

Business Matters

News & Information

Spring 2005



Welcome to the Spring 2005 issue of our Business Matters Newsletter

Reaping the rewards: before, during and after the sale of your business

Selling your business may be the time when you are finally able to reap the rewards of a lifetime's work. Or you might be looking to maximise your capital before you start your next enterprise.

Either way, the sale of your business will be one of the most important things you'll ever do. Here are some of the essential issues you will have to consider:

Timing the sale

When is the right time to sell? In an ideal world, you would sell when the market is booming and before any anticipated downturn. But internal factors are just as important. If your business is performing well, perhaps at the peak of a pricing cycle, it will be more attractive to potential buyers.

Preparing your business for sale

You will need to have up-to-date information available for inspection by potential buyers. This will include business plans and budgets, as well as financial documents such as profit and loss statements, details of loans against the business and any lease(s).

There are a number of things you can do in order to make your business more attractive to potential buyers, such as increasing sales, perhaps through stronger advertising or special offers,

and improving your assets by replacing any equipment reaching the end of its useful life. Formalise contracts with suppliers and terms and conditions of employment with staff, and try to clear up any pending legal disputes or other liabilities. Finally, you can make an effort to improve the physical appearance of everything in the business, from the premises to the paperwork.

Setting a price and making the sale

Overvaluing the business will discourage buyers. We can help you to value your business fairly. A good way to ensure as high a price as possible is to create competition between potential buyers.

Before selling, you should consult us, as well as your legal and independent financial advisers. It may also be advisable to employ business transfer agents who specialise in buying and selling businesses. In some cases, it may be necessary to accept some deferral of the price to help the buyer to facilitate the purchase. With care, this may even have tax advantages for the seller.

After the sale

Once you know the value of the business you need to determine how the funds released by the sale can best be used to provide you with a comfortable retirement or to begin a new business venture. Valuable tax reliefs are at stake here, so consult us early in your planning to avoid an unnecessary tax bill.

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For Further information on any of our services, please contact us we will be happy to help you

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HELPING YOU AND YOUR BUSINESS

Here are some of the ways that we can help you with your personal and business finances.

Why not call us now and we'll arrange a meeting to discuss:

- Ways to minimise your business tax burden
- How the announcements in the Spring Budget might affect you
- Strategies to improve your bottom line
- Inheritance tax planning, for peace of mind
- Retirement planning strategies for you and other family members
- Planning exit strategies from your business



Filing: Is it time to get online?

PAYE: Why fifty employees is the limit

Fifty employees is a significant number by anyone's standards, but it has particular relevance for a small business with a growing payroll.

From the 2005/06 tax year all employers who have fifty or more employees on one PAYE scheme will have to file their end of year PAYE forms (P14 and P35) online. This means these forms must be sent to the Revenue either through the special Inland Revenue website: (<https://online.inlandrevenue.gov.uk/index.jsp>) using approved software, or through Electronic Data Interchange (EDI) which uses a direct connection between the employer's computer and the Inland Revenue without going through a third system such as the internet.

The Inland Revenue surveyed all current PAYE schemes in October 2004 and wrote to those employers with fifty or more employees to warn them to prepare for online filing. Those employers with 250 or more employees should already be well on the way to e-filing as their end of year PAYE returns for 2004/05 must be submitted online by 19 May 2005.

If your payroll has only recently tipped over the fifty threshold, but you didn't receive a letter telling you to file online, don't worry. You will not be forced to file online until the tax year starting after the next Inland Revenue survey, which is likely to be undertaken in Autumn 2005.

Large employers (over 250 employees) also have to pay all their PAYE liabilities electronically for payments due in May 2004 and beyond. Other employers are not yet obliged to pay PAYE electronically but if they do so they can take advantage of the extra 3 days to pay. This means the PAYE tax and other payroll deductions must reach the Revenue's account by the 22nd of the month rather than the 19th (or, if at a weekend, the Friday before).

Fifty employees is also one of the three thresholds that define a small company for the audit exemption, R & D tax credits and first year capital allowances. However this limit can be breached if the other two tests of turnover (no more than £5.6 million) and gross asset value (no more than £2.8 million) are met.

VAT: online returns made easy

A VAT return is not a particularly complicated form to complete. So why would you want to do it online?

With online filing you receive an automatic acknowledgment, so you can be confident the form has arrived safely and hasn't been lost in the post. Penalties for the late submission of VAT returns should be a thing of the past.

The other major advantage is that you have up to seven extra days to pay the VAT you owe. Online filing must be accompanied by any VAT liability being paid electronically. The BACS, CHAPS, or bank giro transfer must reach Customs' bank account by the seventh day after the normal due date, or the last working day before this deadline.

Customs and Excise have been accepting VAT returns online for some years through the Electronic VAT Return (EVR) service, but this facility is now being phased out in favour of a new system called eVAT Returns.

To use the EVR service you had to purchase an electronic signature or digital certificate, which cost about £50 per year. The new eVAT service doesn't require a special electronic signature, but you do need to follow a three step registration procedure as follows:

1. Obtain a Government Account online user ID;
2. Enrol for the eVAT services; and
3. Activate the service required.

Step 1 can be completed at the Customs and Excise website: <http://www.hmce.gov.uk>. To sign up for an online account you need to create a password that includes both letters and numbers. You will then be given your user ID. Make sure you keep a record of both your password and user ID as they will not be sent out by post and you need to enter them every time you use the eVAT service.

For **Step 2** you need to have a copy of your last VAT return and a note of the date you originally became registered for VAT. Once you have answered all the questions you have to wait around for an activation PIN to be sent out through the post.

Step 3 requires you to answer even more security questions. Only when these three stages are complete can you start to fill out your VAT return online. You should allow plenty of time before your next VAT return is due in, as the delay between Steps 2 and 3 can be up to a week.

There is a helpdesk, available on 0845 010 8500 on weekdays only.

Planning ahead...

Acting now can benefit your business and your personal wealth

Tax planning is not something that should be left until the final weeks of the tax or financial year. To make the most of opportunities and tax savings, the sooner action is taken, the better.

Please take a few moments to complete this checklist and contact us now to discuss the planning opportunities arising from any 'No' responses.

	Yes	No
1 If you are the owner of a limited company, have you considered the extent to which there is an advantage in receiving dividends instead of salary/bonus?	<input type="checkbox"/>	<input type="checkbox"/>
2 Have you considered giving up the company car and instead claiming at the official mileage rate for business use of your car?	<input type="checkbox"/>	<input type="checkbox"/>
3 Are you satisfied that your liability to income tax and capital gains tax, and your potential exposure to inheritance tax, is as low as possible?	<input type="checkbox"/>	<input type="checkbox"/>
4 Have you considered maximising your contributions to pension schemes this year, whether company, additional voluntary contribution, retirement annuity or personal pension schemes?	<input type="checkbox"/>	<input type="checkbox"/>
5 Have you considered claiming a CGT loss for assets which have become of negligible value?	<input type="checkbox"/>	<input type="checkbox"/>
6 Have you thought about the ways in which you can reduce the possibility of a substantial tax bill when you leave your business?	<input type="checkbox"/>	<input type="checkbox"/>
7 Are you and your spouse making the most of the independent taxation rules which give each of you your own allowances and tax rate bands, and are your children using their personal allowances?	<input type="checkbox"/>	<input type="checkbox"/>
8 If you are in a position to determine your total remuneration package, have you fully considered tax-efficient benefits?	<input type="checkbox"/>	<input type="checkbox"/>
9 Is your business's tax burden as low as possible?	<input type="checkbox"/>	<input type="checkbox"/>
10 Are you satisfied that your savings will be adequate for retirement?	<input type="checkbox"/>	<input type="checkbox"/>



Taking stock...

Inefficient stock management can seriously damage the profits of any business. Holding stock ties up valuable cash, and incurs costs in warehousing, personnel, transportation and insurance.

In an ideal world, every business would have no stock at all but would operate entirely on a well-tuned just-in-time system with materials and parts arriving in the order and quantities in which they are needed for retailing, or for the manufacturing or assembly process.

But since most small and medium-sized businesses do not have the resources to implement just-in-time, here are some suggestions for reducing stock costs:

- Identify those materials that are commonly used in numerous different products – and use them as widely as possible
- Check the quality and accuracy of goods received from suppliers. If you only spot the poor quality at the end of the process, it is too late
- If you work closely with your suppliers and build up a relationship of trust, you may be able to reduce the time spent checking the goods received
- Wherever possible, reduce the lead time for ordering materials, but take care not to unwittingly create hold-ups in production
- Constantly review sales trends and cross-reference them with stock requirements
- Make sure delivery schedules are well choreographed with production – try to avoid holding more finished products than you really have to
- Try to negotiate discounts on virtually everything that you buy and then negotiate terms for payments and interest rates.

Caution

Finally, a note of caution: although it is generally best to keep stock as low as possible to avoid locking up capital, this might not always be the case if there are really significant bulk discounts available.

If you decide to make changes to your stock levels or procedures, be sure to do so within the context of the business as a whole: never make stock decisions in isolation.

BUSINESS BRIEFS

Preventing illegal working in the UK

The Asylum and Immigration Act, which came into force last year, contains new measures for employers designed to help prevent illegal working in the UK.

Under section 8 of the Act, employers must make basic document checks on all potential employees, to ensure that they are legally entitled to work in the UK.

The Government has now introduced some key changes to the list of specified documents which are deemed acceptable for the purposes of checking by employers.

Employers are only able to obtain a statutory defence against conviction for employing an illegal worker if they have

checked and copied specific original documents belonging to the employee, from among the items on the approved list.

Employers must take reasonable steps to ensure that the documents belong to the potential employee, by checking details such as photographs, dates of birth, expiry dates, and any Government stamps or endorsements.

Employers must also ensure that their recruitment practices do not discriminate against individuals on racial grounds.

For further information and guidance, including information on what to do if you employ nationals from the European Economic Area, visit the Immigration and Nationality Directorate at www.ind.homeoffice.gov.uk.



Protecting your intellectual property

A recent study has warned that 67% of small businesses are failing to protect their intellectual property (IP).

Failing to register a company or brand name, logo, invention or concept means that your ideas are open to being copied by other businesses.

Setting up a trademark can offer protection for business owners, and firms are being encouraged to protect their intellectual assets by registering their ideas.

The Department of Trade and Industry's Innovation Unit and the Patent Office have set up an Innovation Logbook, which business owners can use to log their ideas. More information is available at www.innovationlogbook.gov.uk.

Further information on IP, including trademarks, patents and copyright, can be found on the Patent Office website: www.patent.gov.uk.

'Breakthrough' on employers' liability for smallest companies

The Government has announced that with effect from 28 February 2005, companies in which the owner is the sole employee will no longer have to buy employers' liability compulsory insurance.

The measure is expected to save sole employee companies an average of £250 a year, and will benefit around 300,000 UK companies.

The announcement follows a consultation in which nearly 80% of respondents said that the requirement should be dropped.

Employers' liability insurance has been a major issue for small businesses in recent months, with many suffering from the rapidly increasing premiums, and others finding it difficult to obtain insurance at all.

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.

WEB WATCH ESSENTIAL SITES FOR BUSINESS OWNERS

New legislation www.hmso.gov.uk/legislation/whatsnew.htm
Direct links to new legislation.

Transport Direct www.transportdirect.info
A complete transport journey planner for Great Britain.

Working in the UK www.workingintheuk.gov.uk
All about the rules for employing foreign nationals.

Sustainable Workplace www.sustainableworkplace.co.uk
TUC-backed site looking at business and the environment.

REMINDERS FOR YOUR DIARY

March 2005

- 31** End of corporation tax financial year
End of CT61 quarterly period
Filing date for Corporation Tax Return Form CT600 for period ended 31 March 2004



April

- 5** Last day of 2004/05 tax year
Deadline for paying retirement annuity premiums to be carried back to 2003/04 and for 2004/05 ISAs
- 14** Due date for income tax for the CT61 period to 31 March 2005
- 19/22*** Quarter 4 2004/05 PAYE remittance due
- 20** Interest will begin to accrue on unpaid PAYE/NI for 2004/05
- 30** Normal annual adjustment for VAT partial exemption calculations (monthly returns)

May

- 3** Last day for notifying car changes in quarter to 5 April 2005 – P46 (Car)
- 19** Last day for filing forms P14, P35, P38, and P38A – 2004/05 PAYE returns, without incurring penalties. Also last day for filing contractor's returns, including CIS36.
- 31** Last day to issue 2004/05 P60s to employees

* If PAYE is paid electronically, the due date is extended to the 22nd, or, if this falls at a weekend, to the previous Friday