Newsletter

January 2014

Stuart Ferguson

THE RIGHT ADVICE FOR YOUR BUSINESS

Autumn Statement

by Steve Bicknell

The Chancellor George Osborne presented the Autumn Statement to the House of Commons on 5th December 2013 and things are getting better, economic growth forecasts for this year have more than doubled from 0.6% to 1.4% but the austerity plan is set to continue.

Here is a summary of the key announcements:

Business Rates

Business rate increases in England will be capped at 2% in 2014/15 (they were set to increase by 3.2%) and businesses will be able to pay over 12 months rather than 10.

The Retail Sector will also get a £1,000 discount in 2014/15 and 2015/16, this applies to pubs, cafes, restaurants and charity shops with a rateable value below £50,000.

A reoccupation relief of 50% is being introduced for up to 18 months on premises that have been empty for a year or more and it will apply from 1st April 2014 to 31st March 2016.

Small Business Rate Relief has been extended to April 2015 under the scheme small businesses with a rateable value of £6,000 or less can get 100% relief, the relief is scaled down to zero on rateable values of £12,000 and there is a lower multiplier on rates between £12,001 and £17,999.

Income Tax

As previously announced the personal allowance will be £10,000 for the tax year 2014/15.

From April 2015, a spouse or civil partner who is not liable to income tax will be able to transfer £1,000 of their allowance to a basic rate tax paying spouse and as a result save £200 in tax.

Capital Gains Tax

The annual exempt amount will be £11,000 for individuals for 2014/15. But there was an exemption for principle private residence letting for 36 months and from 6th April 2014 it will be reduced to 18 months.

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Sales Promotion VAT

Now Christmas is over the shops are full of sales promotions, discounts, double discounts, 50% off but how much VAT should be charged? And what type of business promotion would be best for your business?

Here are some to consider:

Discounts

Provided you aren't connected to the person you are selling to, VAT is only payable on the discounted price. If you offer a retrospective discount or volume discount a credit note can be issued when the target is achieved.

Buy one get one free

Sounds simple but needs to be handled carefully as for VAT purposes the default assumption would be that one item is at full price and the other item is a gift, the gift would be subject to VAT (if it's over £50 in value). So for accounting and VAT purposes you should sell both items at 50% of their value.

Money-Off Coupons

These work in similar way to Discounts but in some cases the retailer will be able to recover the value of the Coupon from their supplier.

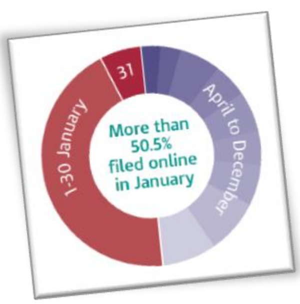
Cash-Back

The purchaser pays the full price and gets cash back. Often the manufacturer gives the cash back rather than the retailer, so the retailer accounts for VAT on the full price. The manufacturer pays the Cash Back to purchaser. The Manufacturer can then reduce their output tax for the Cash Back.

NOT SURE WHAT TO DO

Contact us – stuart@sfcma.co.uk

Have you filed your tax return?



More than 50,5% file their tax return online in January

A new HM Revenue and Customs (HMRC) advertising campaign starts this month, urging anyone who still hasn't sent in their 2012-13 tax return to do it now, last year you may remember the campaign said "do it today, pay what you owe and take a load off your mind", so you can experience "inner peace" – something that the 20,563 Christmas Eve, Christmas Day and Boxing Day filers are no doubt feeling already.

The penalties for late Self Assessment returns are:

- an initial £100 fixed penalty, which applies even if there is no tax to pay, or if the tax due is paid on time;
- after three months, additional daily penalties of £10 per day, up to a maximum of £900;
- after six months, a further penalty of 5 per cent of the tax due or £300, whichever is greater; and
- after 12 months, another 5 per cent or £300 charge, whichever is greater.

Pricing – Your Achilles Heel?

Getting your pricing right is the key to building a profitable business. Charge too little and you will go out of business, because you cannot pay the bills. Charge too much and you will go out of business, because you won't sell anything.

- If you concentrate on building a price based on your costs, plus a margin for profit, you run the risk of ignoring the market value for your product/ service.
- If you look only to the market and based your price on your competitors, then you could run the risk of not covering your costs.

In practice, you need to have a very clear picture of your business costs (including a proper salary for you, the business owner).

This means that when you look at the market price for your product/service, you know whether or not you will make a profit.

You need to really understand the value of what you supply to your customers. It is important, therefore, to talk to your customers regularly about their current and future needs. If you can increase your value you will find it less likely customers will go elsewhere even if tempted by lower prices.

Pricing is as much an art as it is a science – by having key information to hand about; what your customers want, what your competitors are charging, and what your own business' costs are, you will be able to paint the right pricing picture for your business success.

IR35 Enquiries Increasing

HMRC estimate there are 200,000 Personal Service Companies in the UK compared to their estimate in 1999 of 90,000. Interestingly, HMRC admit to employing 8 Occupational Phychologists through Personal Service Companies. The risk to the Exchequer is valued at £475 million and despite the large increase in PSC's this estimate hasn't changed since the introduction of IR35 in 1999.

In 2012-13 opened 256 enquiries into cases believed to be high risk and the tax year 2013-14 112 cases were opened in the first 6 months. In 2011-12 only 59 cases were opened.

New rules are expected to be announced in Budget in March 2014.

HMRC have currently have 40 specialist staff working on IR35 compliance.

If you request HMRC for a review of your contract you are assured on confidentiality and a written certificate of opinion will be issued but in 2012-13 only 80 detailed reviews were requested highlighting concerns of trust.

In preparation why not speak to us to make sure that your contracts are outside of IR35.

Setting SMART Goals

Can you remember that puzzle you'd find in every child's colouring book? Which rod has caught the fish? As a child you'd work your grubby little finger down the tangled fishing lines, excitement mounting, to see if you'd found the one that led the fish's mouth. Of course we all know now that it is much easier and quicker to start with the fish (the goal) and work back from there.

And yet, so many of us still muddle through our business lives following that tangled route through thick and thin, down dead ends and wrong turns, when we could just as easily have started with our goal.

The process starts by imagining what you want your business to be like in three or four years' time and, with that goal in mind, you plan your route. You'll know what you have to do and you'll be fully accountable for your success, so naturally, you'll become strongly motivated and highly focused. This process really does work – and those management gurus have even managed to shoehorn it into an acronym, SMART....which stands for:

Specific – make your goal as specific as possible. What do you want to achieve? Why you want to achieve it? What will be the result of achieving it? And, how will you achieve it? If necessary, set some sub-goals to help get you there.

Measurable – When you're following that line from fish to rod, you can glance at your colouring book to see how far you have progressed. That's not so easy in business, so you're going to have to decide on some other criteria to measure your progress. These can be based on numbers such as sales won or costs saved or sub-goals achieved, for example, sending out a mail shot on time.

Attainable – of course it's vitally important that the goal you set is attainable. If it's not, all you'll experience is failure. However, if you've done your homework on the S&M of SMART, the chances of setting an unattainable goal are small.

Relevant or Realistic – this is all about making sure that what you're planning to do really matters. You're going to be focusing a lot of your daily effort into achieving the goal. At the end of the day, will it be worth it?

Time-based – it's really important that your plans are contained within a timeframe. Deadlines are brilliant for focusing the mind – not just yours, but those who work with you too. Without a time schedule (which can be broken down into as many steps or sub-goals as you like) projects can easily get overtaken by the pressures of every day work.

So, look back on your last day in the office. What did you achieve? What were you working towards? Or were you just fire-fighting or filling time. Whether you own your own business or just work for one, having a SMART goal will not only make you more effective, but should bring at least as much satisfaction as hooking that paper fish all those years ago.

High Income Child Benefit Charge

The High Income Child Benefit Charge (HICBC) is a tax charge which repays part of the child benefit received by high earners earning over £50,000 to a 100% repayment for those earning over £60.000. It applies to child benefit received from 7th January 2013.

Who does it affect?

You may need to pay a tax charge if:

- you have an individual income over £50,000
- and either you or your partner receive Child Benefit or someone else gets Child Benefit for a child living with you and they contribute at least an equal amount towards the child's upkeep.

It doesn't matter if the child living with you is not your child.

What do you need to do?

If you are affected by the tax charge, you can:

- Stop receiving the Child Benefit (only recommended if you're adjusted net income is over £60k).
- Carry on receiving the benefit and pay any tax charge at the end of the tax year.

How to calculate adjusted net income?

It is important to realise that the income used to calculate the tax charge is your adjusted net income. You can use the calculator on Gov.uk to work out your adjusted income.

How to pay the tax charge

If the tax charge does apply to you, you will need to submit a self-assessment return to HMRC by 31st January following the end of the relevant tax year. Do not rely on HMRC writing to tell you that you need to submit a return as they may not realise you need to. Normal self-assessment penalties apply if returns are late or incorrect.

How much do you need to pay?

The charge is 1% of child benefit received for every £100 of income over £50,000 of adjusted net income. The charge will never be higher than the amount of child benefit

received and if the income is over £60,000 the amount paid back to HMRC will be equal to the benefit received.

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