

## **The bright lights in the spending review**

We all knew it was necessary. But how it would affect each person or business is only now becoming clear.

One of the good things is the tax position which largely remains unchanged. We are blessed in the South West with a lower proportion of Government jobs than most regions. Locally authorities are going to revise the way they work and finance the services. As their doors close so the doors for business to step in open. Many of the services they provide and fund will still be needed by the community. This gives the business entrepreneur a great opportunity to take over a service, expand into a new social market or to provide services to a local authority using a combination of grant and private finance. Outsourcing of services is likely to gather pace as the cuts occur.

The British Chambers of Commerce director of Policy Adam Marshall sees a bright opportunity for business. “Small firms need to evaluate their exposure to the public sector and which contracts are vulnerable. Over the next three to six months the impact of the cuts will become clearer and firms should keep an eye out for new opportunities.”

Certainly for businesses HMRC are getting tougher about Avoidance v Evasion. In fact HM Treasury is making available £900 million to tackle these very aspects. **Compliance** needs to be an everyday word in business finances. When you set up as a Limited Company there are a number of dates you need to comply with. To help you we are now publishing a diary on our web site. *Why? I hear you ask* – the reason is that a number of changes to tax dates, introduction of better tax breaks and other pieces of taxation relief are coming in over the next couple of years.

However if you miss the dates for filing annual returns and other documents, then fines start to bite into cash flow. They have been increased recently. By talking to Stephen you will avoid this minefield. One company failed to do so and ended up with a bill for £2,500!!! Ouch – very unpleasant for any company.

## **Avoidance versus Evasion**

The dictionary describes avoidance as “the act of preventing something from happening”. Evasion is likewise described as a means of escaping something by cunning or deceit.

Stephen explains “we ensure the right tax liabilities for every client now and in the future. We take into account the circumstances of each client and apply the tax regulations accordingly. Consequently, we often reduce a tax liability. Evasion is not part of our ethics.”

As an example, sole traders changing their Status to a Limited Company will find that instead of prepaying tax, the company liability becomes due at least 21 months later. This benefits cash flow. Setting up is now easier than 12 months ago. This is another bright light from the spending cuts.

## **VAT**

In January 2011 the VAT rate is increasing to 20%. This means that since December 2008 VAT has increased by 5% over the 2 years. UK taxpayers from January 2011 will be paying a similar rate to most other European countries.

Interestingly 82% of companies are planning to increase their prices. The remainder seem happy to absorb the increase, but this depends upon your business, the values involved and your competition. A survey of 1,000 tradesmen by Screwfix found that one in four were planning to stockpile supplies before the VAT increase so providing a buffer.

Remember the VAT threshold is £70,000. If you are not a member yet of this club, then look at when you might need to register. Failure to do will result in not only a penalty but also payment of all the back tax.

Like all taxation there are many pitfalls for business to fall in to. Look at the document from Stephen - **Common VAT Errors**

**Remember 1<sup>st</sup> April 2010 – not for the stunts you played, but all VAT registered businesses with as VAT exclusive turnover of £100,000 plus all new businesses need to submit their VAT returns online. Do not get caught out!!!**

**If you are not part of this system, and still pay by cheque then please note that HMRC are now regarding the date the cheque cleared as the date. Otherwise you will be classed as late and may be subject to a fine!!!**

### **Our door is always open**

The world of business gets more complicated each week. A banks attitude to lending can create a problem. Cash flow is king but is this starting to be a problem? Have you looked at methods of reducing your business rates? More than half a million small firms will pay reduced business rate bills, following the extension of **small business rate relief** on 1<sup>st</sup> October, according to government statistics.

Announced in the emergency Budget earlier this year, small firms with rateable values of up to £12,000 will double their normal discount for a year, while those with rateable values of up to £6,000 will receive 100% rate relief (rather than the 50% they received previously).

According to government statistics, 530,000 small businesses will benefit from the increased small-business rate relief. Make sure you register with your local authority for this. In Scotland it happens automatically and there is pressure for the same to happen in England.

In all these cases and many more, a discussion with Stephen Marlow and his team will be useful and could save you costs and expense. The advice given is impartial and valid in today's environment. Its like the proverb – a stitch in time..... It is the same with business problems; speak to Stephen and the team early and the solutions are easier to provide.

**Prevention, advice and planning are the strengths of Marlow Accountants.**

**Contact is a 2-way matter. They cannot help unless you speak up. They are at**

**the end of the telephone - 01395 233178 or send them an email**

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