Happy New Year 2016

Newsletter

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THE RIGHT ADVICE FOR YOUR BUSINESS

IN THIS ISSUE

10 most common online Self Assessment issues

The deadline of the 31st January 2016 is fast approaching for filing 2014/15 Self Assessments online, thousands will probably file late and 50% will leave filing until January.

Here are 10 of the most common problems, issues and errors that come up.

1. Not leaving enough time to register for Self Assessment – It can take 20 working days (this is usually 4 weeks) to complete the registration process, then for online returns, allow 10 working days (21 if you're abroad) to register because HM Revenue and Customs (HMRC) posts you an activation code.
2. Lost Login details – Your account will be locked for 2 hours if you enter the wrong user ID or password 3 times.
3. Leaving it too late to get help – If you need help from an accountant don't leave it too late as they will need to carryout AML and other checks before they can file your return, they will also need your UTR
4. Failing to complete all the parts of the return – For example leaving out PAYE information
5. Failing to press 'submit' – you would be surprised how many people complete the return and then stop without submitting or leave submission and then forget to do it
6. Missing out details of your Pension Provider
7. Failing to check the calculation – Most people do a rough calculation of what they owe but fail to check the HMRC calculation only to find out they have made a mistake
8. Using invalid characters such as # ' " in boxes where these are not allowed
9. Not paying the tax they owe by 31st January
10. Failing to explain where estimates and provisional sums have been used

How can you limit a Directors/Personal Guarantee?

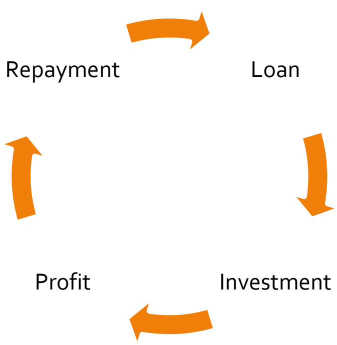
If you have a Business and you want to borrow money, you will probably be asked to give a Personal or Directors Guarantee.

Most Directors don’t want to give guarantees as it makes them liable rather than their business and the purpose of having a limited company was to limit their personal liability.

So it’s a common dilemma.

What can you do to reduce your risk?

1. Would you be prepared to pay a higher rate of interest? there are lenders who for an increased rate will agree not to ask for PG’s or DG’s
2. If you aren’t prepared to give a guarantee you should make this clear upfront with the potential lender, it will save time and money.
3. Limit the terms of the Guarantee – don’t let the guarantee be unlimited or unconditional
4. Agree terms for relief – for example when a % of the debt has been repaid
5. Decrease the Guarantee if the business achieves specific goals, for example a target net worth
6. Set rules for when the Guarantee can be called on for example when a set number of repayments are missed
7. Avoid ‘Joint and Several’ Guarantees as not all business owners may have equal shares
8. Avoid co-signing by Spouses
9. Avoid using your main residence in the guarantee
10. Consider whether Personal Guarantee Insurance could be obtained and used



FOR MORE INFORMATION

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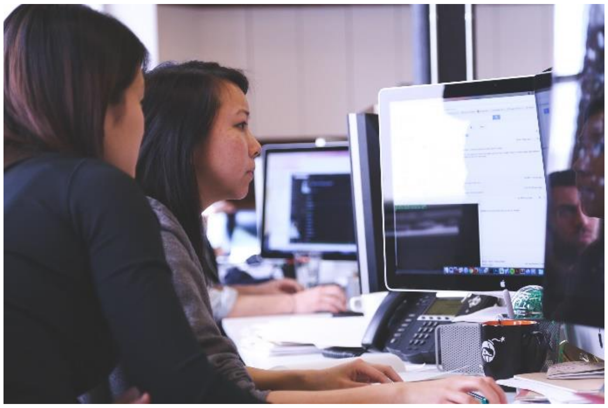
10 things a new business must do to pay less tax



A record breaking 581,173 businesses were registered with Companies House in 2014 showing an accelerated increase on previous years with 526,447 and 484,224 recorded in 2013 and 2012 respectively.

In 2014 the UK had the fastest growth in Self Employed workers in Western Europe!

So what should start ups do to pay less tax?

1. Choose the right business structure for your business – most businesses start out as sole traders but once they start making profits convert to limited companies, this is because sole traders pay more tax than company structures
2. Choose the best VAT Scheme you might be better off with Flat Rate or Cash Accounting
3. Get an Accountant and use accounting software – the penalties and fines for getting your tax wrong can be huge!
4. Employ your family – Children can legally work from the age of 13 which means they can perform activities which are relevant and justifiable in your business. Each member of your family has a tax free allowance of £10,600 (2015/16).
5. Avoid earning more than £100,000 – For all ages, the personal allowance reduces where taxable income is above £100,000 – by £1 for every £2 of income above this limit, so that the personal allowance is lost once taxable income exceeds £121,200 (2015/16).
6. Pay into your Pension – Currently you can pay £40,000 per year into your pension
7. Pay Dividends – Generally directors will take a low directors fee and the rest of their income in Dividends
8. Claim Expenses – You may well have an office at home and use your car for business
9. Use Company Assets – Sometime the Benefit in Kind Tax works in your favour, so you could get the business to buy the assets for you to use for example a commercial vehicle or computer equipment
10. Buy Assets – You should be able to buy assets with a loan or on credit but you will get the tax relief as soon as you take ownership

Why it could be worth taking a Dividend before April 2016

When you take dividends has never been more critical due to changes in the Summer Budget 2015, so if you have distributable reserves you might want to take more dividends this tax year.

The new rules are easier to follow, the 10% tax credit in the current rules is hard for most people to understand.

But be warned!

While these rates remain below the main rates of income tax, those who receive significant dividend income – for example due to very large shareholdings (typically more than £140,000) or as a result of receiving significant dividends through a closed company – **will pay more**.

So far we don't know how much more!

Dividend tax rates before April 2016

Tax band	Effective dividend tax rate
Basic rate (20%) (and non-taxpayers)	0%
Higher rate (40%)	25%
Additional rate (45%)	30.56%

This will change from April 2016, see the table below

Dividend tax rates after April 2016

Tax band	Effective dividend tax rate
Tax Free £5,000	0%
Basic Rate Tax Payers (20%)	7.5%
Higher Rate Tax Payers (40%)	32.5%
Additional Rate Tax Payers (45%)	38.1%

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