Scholes
Chartered Accountants

Business Planning

As a busy business owner, it can be all too easy to become absorbed in the day-to-day minutiae of running your business. However, it is essential to take a step back to focus on your plans and strategies to help secure the business's future prosperity and success.

We can help you to formulate a plan to maximise profitability, minimise taxes and drive your business forward.

What does business planning involve?

The areas you will need to consider include:

- The 'structure' of your business
- Options for ownership
- Your customer service proposition
- Maximising sales and profits
- Efficient billing and cash collection
- Utilisation of technology
- The flow of cash in versus costs – including taxes
- Claiming tax deductible expenses
- Taking advantage of capital allowances
- Making the most of tax reliefs
- Employing staff or using contractors
- Involving family members in your business
- Business year end planning
- Reducing your capital gains tax liability
- Long-term plans for your business and your exit
- Maximising the sale value of your business
- Minimising taxes on a sale or on your retirement
- Crisis and contingency planning.

How we can help

Every business has its own unique circumstances and you should always take professional advice before acting. For careful analysis of your situation contact us now.

Minimising the tax bill

Tax deductible expenses

You will pay tax on your taxable profits, so it is essential to claim all deductible expenses

(many costs and expenses will already be included in your accounting records). These will include all the direct costs and overheads you incur in running your business. You will need to keep adequate records. With HMRC's Making Tax Digital (MTD) initiative currently moving businesses over to a fully digital tax system, software is vital.

Generally, it is better to incur expenditure just before the end of your accounting year, rather than just after, because you will be able to obtain tax relief one year earlier.

Capital allowances

The majority of businesses are able to claim a 100% Annual Investment Allowance (AIA) on the first portion of expenditure on most types of plant and machinery (except cars). The AIA applies to businesses of any size and most business structures, but there are provisions to prevent multiple claims. Any annual expenditure over these amounts enters either the 18% pool or the 6% pool, attracting a writing down allowance at the appropriate rate.

The maximum amount of the AIA depends on the date of the accounting period and the date of expenditure. From 1 January 2019, the AIA increased to £1 million for two years reverting to £200,000 on 1 January 2021. Complex rules apply to accounting periods straddling 1 January 2019 and 1 January 2021.

New cars with CO_2 emissions not exceeding 50 g/km also qualify for a 100% FYA. Other cars will enter the 18% or 6% pool according to the level of CO_2 emissions.

Involving the family

Employing family members and paying them a salary and benefits can be tax-efficient, but you will need to be able to justify the amount paid. Bringing family members into the business can give you flexibility and potentially prove a very tax-efficient way of passing on the family business. There are, however, anti-avoidance provisions which need to be considered. Depending on the circumstances, it may also be beneficial to bring family members onboard as partners or company shareholders.

A word about VAT

VAT registration is mandatory for most businesses once turnover has exceeded £85,000 in the previous 12 months, or is expected to exceed £85,000 in the next 30 days, though many businesses register voluntarily. Under the Making Tax Digital for VAT (MTD for VAT) regulations, from 1 April 2019 most businesses with a turnover above the VAT threshold are required to keep digital records for VAT purposes and provide their VAT return information to HMRC using MTD functional compatible software. Please speak to us for advice.

Your business structure

The structure of your business

Tax changes over recent years have made it increasingly important to consider carefully whether it is best to run your business as a sole trader (an individual), a partnership (two or more individuals or companies), a limited liability partnership (LLP) or a limited company.

Should you form a limited company?

There is no easy answer to this question. Each situation must be judged individually. As well as the tax and national insurance issues, you will need to consider such things as the nature and expected rate of growth of the business; the degree of commercial risk; administrative obligations; pensions and retirement; and your personal preferences.

In the early years of a business, operating as a sole owner is often attractive because funds can be used with fewer restrictions. But as your business grows, there may be advantages to incorporating.

✔ Advantages of incorporation can include:

Limited liability – a shareholder, having paid fully for shares, cannot normally be required to invest any more in the company, although personal guarantees may be required.

Legal continuity – companies are separate legal entities, can exist indefinitely, own property, sue and be sued.

Ownership transfers – effective ownership or part ownership of the business may be readily transferred.

Dividends – retained profits are free of income tax, but shareholders can be paid in dividends (currently lower rate of income tax and free of national insurance contributions (NICs)).

✗ Disadvantages of incorporation

There may also be disadvantages to forming a limited company. Strict company law formalities must be observed. There may be legal and administrative costs, including new accounting records, a new PAYE system, new business tax reference, new VAT registration and new stationery. The company will be taxed on the profits of each accounting period and a company Tax Return must be filed.

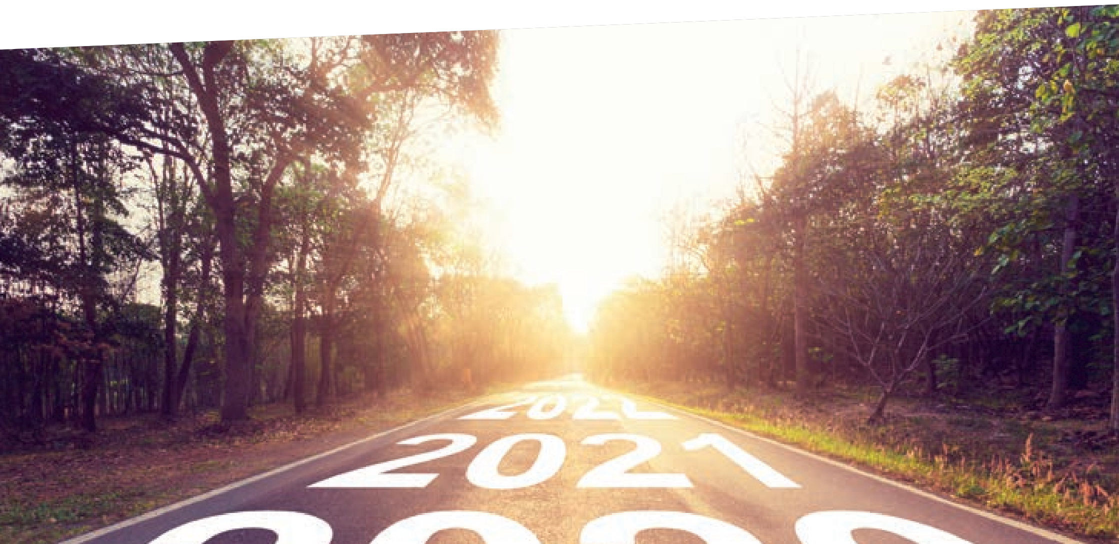
These are just some of the issues to consider when deciding upon the most suitable structure for your business.

Year end planning

Business year end planning

Tax and financial planning should not be left until the end of the tax or financial year, but in advance of the end of your business year. Talk to us about such issues as:

- accelerating expenditure into the current year or deferring it until the next
- extracting profits at the lowest tax cost
- improving cash flow and cash collection



- efficient employee remuneration strategies
- valuing stock and work in progress and other tax-saving strategies.

Exiting your business

Everyone in business should have a personal exit strategy. Its details will depend on individual circumstances, but you need to consider whether you will be passing on the business to family members; selling your shares to co-owners; selling the business to the workforce or a third party; or perhaps floating the company publicly.

We can help you to:

- estimate the current value of your business
- maximise the sale price
- decide the best time to sell
- minimise your capital gains tax liability
- minimise your inheritance tax liability.

This guide gives an overview of just some of the ways in which we can minimise your business tax bill and hopefully help make you wealthier. Please contact us for further information and advice.

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