please proceed carefully with this and involve your professional advisers to ensure you minimise your risks. ■

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