

Business Update>

October 2008

I am pleased to send you my latest newsletter. The last one covered the period to February 2008 and the business scene has changed radically in these last few months. It is now very clear that the business community now faces circumstances that were not envisaged 12 months ago and a common view is that we are still on the threshold of a very serious downturn in business. Whereas this is apparent from the housing market and the financial services sector, many clients are involved in business sectors where the gestation period for projects is well over a year and so plans laid down before last October at the height of the "boom" are still being implemented – the real impact will come over the next few months as business activity reflects the current situation.

Such circumstances make it even more important to ensure that businesses are fit to face what may be coming and as I have advocated before the need to thoroughly review business plans and performance and try and ensure adequate finance is in place is the key to survival.

The basis for any business plan is the requirement to have adequate financial reporting – this does not need to be an expensive exercise but there is a requirement to ensure that adequate resources are devoted to this aspect of controlling a business. Once there is proper management information available – then planning can proceed.

Such planning does not have to be sophisticated and for many service based businesses it is a matter of the proprietor making a realistic assessment of their personal needs – as drawings are often the largest expense. For larger commercial concerns the principles are still the same.

The only figures in the profit and loss account that can be realistically forecast are costs – these need to be under strict control and reviewed in the light of what may happen. Turnover forecasts reflect the owners hope value and the natural reaction is one of optimistic enthusiasm. The adviser must introduce the element of realism. Whereas no one has the power of seeing into the future a sensible advisor will question the owner's expectations and produce a plan that can be flexed to show the sensitivity of a business to changes in conditions within reasonable commercial expectations. (But even this may be deficient as the buyers of the Foxton property chain found out when they completely underestimated the downturn in the housing market)

Where a business has used a firm of accountants advisors for a long while, there may be a comfort factor on both sides of the relationship and this can induce a laziness in being proactive and realistically addressing the sorts of problems alluded to here. A fresh view can often breathe new life into a situation.

Hilton is able to provide such a view – apart from a proactive service which has enabled the firm to grow in the last few years we have dedicated in-house resources for providing essential support services and where required access to specialist outsourced services depending on needs and not hidebound by having all the services locked into one advisor.

If you feel that a fresh approach would benefit your business then please do not hesitate to contact me.

Other issues that are of interest are:

Companies House filing penalties.

Late filing penalties are being massively increased from February next year – late filing will now incur costs of up to £1,500 for a private company (£7,500 for a Plc) and if there is a consistent record of late filing – penalties can be doubled. This can therefore be a very expensive exercise as the current penalty of £100 minimum has not proved much of a deterrent to late filing. If you feel that your accounts are behind without any justification and wish to avoid these new draconian costs then please contact me.

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Correcting VAT errors

The rules relating to the disclosure of errors changed in July. Net errors of up to £10,000 or 1% of VAT turnover in the accounting period in which the error is discovered up to a maximum correction of £50,000 can be corrected on a subsequent return. This replaces the separate disclosure routine of errors of more than £2,000.

There are also changes to the penalty regime.

If you require further details or help with VAT planning then please contact me.

Tax deductions for use of home.

Many service businesses are based at or use the proprietor's home as a base for their activities. The Revenue has issued further detailed guidance on the amount of expenses that can be claimed. These have clarified many issues particularly those affecting the capital gains tax aspects of a disposal.

To ensure that you are claiming the main non contentious amount please contact me so the claim can be reviewed.

Penalties for getting it wrong

Next year will see the introduction of new penalties for getting your tax return wrong. A leaflet can be found at <http://www.hmrc.gov.uk/about/new-penalties/new-penalties.pdf> and all those responsible for ensuring that either company or personal returns are filed should read it as it lays out the workings of the new regime.

Issues that have been raised in previous newsletters and I would like to highlight are as follows:

1. Hilton's in house book keeping and payroll service – I can provide a bespoke service for long term or short term assignments.
2. Changes in minimum national wages – changes due in October
http://www.direct.gov.uk/en/Employment/Employees/Pay/DG_10027201
3. Hilton can now provide an employee profiling service to assist in recruiting staff – as authorised users of Thomas International.
4. Some smaller business can benefit from the VAT flat rate scheme – particularly where they incur significant costs abroad. A review should be made if your business has a turnover (generally) of up to £100,000. A ready reckoner can be found on <http://vatreadyreckoner.hmrc.gov.uk/>.
5. Self employment v employment, employing staff coming from outside of the EU. There are now many regulations surrounding these matters and all clients of Hilton can obtain access to a specialized free help line. You should not hesitate to use it in respect of any employment query.
6. Tax enquiries – apart from the necessity of having professional fees insurance (which all clients of Hilton enjoy) to cover the costs of an enquiry it is essential to have a full understanding of revenue tactics – which can be underhand. If you have any concerns about any compliance aspect of your affairs please make an appointment so these matters can be investigated. For background see http://technology.timesonline.co.uk/tol/news/tech_and_web/the_web/article3689997.ece

Ben Warren