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Newsletter

Business planning: is it time to take a step back?

When did you last take some time out to sit down and really think about your business? Not what you have to do today or tomorrow, but the overall health and direction of the firm?

Developing a clear picture of where your business stands today and where you want it to be in five, ten, or more years, will help you to crystallise your plans for the future.

Reviewing your market

As part of the review process, you should consider current earnings versus sales – are you charging the right price for your products or services, and are you paying the right price to suppliers?

A benchmarking review will help you to establish whether your prices are in line with those of your competitors, as well as enabling you to compare your product range and quality against other key players in the marketplace.

Consider the key areas for profits, and whether you can take any action to expand or improve these areas. Can you identify any products or services that are contributing less than their fair share (although bear in mind that contributions do not always take the form of direct profit alone)?

Keeping the cash flowing

Monitoring and reviewing your business's cash flow should form an essential part of your ongoing business planning strategy.

Having a clear idea of not only what income and expenses you expect to receive, but when you are likely to receive them, is key to maintaining a healthy business.

Preparing a cash flow spreadsheet does not have to be done all at once, but the sooner you start, the earlier you can begin to chart the likely peaks and troughs in cash flow over the course of the year, and this will also assist you in your strategic planning. We can help you to manage your cash flow effectively.

Looking ahead

While many people are reluctant to let go of the reins, it is nevertheless important to think about what will happen to the business when the time does come for you to move on. Do you plan to sell the business, wind it down, or pass it on to younger family members?

Whatever your intentions, you should develop an exit strategy or succession plan. This might involve training and investing in key staff or family members at an earlier stage, in preparation for your eventual departure. A considered plan will not only help to ensure a smooth transition if the business is passed on, but it can also help to keep your tax liability to a minimum.

Preparing and updating plans and forecasts is an essential part of effectively managing your business. Taking the time to step back from the day to day minutiae to consider the bigger picture can also pay dividends in the long term. Talk to us for further advice.

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Making the most of your savings

In today's climate of low interest rates, it can be difficult to secure a good return on your savings and investments. Yet with careful planning, and by utilising tax breaks and allowances, there may be steps you can take to maximise their value.

Tax on savings income

Savings income (which includes all types of interest) paid net is usually taxed at source at 20%. Dividends on UK equities carry a (non-repayable) tax credit of 10%.

Tax paid unnecessarily on bank and building society interest can be reclaimed using form R40, while non-taxpayers can register to receive interest without tax being deducted by completing form R85.

Tax breaks are also available when saving into a pension, subject to certain limits. Pension contributions made up to the level of earnings (or £3,600 if greater) attract tax relief, but note that pension inputs exceeding the annual allowance (£50,000 for policy years ending in 2013/14) may be subject to a tax charge.

Tax-efficient savings and investments

Paying tax on your savings and investment earnings should be minimised or avoided if possible. There are a number of tax-efficient savings and investments available.

Individual Savings Accounts (ISAs)

Up to £11,520 can be invested in an ISA this tax year, of which up to £5,760 can be invested in cash. 16 and 17-year-olds are able to invest up to £5,760 in a cash ISA. Junior ISAs, for those aged under 18 who do not have a Child Trust Fund account, allow investment of up to £3,720 in 2013/14.

Although income accruing in an ISA does so tax-free, the tax credit on UK dividend income cannot be recovered. All investments held in ISAs are free of CGT.

Withdrawals can be made at any time without loss of tax relief, although some plan managers offer incentives, such as better rates of interest, in return for a commitment to restrictions such as a 90-day notice period for withdrawals. It is worth shopping around online for the best deals, particularly with interest rates for many ISAs currently being relatively low.

National savings

Income and capital bonds – Interest is liable to income tax, but paid gross. Income bonds pay interest (variable) monthly. On capital bonds, the interest (guaranteed for five years) is added to the capital annually.

Children's bonds – These may be bought by anyone over 16 for individuals under 16. Interest is guaranteed for five years at a time until the holder is 21. The bonds are completely tax-free, which is an important feature for parents (normally parents are liable to tax on interest/income over £100 on gifts to their children).

Premium bonds – Instead of paying interest, monthly prize draws are held. Despite a recent cut in the prize fund rate, there is still a tax-free £1 million jackpot and over a million other cash prizes.

Alternative tax-efficient options

Investments under the Enterprise Investment Scheme or Seed Enterprise Investment Scheme and investments in Venture Capital Trusts are, generally, higher-risk. However, tax breaks aimed at encouraging new risk capital may mean that they have a place in your investment strategy.

A number of rules and conditions apply to investments made under these schemes, so please contact us for further information and advice.

Time for a review?

With new rates and deals regularly coming onto the market, it is important to review and assess the performance of your savings and investment strategy.

A regular review will help you to maximise your potential income and keep your tax liability to a legal minimum, whilst helping to ensure that your savings strategy is still on track.

Please contact us to discover how we can help you plan to minimise your tax liability and achieve your personal financial goals.

Gearing up for auto-enrolment: key steps

Pension auto-enrolment, which requires employers to automatically enrol eligible workers into a qualifying pension scheme, has been described as the biggest shake-up of workplace entitlements for decades.

1 Know your staging date and develop a plan

Your 'staging date' is the date from which your auto-enrolment duties first apply. It is determined by the total number of people in your largest PAYE scheme, based on HMRC's records as at 1 April 2012. You can find out your staging date by visiting **www.thepensionsregulator.gov.uk/staging**.

2 Assess your workforce

You will need to identify any eligible jobholders working for you. Automatic enrolment is required for those who:

- are aged between 22 years and the state pension age
- have qualifying earnings above the earnings trigger for automatic enrolment (£9,440 in 2013/14)
- are working or ordinarily working in the UK
- are not already a member of a qualifying pension scheme.

You will also need to consider whether you have an employer duty in relation to other types of workers including non-eligible jobholders and entitled workers.

3 Review your pension arrangements

Decide on the type of pension scheme you will offer. Do you have an existing scheme that meets (or can be changed to meet) the Government's requirements, or will you need to set up a new one? You may also want to consider the new National Employment Savings Trust (NEST).

4 Communicate the changes

Employers are required by law to write to most workers explaining what automatic enrolment into a workplace pension means for them. There are different information requirements for each category of worker.

Make sure you have a strategy in place for briefing employees and plan how you will manage any queries that arise.

A range of letter templates are available on the Pensions Regulator website to help employers fulfil their legal obligations.

5 Automatically enrol eligible jobholders

Under the new regulations, employers are required to: provide information to the pension scheme about the eligible jobholder; give enrolment information to the eligible jobholder; and make arrangements to achieve active membership for the eligible jobholder. This should be carried out within the 'joining window' (the one-month period from the eligible jobholder's automatic enrolment date).

6 Register with the Pensions Regulator and keep records

All employers will need to register online with the Pensions Regulator within four months of their staging date.

Employers must also keep specific records about their workers and their pension scheme(s).

7 Contribute to workers' pensions

From October 2018 all businesses will need to contribute at least 3% on the qualifying pensionable earnings for eligible jobholders. Compulsory contributions will be phased in over a number of years.

Employers are also required to make contributions for non-eligible jobholders who choose to opt in to the pension scheme.

Whatever your staging date, it is important to prepare for auto-enrolment in good time. Further information for employers is available at www.thepensionsregulator.gov.uk.

Is your business data protected?

Many of today's businesses are now reliant on an increasing array of technology – but are you taking sufficient precautions to ensure that your vital business and client information remains secure?

Hardware protection

With an increased risk of mobile devices being lost or stolen, precautions need to be taken to ensure that such devices, and more importantly the information they hold, are inaccessible to third parties. Make sure you have a comprehensive insurance policy in place that protects all of your equipment, and ensure that passwords are used at all times.

> "Small businesses could be losing as much as £785m every year as a result of cyber attacks"

In addition, you should ensure that your business premises are secure against intruders and that visitors are supervised. It is also important to make an inventory of your hardware, including the serial numbers of computers.

Online security

While the internet is an invaluable tool for businesses today, it is also a potential threat. According to one recent study, small businesses could be losing as much as £785m every year as a result of cyber attacks.

Implementing a combination of security protection measures, such as antivirus, spam filters and firewall software, is essential for safeguarding against unwanted attacks. Furthermore, this software must be updated regularly to ensure that it is providing the appropriate protection.

Practising browsing habits that minimise your exposure to risk will also help to keep your electronic data secure. Some key tips include:

- implementing a resilient password policy, which includes using a minimum of eight characters with a mixture of numbers, letters, and cases, changing the password regularly, and not sharing it with others
- not opening suspicious emails or attachments from senders you do not trust
- not replying to emails requesting your login or bank details – most companies will not ask for this information via email
- checking that a webpage is secure before entering private information. The web address may begin with 'https://', or a padlock may be displayed in the browser window frame
- ensuring that any wireless networks are secured. If you need to access or send important business information, an encrypted Virtual Private Network (VPN) would be advisable.

Backing up data

You also need to ensure that you can recover data in the event that it is destroyed, stolen or corrupted.

There are two effective methods of backing up your data:

- **Portable hard drives** – these should be stored away from your usual place of business in case of burglary or disaster
- **A cloud back-up** (backing up information online) – easy access and relatively low costs mean this option is becoming increasingly attractive.

Back-ups should be carried out on a regular basis to ensure that the most up-to-date information is protected.

Other key strategies

- Educate the workforce on the potential risks and best practice
- Shred paperwork that discloses personal information
- Delete and restore old telephones to their factory settings before disposing of them
- Restrict the use of portable devices such as USBs
- Create a disaster recovery plan

A loss of data could prove very costly for your business, so it is important to take steps to minimise the potential risk.

Business Round-Up

National Minimum Wage to rise from October

The main rate of the National Minimum Wage (NMW) will rise by 12p to £6.31 an hour from 1 October 2013.

In addition, the hourly rate for those aged 18-20 will increase from £4.98 to £5.03, while the rate for 16 and 17 year-olds will go up by 4p to £3.72 an hour.

The Government accepted the recommendations put forward by the Low Pay Commission (LPC), although it rejected the LPC's proposal to freeze the minimum rate for apprentices.

Instead, it was announced that the apprentice rate, which applies to apprentices under 19, or those 19 and over in the first year of their apprenticeship, will rise from £2.65 to £2.68.

The decision has provoked a mixed response, with some business leaders describing the move as 'unwelcome' in the current economic climate.

Red tape moratorium to be extended

The Government has announced plans to extend an initiative that exempts small businesses from new regulations.

The existing Micro-Business Moratorium, which was introduced in the 2011 Budget, currently applies to firms with fewer than 10 employees. However, the new Small and Micro Business Assessment (SMBA) will extend this moratorium to businesses with up to 50 staff.

Under a 'rigorous' cross-government assessment process, firms will also be exempt from new regulations if there is any evidence that they will result in disproportionate burdens that could impede growth.

The move has been welcomed by many of the UK's leading business groups, which have long called for more action to reduce the red tape burden on small enterprises.

The SMBA will apply to new regulations that come into force after 31 March 2014.

Relaxation of Real Time Information rules extended to 2014

The temporary relaxation of the Real Time Information (RTI) reporting rules has been extended until April 2014.

Under the new RTI regime, from 6 April this year employers have been required to report the payments and deductions they have made under PAYE *on or before the time of payment*, rather than at the end of the year.

However, following concerns over the impact of the changes on smaller businesses, HMRC granted a temporary relaxation of the rules to businesses with fewer than 50 employees, allowing them to report via the new system but on a monthly basis, until 5 October 2013.

HMRC has now extended this deadline to April 2014, in order that smaller businesses do not need to change their approach midway through the tax year.

Despite the extended deadline, small businesses are advised to take steps now to ensure they are fully prepared for the new regime.

For further advice on RTI and meeting your payroll needs, please contact us.

Web Watch

Essential sites for business owners

www.getsafeonline.org
Tips to help protect you and your business against the risks posed by the internet.

www.nsandi.com
The home of National Savings and Investments.

www.newbusiness.co.uk
Guidance for directors and owners of small and medium-sized businesses.

www.charitycommission.gov.uk
The regulator for charities in England and Wales.

Reminders for your Autumn Diary

September

30 End of CT61 quarterly period.

Last day for UK businesses to reclaim EC VAT chargeable in 2012.

October

1 Due date for payment of Corporation Tax for period ended 31 December 2012.

5 Individuals/trustees must notify HMRC of new sources of income/chargeability in 2012/13 if a Tax Return has not been received.

14 Due date for income tax for the CT61 quarter to 30 September 2013.

19/22 Quarter 2 2013/14 PAYE remittance due.

31 Deadline for paper submission of 2013 Tax Return without incurring penalties.

November

1 £100 penalty if 2013 paper Tax Return not yet filed. Additional penalties may apply for further delay.

2 Submission date of P46 (car) for quarter to 5 October.