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# retail

R O U N D - U P

## Tax hike may damage your retirement plans

Any pharmacy owner considering selling his or her business should take notice of proposed changes to capital gains tax — effective from April 2008. The changes could have a considerable financial impact. Gareth Malson investigates



Cameron/Dreamstime.com

The retirement nest egg for some pharmacists may be severely reduced by new tax rules

Changes in the rate of capital gains tax (CGT) in the UK could have disastrous financial repercussions for pharmacy owners who sell their business after 5 April 2008.

A simplification in the calculation of CGT was announced recently by Chancellor of the Exchequer Alistair Darling in his first pre-budget report.

CGT is paid on any business asset that has increased in value since it was bought. The new arrangement means that pharmacy owners could be levied with increased CGT when he or she sells any business asset, such as a pharmacy itself.

Anne Hutchings, chief executive of Hutchings & Co, accountancy and tax consultants who specialise in

helping small businesses, comments: "The proposed increase in capital gains tax is a real blow to pharmacy owners, many of whom are depending on the sale of their business to fund their retirement. For most pharmacists, the proposed tax increase will mean their tax bill escalates by a massive 80 per cent if they sell their business after 5 April 2008."

**Seasonal workers**  
Companies who employ temporary workers should ensure they receive the same rights as full-time workers. Law firm DWF has issued a reminder, ahead of the Christmas season when many retailers will take on temporary staff to deal with a sharp rise in workload. Companies should ensure that all staff members receive benefits such as employment contracts and paid holidays, or they risk being taken to employment tribunal, says DWF.

**Cancer campaign**  
A new campaign to raise awareness of the symptoms of bowel cancer has been launched by Beating Bowel Cancer. The condition is the second biggest cancer killer in the UK, claiming 50 lives every day, although it has a very high cure rate if diagnosed early. The charity's campaign named "Tackle it" is aimed particularly at men, by advertising in football and rugby match day programmes. It is hoped the campaign will inspire men to visit the GP if experiencing symptoms.

**Going green**  
The majority of company owners (93 per cent) are taking action to reduce their carbon footprint at home, but less than a quarter of them think it is a priority to take similar steps at work, according to a new survey commissioned by Citrix Online. Of 200 directors interviewed, 29 per cent believed that reducing carbon emissions is not a relevant issue for their business.

# “ For most pharmacists, the proposed tax increase will mean their tax bill increases by a massive 80 per cent ”

In the pre-budget report, the Chancellor announced that from 6 April 2008, the sale of any assets will be subject to a flat rate of CGT at 18 per cent, regardless of the duration that the asset has been held.

Current rules grant individuals with tapering relief on CGT, depending on the duration of ownership. If the asset has been held for more than one year but less than two years, only half the gain is taxed; a business owner would usually pay 40 per cent tax on the halved gain on the sale of his business.

If the business asset has been held for two or more years then only a quarter of the gain is taxable. In effect, a higher rate taxpayer (normally paying 40 per cent tax on their earnings) is charged at a rate of 10 per cent on the capital gain on the sale of the asset.

Following considerable lobbying from small business owners, it is rumoured that the Chancellor may exempt the first £100,000 of gains arising from 6 April 2008

if the individual is selling a business to retire. No formal announcement has been made yet on this relief.

Other tax relief measures known as “indexation allowance”, “kink testing” (also

called March 1982 rebasing) and “halving relief” will be abolished. Although the application of these allowances is complicated, they may affect the tax levied on the sale of pharmacy businesses acquired before 6 April 1998. The new regulations are expected to raise £2bn for the Treasury over the next three years.

Any pharmacist who is considering selling his or her business over the next 12 months is advised to obtain a calculation of the likely CGT charge before and after the new rule is applied. An example of this consequence is shown in Panel 1. This regulation may determine whether it is more beneficial to make the sale before 6 April 2008, or after.

The decision on CGT regulations is unlikely to be finalised until early next year.

## Panel 1: Example of the effect of the new taxation rate

A pharmacy owner decides to sell his business. He has owned his pharmacy since January 2000. In that time, the business has grown in value from £3m to £4m. He currently qualifies for tapering relief and therefore will only pay capital gains tax on a quarter of the gain:

	Current regulations	New regulations
<b>Capital gain</b>	£1m	£1m
<b>Taxable gain</b>	£250,000	£1m
<b>Rate of tax</b>	40 per cent	18 per cent
<b>Tax owed</b>	£100,000	£180,000*

\*The Chancellor is currently considering exempting the first £100,000 of the gain from taxation, if the owner is selling to retire. If this is confirmed, the tax payable by a retiring owner would be £162,000.

## Retail Round-up

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## Business basics — answers to your common retail problems

By business contributor Reg Peplow

### Guaranteed loans

**Question** I have been turned down for a loan to help me grow my business, the main reason being the lack of necessary assets to secure them. Would I be eligible for help under the Small Firms Loan Guarantee Scheme?

**Answer** You have the chance to borrow between £5,000 and £250,000 for up to ten years from a number of approved lenders, with the Government guaranteeing 75 per cent of the loan amount. The scheme has been a great help to growing small businesses, but is not for everyone and a number of borrowers have become unstuck. Your business must not turn over more than £5.6m and, under new rules, must be established for

less than five years. You will need to put up some security for the part of the loan not guaranteed and be prepared for a rigorous credit check. It is important to seek advice and assistance from a qualified accountant before taking any action. You will also need a convincing business plan.

### Health and safety

**Question** What is a good source of advice on improving health and safety in my small, family-run business?

**Answer** The Government has issued some useful advice for small businesses. It can be accessed at [www.hse.gov.uk/smallbusinesses/gettingstarted.htm](http://www.hse.gov.uk/smallbusinesses/gettingstarted.htm).

# Dreading your performance appraisals? You are not alone

Appraisals can help raise the performance levels of staff, yet they are often looked at with trepidation by both the staff member and manager. However, they need not seem so daunting. Ruth McGuire explains

Performance appraisals should be the most natural thing in the workplace. After all, it makes sense that managers should review the progress and performance of their employees. However, appraisals tend to be approached with trepidation and dread by both managers and their staff. Quite often they are seen as a management chore that has to be completed rather than a dynamic process that can help raise the performance levels of staff.

Appraisals, which are sometimes called staff reviews, are a fundamental part of the whole process of managing human resources. Even in small companies such as community pharmacies, appraisals should be built into every line manager's schedule.

Jane Lumb, Numark training manager, agrees, but understands the challenges faced by community pharmacies. She says "Finding time to do appraisals can prove challenging but time must be set aside for doing them, as without a structured system you will find it difficult to tackle management issues. She adds that time management is an ongoing issue in community pharmacy, and can be even more of a problem for independent proprietors who also need to schedule in all the work involved with running the business.

## Effective appraisals

Appraisals work well when their purpose is clear and understood by all staff. The main purpose of an appraisal should be the review of an employee's performance in his or her job.

To gain maximum benefit from the appraisal process, managers and employees should be convinced of the

benefits. Managers should be open with staff about the purpose of the appraisal process and ensure staff receive guidelines and copies of the paperwork used to record the appraisal meeting.

Numark provides a template for pharmacy proprietors which outlines the objectives of the appraisal process, the benefits and the records that are kept following an appraisal. The template also contains guidelines for managers on how to prepare for the appraisal meeting.

An employee's job objectives should be aligned to overall business objectives, providing a clear link between appraisals and overall business performance. The appraisal meeting provides an opportunity for meaningful dialogue about an employee's progress against previously agreed objectives and targets.

Ms Lumb says: "People are a valuable business resource who can make a significant difference to the success of the pharmacy. A formal training and development system, based on annual



Cholovik07/Dreamstime.com

staff reviews, will give all staff the opportunity to comment constructively on the environment in which they work. It will

## Features of a productive appraisal

According to the Chartered Institute for Personnel Development, good appraisal meetings should:

- Review an employee's overall performance, usually over the past year
- Recognise employees' strengths
- Identify opportunities for personal or career development
- Motivate staff
- Conclude with clear and agreed action points for both the manager and employee

"Even in small companies such as community pharmacies, appraisals should be built into every line manager's schedule"

complement regular communication between staff and management and lead to the identification of staff training needs.”

Pharmacy proprietors and managers who have not yet introduced an appraisal process should consult staff in the first instance to ensure the process is transparent and is seen to link with overall organisational performance. Staff may be able to contribute ideas about preferred methods of appraisal and a timetable for appraisals.

The Chartered Institute for Personnel Development has identified five key elements of the appraisal process (see panel overleaf).

### Feedback

Managers need to provide practical feedback to the employee about his or her performance and progress. The manager must prepare thoroughly in advance to

ensure feedback is accurate, constructive, and based on facts about performance, not perceptions. Managers may need training in how to give constructive feedback to employees.

### Positive reinforcement

Managers should use appraisals as a means to highlight the good performance and the good work of employees. An appraisal should never be used to chastise an employee or to evaluate behaviour, as this may encroach on a disciplinary procedure.

### Exchange of views

Appraisals are most effective when both the manager and the “appraisee” have an honest but constructive exchange of views. The appraisee can help to make the process a genuine exchange of views by preparing in good time for the appraisal meeting. He

or she should perform a self-assessment of performance against previously specified targets, and not be afraid to voice any concerns or views — including a request for additional support.

### Agreement

Established systems of appraisal set objectives that are reviewed at the next appraisal meeting, these should be agreed by both managers and appraisees. Objectives should be recorded and both the manager and the employee should have a copy.

In some companies, because of changes in the economic climate or job role changes, agreed objectives may have to be reviewed and amended before the next appraisal meeting.

Further guidance on how to conduct appraisals can be found at [www.cipd.co.uk](http://www.cipd.co.uk) or [www.acas.org.uk](http://www.acas.org.uk).

# Captive audience in GP surgery gives potential for advertising

The benefits of advertising are well known to pharmacy managers. Promoting a service in the pharmacy window, in the local paper, or in a leaflet at the local surgery are common tactics for raising public awareness. In-store TV advertising displays are an emerging resource in community pharmacies for advertising products and promoting good health advice (*Retail Round-up*, May 2007, p7). However, similar screens showing health channel broadcasts are appearing in GP surgeries, and this may be an untapped resource for community pharmacy advertising.

The concept has great potential. The audience is captive: patients are likely to spend 10–20 minutes in the waiting room. Patients may also be frustrated with having to wait, and keen to hear about other health providers that offer services that might reduce the time spent sitting in a waiting room. Furthermore, with the introduction of electronic transfer of prescriptions, a patient may decide which pharmacy to take a prescription to while standing at the surgery reception. Advertising your pharmacy in the surgery could be an influential tool for retaining prescription trade.

Pharmacy managers and owners may wish to investigate whether local surgeries subscribe to a health channel, and approach the channel's producers about the possibility of advertising.



One such company, Life Channel ([www.lifechannel.co.uk](http://www.lifechannel.co.uk)), broadcasts health promotion video footage and advertisements to approximately 1,300 surgeries in the UK. Content is reviewed and updated monthly. A number of primary care trusts have used the channel to promote campaigns for community health, on the basis that sufficient local GP surgeries were signed up to receive the service. It is currently used by Tesco Pharmacy to advertise nationally, with local arrangements

available for independent pharmacies and small chains. Advertising costs start at £15 per week, per surgery, for a 30 second advert repeated every 20 minutes.

Life Channel has researched the effect of advertising an individual medicine on the sales for that medicine in the local area. The results suggest that sales were increased by around 40 per cent. Life Channel will shortly be researching the benefits of advertising for individual pharmacies. Results are expected in summer 2008. — Gareth Malson

# Be ready for the Christmas rush

During the festive season some customers may enter your pharmacy for the first time. Hannah Pike finds out how proprietors can get their stores and staff ready to impress them, while maintaining a professional image

Community pharmacies historically carry out their highest numbers of transactions during the festive season, and pharmacy managers should be ready to capitalise on this. "Footfall into pharmacies increases dramatically in the run up to Christmas," says Steve Voyse, retail services manager at Numark. "Customers often think they need to stock up on their prescription medicines even though most pharmacies are only closed for one or two days."

## Christmas gifts

Pharmacies have traditionally been a destination for Christmas gift shopping, and shelves of larger stores are often filled with gift packs containing toiletries, etc. "There is no harm in stocking these products — they often have a good profit margin and are popular impulse purchases," says Mr Voyse, "but you need to be careful about which lines you are cutting down on to make space." Mr Voyse emphasises that proprietors need to keep their stores looking professional all year round. "These items do not portray what pharmacy is about," he adds.

It is also a question of balance. Raj Nutan, pharmacy business manager at the National Pharmacy Association, says: "As a business person you need to satisfy the needs of your customer. You do not want customers going somewhere else to get their Christmas gifts and taking their prescriptions with them."

Sanjay Pathak, commercial services manager at Unichem Professional Services points out that these products should be ordered carefully because they can be difficult to sell after Christmas. "Think about gifts sets which are not depicting the festive season . . . this will give you a fighting chance of selling these products in the new year as birthday



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**Seasonal gift packs often have a good profit margin but they do not portray what pharmacy is about**

gifts, for example." But he warns: "Although it is important to try and maximise the opportunities of the festive season, it is also important to remember that you are first and foremost a pharmacy."

## Store layout

Store layout should differ each season to keep the displays looking fresh. Mr Nutan suggests dedicating one area of the shop to the festive period. "In November and December this can display Christmas gifts. After Christmas this area could be dedicated to products for those who have over-indulged, such as indigestion remedies." He added that in the New Year this display could change again, and could be devoted to weight loss, detox and smoking cessation.

## Medicine stocks

Pharmacy proprietors should be aware of what products are being promoted to the public through television campaigns and magazines each season. Mr Voyse points out that Numark members can keep up to date via "The Wholesale" magazine, and other proprietors should liaise with product manufacturers or representatives to keep up to date.

Mr Voyse says that this time of year is a good time to make customers aware of the advice available in a pharmacy that they would not receive if they were to pick up a GSL product from a supermarket shelf, for example. "There is a huge opportunity to capitalise on your consultation area," he adds.

## Make sure your pharmacy team is well prepared

Pharmacy proprietors need to get their staff rotas organised early. Regular staff are likely to want time off over Christmas and many pharmacies take on temporary staff. Raj Nutan, pharmacy business manager at the National Pharmacy Association, explains that it can be difficult hiring temporary staff for a pharmacy because of the training required, although they can be useful for tasks such as stacking shelves, taking deliveries and selling retail goods. "Christmas temps are more suitable for larger stores which may have a separate till for retail goods, or a perfume counter, for example. Smaller businesses may be able to cope with existing staff," he says. "Some stores might want to offer a staff incentive such as giving them a few hours off to do their shopping." Saturday staff, who may be students, might be willing to work some extra days over the holidays, Mr Nutan adds.

"Great customer service and really taking the time to understand your customer needs will lead to many return visits," says Sarah Cameron, a pharmacist at Boots the Chemist in Nottingham. "It is important to invest time in training your pharmacy team to be confident and knowledgeable and to be ready for the winter rush."

Sanjay Pathak, commercial services manager at Unichem, also advises making sure that your pharmacy team has revisited their training on seasonal ailments. "This may be the only time that the seasonal shopper visits your pharmacy, so take this opportunity to show them what your pharmacy really has to offer," he says.

Mr Nutan reminds proprietors to advertise store opening hours in the window, and to ensure that regular customers, the local GP surgery, and any care homes they provide services to are aware of them. He added that care home residents may also wish to place orders for gifts, perfumes etc.

Another idea for boosting business is to get together with the owners of other local shops and arrange an evening to stay open for late-night shopping.