NEW BUSINESS GUIDE 2020/21

The Financial, Tax and Accounting Considerations of Starting a New Business

With this handy reference guide to starting a business, you should be able to successfully handle many of the problems encountered in starting and running a business. Always remember to seek professional advice in areas that you are not sure about. The benefits will far outweigh the cost. Good luck!

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BEFORE STARTING UP

- It is the ambition of many people to run their own business. In recent years, this dream has become a reality for some who have been made redundant, whilst others may decide to start up in business to be more independent and to obtain the full financial reward for their efforts.

- Whatever the reason for considering setting up in business, a number of dangers exist.

- A major concern must be the risk of business failure despite considerable effort and finance having been put into the venture. Time spent in making the decision and thinking through your plans will minimise the risk of failure.

- Think carefully about ceasing to be someone else's employee. Certainty of income, both in terms of quantity and regularity, disappears, whilst fixed outgoings, such as mortgage repayments, remain. Similarly, other benefits of employment may be lost, such as life assurance cover, a company pension, medical insurance, a company car, regular hours, and holidays.

- Consider the views of your family and friends. Their support is essential. It is important they understand that the administrative and financial requirements of running a business can be time consuming and stressful.

- Success in business depends on many factors; most important is the need to critically review all aspects of the business proposition before progressing too far.

- This kit highlights many of the practical points that require consideration before trading begins. It cannot cater for every possibility and decisions should be supported by appropriate professional advice.

- This kit is published for information only. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice from a partner of this firm. No responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this kit can be accepted by the partners of the firm.

Notes and To Do's

Reference	Matter	Cleared

1 Chapter 1 - Selecting a Legal Entity for Your Business

One of the first major decisions you will have to make as you start your new business is the form of legal entity it will take. To a large degree, this decision may be dictated by the way you have organised your operations and whether you intend to work on your own or in conjunction with others.

The form of entity you choose can have a significant impact on the way you are protected under the law and the way you are affected by taxation rules and regulations. There are four basic forms of business organisation. Each has its own benefits and drawbacks and is treated differently for legal and tax purposes.

1.1 Sole Proprietorship

A sole proprietorship is typically a business owned and operated by one individual. A sole proprietorship is not considered to be a separate legal entity under the law, but rather is an extension of the individual who owns it. The owner has possession of the business assets and is directly responsible for the debts and other liabilities incurred by the business. The profit or loss of a sole proprietorship is combined with the other income of an individual for income tax purposes.

A sole proprietorship is perhaps the easiest form of business to own and operate because it does not require any specific legal organisation, except, of course, the normal requirements such as licenses or permits. A sole proprietorship typically does not have any rules or operating regulations under which it must function. The business decisions are solely the result of the owner's abilities.

1.2 Partnership

In a partnership, two or more individuals join together to run the business enterprise. Each of the individual partners has ownership of partnership assets and responsibility for liabilities, as well as authority in running the business. The authority of the partners, and the way in which profits or losses are to be shared, can be modified by the partnership agreement. The responsibility for liabilities can also be modified by agreement among the partners, but partnership creditors typically have recourse to the personal assets of all of the partners for settlement of partnership debts.

The rights, responsibilities and obligations of partners are typically detailed in a partnership agreement. It is a good idea to have such an agreement for any partnership.

A partnership is a legal entity recognised under the law and, as such, it has rights and responsibilities in and of itself. A partnership can sign contracts, obtain trade credit and borrow money. When a partnership is small, most creditors require a personal guarantee of the general partners for credit.

A partnership is also required to file an income tax return. A partnership typically does not pay income tax; the information from the partnership tax return is combined with the personal income of the partners to determine their overall tax liability.

1.3 Limited Liability Partnership

The Limited Liability Partnership ("LLP") offers limited liability to its members but, like a traditional partnership, is tax transparent and offers flexibility in terms of its internal organisation.

An LLP is a separate legal entity from its members. Therefore, it may enter into contracts and deeds, sue and be sued and grant floating charges over its assets in its own name. This avoids the problems that exist in relation to partnerships, where technically it is often necessary for every partner to be party to certain documents or litigation, and the creation of floating charges is not possible.

The members of the LLP are those persons registered at Companies House as members. These members can be individuals, limited companies or even another LLP.

The main "price" paid in return for limited liability is public availability of financial statements. An LLP must file accounts (prepared on a "true and fair view" basis) annually at Companies House, the same as a limited company.

In addition, the LLP must also file details of the name and address of every member at Companies House. At least two members must be "designated members" responsible for making proper filings at Companies House (and subject to penalties in the event of default).

Provided an LLP carries on a trade or a profession and is not simply an investment vehicle, it is tax transparent - that is, the LLP itself is not taxed on its income or capital gains. Instead the members are taxed on their shares of the LLPs' profits and gains, just as partners in a partnership are currently taxed.

Up until 6 April 2014, all members of an LLP were taxed as self-employed individuals. However, from 6 April 2014, certain members (mainly those receiving a fixed profit share) are now required to be taxed as employees with PAYE and Class 1 National Insurance Contributions ('EEs and 'ERs) being payable on their remuneration from the LLP.

LLPs were primarily intended for use by the professions. However, any type of business operating for profit may use LLPs. An LLP may be suitable for use as a joint venture vehicle or as an alternative to a limited company, particularly for small businesses.

1.4 Limited Company

A limited company is a separate legal entity that exists under the authority granted by statute. A limited company has substantially all of the legal rights of an individual and is responsible for its own debts. It must also file tax returns and pay taxes on income it derives from its operations. Typically, the owners or shareholders of a limited company are protected from the liabilities of the business. However, when a limited company is small, creditors often require personal guarantees of the principal owners before extending credit. The legal protection afforded to the owners of a limited company can be useful.

A limited company must obtain approval from Companies House to use its proposed name. A limited company must also adopt and file a Memorandum and Articles of Association, which govern its rights and obligations to its shareholders, directors and officers.

A limited company must file annual tax returns (CT600 corporation tax returns) with HM Revenue & Customs.

Incorporating a business allows a number of other advantages such as the ease of bringing in additional capital through the issue of share capital or allowing an individual to sell or transfer their interest in the business. It also provides for business continuity when the original owners choose to retire or sell their shares. From a tax perspective, the act of incorporation can create advantages via:

1.4.1 Selling the business to the company at market value and paying Capital Gains Tax (CGT) on the first £1 million of gain at 10%, with the benefit of business asset disposal relief (was entrepreneurs' relief), instead of the normal rate of tax when funds are withdrawn from a limited company. Once the £1 million lifetime limit has been used any additional capital gains on disposal are taxed at 20% if the shareholder is a higher rate taxpayer.

1.4.2 Saving National Insurance contributions (NICs) by drawing profits as dividends rather than as salary. Note however that from 6 April 2016 there are significant increases in the rates of tax on such dividends to discourage this tax planning strategy (see later).

Should you decide to incorporate your business venture, you should seek advice from ABC Accountants. We can also assist in forming the company through our appointed agents.

Business Structure – The Pros and Cons

Company	Sole Trader/Partnership
A company must be formally incorporated with a written constitution in the form of a Memorandum and Articles of Incorporation. There is, therefore, an initial setup cost.	There are no formation costs, but a written partnership agreement is advised.
Companies are governed by the Companies Acts. A company must:- - Keep accounting records - Have the accounts audited* - File accounts and an Annual Return with the Registrar of Companies. This information is available to the public. - Keep Statutory Books showing details of shareholders and directors *Your company may qualify for an audit exemption if it has at least 2 of the following: • An annual turnover of no more than £10.2 million • Assets worth no more than £5.1 million • 50 or fewer employees on average	Sole traders and partnerships are not required by law to have annual accounts nor to file accounts for inspection. However, annual accounts are necessary for the HM Revenue and Customs tax returns.
Companies may have greater borrowing potential. They can use current assets as security by creating a floating charge.	Sole traders and partners are unrestricted in the amount and purpose of borrowings but cannot create floating charges.
Shares in a company are generally transferable – ownership may change but the business continues.	
Incorporation does not guarantee reliability or respectability but gives the impression of a soundly based organisation. Personally, there may be prestige attached to directorship.	The unincorporated business does not carry the same prestige.
Tax is payable on directors' remuneration paid via PAYE on the 19th of the following month. Tax is paid by shareholders on dividends under the self-assessment rules, although the first £2,000 of dividends are tax free each year. Unless profits exceed £1,500,000, corporation tax is payable 9 months after the year-end.	For a sole trader or partnership, tax is generally paid by instalments on the 31 January in the tax year and the 31 July following the tax year. For an ongoing business the tax for 2020/21 is payable: first payment on account on 31 January 2021, second payment on account on 31 July 2021, with any final balance due on 31 January 2022. For a start-up business, this is slightly different and covered in more detail later in this publication.

First year losses in a company can only be carried forward to set against future profits.	Start-up losses generated by a sole trader or a partner in the first four years can be set against other income of the year or carried back to the three previous years, potentially resulting in a tax refund.
The corporation tax rate is now 19% irrespective of the level of profits. The plans to reduce the rate to just 17% have been shelved for the time being.	Profits are taxed at 20% on taxable income up to £37,500 for 2020/21 and 40% thereafter with a 45% rate on income over £150,000
There is both employers' and employees' national insurance payable on directors' salaries and bonuses. The NI charge is greater than that paid by a sole trader/partner, but there is no NI charge on dividends.	A partner/sole trader will pay Class 2 NI of £3.05 p.w. (2020/21) and Class 4 NI dependent on the level of profits, 9% up to £50,000 and 2% thereafter.

2 Chapter 2 - Registering with the Tax Authorities

A significant task for the new business owner is ensuring that the business is properly complying with the extensive tax and information filing requirements imposed by the various authorities. Problems and penalties could arise if the new business is not registered with the appropriate tax authorities in a timely fashion. While this chapter is not intended to be an all-inclusive list of filing requirements, it summarises some of the more prominent requirements common to most businesses.

HMRC is moving towards electronic forms and notifications via the internet. Paper forms are still required in some instances. In the following section we provide links to both downloadable versions of forms and the web links to apply online for various services.

2.1 H M Revenue & Customs

You must give HM Revenue and Customs (HMRC) specific information about your company within 3 months of starting up in business. You may get a penalty if you don't.

You can do this online once you have got your company's Unique Taxpayer Reference (UTR):

https://www.gov.uk/limited-company-formation/set-up-your-company-for-corporation-tax

HMRC will use this information to work out when your company must pay Corporation Tax.

You can also register online with HMRC to notify self-employment using form CWF1:

https://www.gov.uk/government/publications/self-assessment-and-national-insurance-contributions-register-if-youre-a-self-employed-sole-trader-cwf1

You need to register by 5 October following the end of the tax year you need to send a tax return for. If you're late, you won't get a penalty as long as you pay your Self-Assessment bill in full by the deadline.

2.2 H M Revenue & Customs – NI Contributions Office

Depending on the level of profit, sole traders and partners have a liability to Class 2 NIC at a weekly level of £3.05 (where annual earnings are £6,475 or more for 2020/21). These contributions are collected with income tax and Class 4 national insurance.

2.3 H M Revenue & Customs - VAT

You need to consider if it is beneficial to be VAT registered from the outset. The pros and cons are discussed in Chapter 4. If you are registering for VAT, form VAT 1 needs completing, and if you are a partnership, form VAT 2 needs to be completed giving details of all the partners.

Information about VAT 1 and VAT 2 (and other VAT forms) can be found at:

https://www.gov.uk/government/collections/vat-forms

To register online go to https://online.hmrc.gov.uk/registration/

A new system of digital VAT record keeping, and reporting called Making Tax Digital (MTD) started from 1 April 2019 where taxable supplies exceed the £85,000 VAT registration threshold.

There are many ways we can help you:

2.3.1 We can assist you in registering for VAT online

2.3.2 We can act as your agent and file VAT returns online with you providing us with the figures to be entered

2.3.3 We can help you implement online filing through software

2.3.4 We can provide you with accounting software with integrated online filing so you can easily calculate and file the figures

More information can be found at the HMRC website: https://www.gov.uk/vat-returns

When do I need to submit digital accounts information to HMRC for my business?

The Government now requires all VAT registered businesses making taxable supplies over £85,000 to keep their records in a digital format and submit their VAT information to HMRC quarterly as part of the "Making Tax Digital" project.

This means that such businesses will need to keep their accounting records in a digital format that links to the HMRC computer system. Many of the detailed rules are now set out in regulations in secondary legislation. VAT guide 700/22 sets out the rules in detail.

We can help you choose a suitable computerised accounting system for your business that satisfies the digital accounting rules. For most VAT registered businesses above the threshold the new MTD obligation applied to the first VAT return period commencing on or after 1 April 2019.

MTD for VAT is not be mandatory for those businesses below the VAT registration threshold (currently £85,000).

Under the MTD for VAT legislation there should be digital links between different accounting software packages, however there was a "soft landing" period of one year to get such links in place. This meant that certain data could continue to be transferred by cutting and pasting between software packages. It has recently been announced that the "soft landing" would be extended for a further year, in other words the VAT return period that commences after 1 April 2021.

2.4 Tax Calendar

The following summarises some of the more significant filing dates for a corporation using a calendar year end. Many of these requirements also apply to partnerships and sole traders. Naturally, if a year-end other than 31 December is used, some of these dates will vary.

Date	**Return**
Annual Events	
19 April	Final RTI Submission due
6 July	Submission of form P11D reporting benefits in kind
19 July	Payment of Class 1A NIC
30 September	Payment of corporation tax for accounts prepared for the calendar year (9 months after the end of the accounting period)

November/December	Year-end tax planning
31 December	Submission of corporation tax return for accounts prepared for the calendar year (12 months after the end of the accounting period)
Quarterly Events	
14 April	Forms CT61 to be submitted reporting tax deducted/received on interest payments
14 July	
14 October	
14 January	
Quarterly	VAT returns (although these can be monthly or annually)
Monthly Events	
19th	Payment of payroll taxes (under certain circumstances – quarterly)

3 Chapter 3 - Accounting & Bookkeeping

Most operators of a new and growing business have a flair for the environment in which the business operates. They may be a great salesperson, an outstanding mechanic, carpenter, solicitor, or inventor. Unfortunately, most people don't like to keep the books. As an owner of a business, you must remember that your company's books and financial statements represent a score sheet which tells how you are progressing, as well as an early warning system which lets you know when and why the business may be going amiss. Financial statements and the underlying records will provide the basis for many decisions made by outsiders such as banks, landlords, potential investors and trade creditors, as well as taxing authorities and other governing bodies. The necessity for good, well-organised financial records cannot be over-emphasised. One of the greatest mistakes made by owners of small businesses is not keeping good financial records and making improper or poor business decisions based on inadequate information.

Quality financial information does not necessarily translate into complicated bookkeeping or accounting systems. Far too often owners of businesses become overwhelmed by their accounting system to the point where it is of no use to them. An accounting or book-keeping system is like any tool used in your business; it needs to be sophisticated enough to provide the information you need to run your business and simple enough for you to run it (or supervise the book-keeper). Questions you should ask in developing an accounting and financial reporting system are:

3.1 Who will be the users of the financial information?

3.2 What questions do I need answered to manage the business?

3.3 What questions should be answered for HMRC authorities? It should be noted that HMRC are increasingly making Business Records Checks of those businesses they reckon could have poor records

As your business grows, you should work closely with your accountant to ensure that your accounting system is providing you with appropriate information.

The Government proposes to require businesses to submit accounts information to HMRC quarterly as part of the “Making Tax Digital” project. This was planned to start in 2018 but has now been deferred apart from VAT reporting. You should therefore consider a computerised accounting package from the outset that enables you to comply with these new obligations. We can advise on the most suitable accounting software for your business.

3.4 Chart of Accounts

The basic road map into any accounting system is the chart of accounts. It is this chart that helps establish the information that will be captured by your accounting system, and what information will subsequently be readily retrievable by the system. This tool, like the rest of the accounting systems, needs to be dynamic and should grow as the size and needs of your business changes.

To help establish a good working chart of accounts you need to answer some questions, in conjunction with your accountant, as to how your business will operate and what is important to you. Some of these considerations might be:

3.4.1 Will your business have stock to account for? If so, will it be purchased in finished form or will there be production costs?

3.4.2 Are fixed assets a significant portion of your business?

3.4.3 Will you sell only one product or service, or will there be several types of business?

3.4.4 Will you have accounts receivable from customers, which you will have to track?

3.4.5 Are you going to sell in only one location, or will you do business in several places?

3.4.6 Are the products you sell subject to value added tax?

3.4.7 Do you need to track costs by department?

3.4.8 What type of government controls or regulatory reporting are you subject to?

Each one of these questions can have several answers and will probably generate more questions. Each answer will have an impact on how the chart of accounts is structured. It may seem that developing a chart of accounts is not particularly high on your list of things to do as you start a new business. The amount of time and money a well organised accounting system may save you can be significant as the need to generate information for various purposes increases. An example of a basic chart of accounts follows this section.

3.5 Cash or Accrual Accounting

One of the decisions to be made as you start a business is whether to keep your records on a cash or accrual basis of accounting. The cash basis of accounting has the advantage of simplicity and almost everyone understands it. Under the cash basis of accounting, you record sales when you receive the money and account for expenses when you pay the bills. The increase in the money in “the cigar box” at the end of the month is how much you have made. Businesses may choose to report their profits on a cash basis for tax purposes if their annual turnover is below £150,000. (This threshold was previously linked to the VAT registration limit)

Unfortunately, as we all know, the business world is not always so easy. Sales are made to customers and you sometimes must extend credit. Your business will incur liabilities which are due even though you may not have received the invoice or have the cash available to pay them. Most users of financial statements such as bankers and investors are used to accrual-basis statements and expect to see them. Once you become familiar with them, they provide a much better measuring device for your business operations than cash-basis statements.

Whether you use the cash or accrual basis, it is possible to keep books for income tax purposes on a different basis than for financial statements. It may be more advantageous (less tax) for you to do so. ABC Accountants can advise you on the advantages and feasibility of doing this in your particular circumstances.

3.6 Accounting Records and Record Keeping

Another question that the owner of a business must answer is “Who will keep the books of the business?” Will you do it yourself, will the receptionist or a secretary double as a part-time bookkeeper, will you have a bookkeeper that comes in periodically, or will the volume of activity be such that a full-time bookkeeper will be required?

Very often the owners of a business decide to keep the books themselves and underestimate the commitment they have made to other phases of the operation and the time required to maintain a good set of financial records and books of account. Consequently, the record keeping is often low priority and must be caught up later. This approach, though rarely planned, can require a substantial expenditure of time and money. While it is important for the owners of a business to maintain control and stay involved in the financial operations of the enterprise, this can be achieved by maintaining close control over the cheque-signing function and scrutinising certain records. We can help develop a good programme of record-keeping duties for you, your employees and any outside book-keepers you may engage.

3.7 A Word about Accounting Software Systems

There are a number of very good and easy to use accounting software systems which are commercially available, but none of them will solve the problems of inaccurate or poor-quality financial records. All they will do is generate bad information faster. This is one of the reasons that the computer has also probably caused more headaches for the owners of modern businesses than any other single cause. If you want to use a computer-based accounting package, either in your own business, with a service bureau, or through your accountant, it is imperative that you generate accurate information to be entered into the system.

The real value of accounting software becomes apparent once it is running smoothly in your business. Your accountant can then function in the capacity for which he was trained, not as a “number cruncher”, but as your business adviser, consultant, and strategist. Both of you can focus not on producing reports for various regulatory agencies but on analysing your business to make it more profitable.

3.8 Internal Control

What is internal control? It is the system of checks and balances within a business enterprise that helps to ensure that the company’s assets are properly safeguarded, and that the financial information produced by the company is accurate and reliable. When you are operating as a “one-man shop”, or at least handling all the company’s financial transactions, maintaining good internal accounting control is relatively straightforward.

However, when your company grows to the size where you must delegate some of the functions, it becomes more difficult to ensure that all the transactions are being accounted for properly.

No matter the size of your business, you should always be able to answer “YES” to the following questions:

3.8.1 When my company provides goods or services to our customers, am I sure that the sale is recorded and either the debt is recorded in accounts receivable or the cash is collected?

3.8.2 When cash is expended by my company am I sure we received goods or services?

The method used to ensure that these two questions can be answered affirmatively will be widely varied. They are essential stepping-stones to maintaining good control in your business. The solution in your particular instance may be as simple as numbering the sales tickets and being sure ALL TICKETS ARE ACCOUNTED FOR or reviewing all invoices and timecards before signing company cheques. These are fundamentals in a well-run business. As the company grows you will need to consider concepts such as segregation of authority or controlled access storerooms. No matter what the size of your enterprise, you should consider controlling your business and safeguarding hard earned assets as a priority from the outset.

3.9 Illustrative Chart of Accounts (Sole Trader)

FIXED ASSETS - TANGIBLE

0010 Freehold property cost

0020 Freehold property depreciation

0110 Leasehold property cost

0120 Leasehold property depreciation

0210 Plant and machinery cost

0220 Plant and machinery depreciation

0310 Fixtures/fittings cost

0320 Fixtures/fittings depreciation

0410 Motor vehicles cost

0420 Motor vehicles depreciation

FIXED ASSETS - INTANGIBLE

0700 Investments

0900 Goodwill

CURRENT ASSETS

1000 Stocks and work in progress

1100 Trade debtors

1103 Debtors and prepayments

1200 Bank current account

1230 Petty cash

CURRENT LIABILITIES

2100 Purchase ledger control

2109 Creditors and accruals

2200 VAT control account

2300 PAYE/NI creditor

LONG TERM LIABILITIES

2600 Bank loans

2700 Hire purchase creditors

2800 Lease purchase creditors

2900 Other loans

CAPITAL AND RESERVES

3000 Capital account - balance brought forward

3100 Capital introduced

3200 Profit and loss account

3300 Drawings

SALES

4000 Sales/work done

4009 Discounts allowed

4100 Export sales

OTHER INCOME

4200 Royalties received

4210 Commissions received

4220 Insurance claims

4230 Rental income

4240 Bank interest received

COST OF SALES

5000 Purchases

5900 Opening stock and work in progress

5950 Closing stock and work in progress

DIRECT COSTS

6000 Direct labour

6100 Goods outward costs

6200 Goods inward costs

6300 Packaging

6400 Duty paid

6500 Transport insurance

6600 Sales commissions payable

6700 Royalties payable

OVERHEADS

7000 Motor expenses

7100 Telephone

7200 Wages

7300 Rent

7400 Rates

7500 Heat and light

7600 Postage, stationery and advertising

7700 Repairs and renewals

7800 Insurance

7900 Bank charges and interest

8000 Hire purchase interest

8050 Mortgage interest

8100 Accountancy fees

8200 Legal charges

8300 Use of home as office

8400 Protective clothing

8500 Cleaning

8600 Sundry expenses

8700 Subsistence

8800 Profit on asset sales

8900 Depreciation

9000 Bad debts written off

This provides an illustrative list – but you can generally create as many accounts as you need for your own analysis and information. Most software packages come with pre-configured codes set up, sometimes generic and sometimes for a specific trade or industry.

4 CHAPTER 4 - VALUE ADDED TAX

VAT is a tax on consumer expenditure and is ultimately paid by the final customer. Most business transactions involve the supply of goods or services and VAT is payable if they are made:

4.1 in the United Kingdom

4.2 by a taxable person

4.3 in the course or furtherance of business and are not specifically exempted or zero-rated

VAT is collected by HM Revenue & Customs and is normally payable quarterly.

4.4 Registration

There are two different types of registration - compulsory and voluntary:

4.5 Compulsory

A person who makes taxable supplies becomes liable to be registered if:

4.5.1 At the end of any month, the value of his taxable supplies in the period of one year then ending has exceeded the registration limit, which is £85,000 from 01 April 2017 until 31 March 2022.

4.5.2 At any time, there are reasonable grounds for believing that the value of his taxable supplies in the next 30 days will exceed the £85,000 limit.

4.5.3 If, where a business carried on by a taxable person is transferred as a going concern, the taxable supplies for the twelve months prior to the transfer exceed £85,000.

Note that the VAT registration threshold is normally increased in year in line with inflation, but the 2018 Autumn Budget fixed the VAT threshold at £85,000 until 31 March 2022.

In the most common situation, i.e. (a) above, the person must notify HMRC of the liability within 30 days of the end of the month in which the value of the taxable supplies first exceeded £85,000. If, for example, the value of the taxable supplies first exceeded £85,000 in the twelve months to 31 March, then HMRC must be notified by 30 April and VAT registration would commence on 1 May.

4.6 Voluntary

In certain circumstances, it is possible to register on a voluntary basis for VAT even though the value of taxable supplies may never exceed £85,000. This is normally only beneficial where the majority of supplies are being made to customers who are themselves VAT registered, e.g. it would not be beneficial for a domestic painter with taxable supplies of £30,000 to be registered, whereas it may be beneficial for a commercial or industrial painter with the same level of supplies.

The other situation in which a voluntary registration might be beneficial is where the supplies are all zero-rated and no VAT is charged on the transaction. All VAT suffered by the trader on expenses can be reclaimed from HMRC.

In summary, the advantages and disadvantages of a voluntary registration are as follows:

4.7 Advantages

4.7.1 enables input VAT suffered to be reclaimed;

4.7.2 A VAT number can give the impression that a business is larger than it actually is which sometimes can increase the possibility of obtaining work.

4.8 Disadvantages

4.8.1 the requirement to prepare VAT returns on a quarterly basis and to submit them and if applicable pay over the VAT due within one month of the quarter end - is the amount of work involved worth it for the input VAT that can be reclaimed?

4.8.2 HMRC may periodically visit the business (about every five years but depends upon the risk of errors) to ensure that VAT is being properly accounted for. There may be penalties for incorrect returns.

4.8.3 Where most of the customers cannot reclaim VAT, such as domestic consumers, your prices will be uncompetitive compared to non-VAT registered suppliers.

4.9 Taxable Persons and Supplies

4.9.1 Taxable Persons

It should always be remembered that it is a person that is registered for VAT and not a business. If a person has two separate different businesses, both with taxable supplies of £50,000, then that person will be required to be registered for VAT and account for VAT at the appropriate rate on the total supplies of £100,000.

It is possible to mitigate the effect of VAT by having one of the businesses operated by a limited company or by a partnership with a relative, but professional advice needs to be taken since HMRC have the power to treat the two businesses as one if strict criteria are not met as they may argue that a single business has been deliberately fragmented to keep below the £85,000 threshold.

4.9.2 Taxable Supplies

Taxable supplies are all supplies made by a business either to a third party or to the trader himself (goods for own use), which are not exempt supplies. Taxable supplies therefore include zero-rated supplies.

The major categories of exempt supplies are:

- Land (but not buildings)
- Insurance
- Postal services
- Betting, gaming, and lotteries
- Finance
- Education
- Health and welfare

It is important that at the outset of a business, a trader establishes the VAT status of any supplies being made to avoid mistakes, e.g. the services of a physiotherapist are exempt, whilst the services of an acupuncturist are standard rated.

4.10 Tax Rates

There are three rates of VAT:

1. 20% - the standard rate of VAT, applying to any sales of standard-rated goods or services
2. 5% - for certain supplies of fuel and power and sanitary goods
3. Zero-rated - the four main areas of zero-rated goods are:

- Food and agriculture (but excluding pet food and most catering)
- Printed matter, including books and newspapers
- Young children’s clothing and footwear
- Passenger transport (but excluding hire cars, taxis and parking)

Any VAT charged by the business, whether at 20% or 5% is known as output VAT and the total charged or collected in the VAT quarter is payable to H M Revenue & Customs.

4.11 Input VAT

Input VAT is the VAT that you are charged on your business purchases and expenses (the other persons output VAT) and is normally recoverable in full by a trader who only makes standard rated or zero-rated supplies. Businesses that make some exempt supplies (known as partially exempt businesses) have different recovery rules. The total input VAT suffered in the quarter is deducted from the output VAT charged or collected and the difference is either the amount of VAT due to HMRC or the amount repayable by HMRC. The majority of input VAT is recoverable but there are special rules for:

- cars
- petrol supplied for private usage;
- business entertaining;
- goods sold under a VAT second-hand scheme.

To reclaim VAT, you have been charged as input VAT, you must hold valid evidence that you have received a taxable supply, which normally means a valid VAT invoice from a registered trader showing his VAT number and the amount of VAT charged.

4.12 Quarterly returns

As mentioned earlier, as part of the Making Tax Digital project, most VAT registered businesses above the registration threshold will need to keep their accounting records in a digital format and update HMRC quarterly from April 2019.

4.13 Penalties

There are penalties for errors in VAT returns. More details can be found at the HMRC website:

https://www.gov.uk/vat-returns/surcharges-and-penalties

4.14 VAT Checklist

Registration

(a) Should the business be registered?

(b) Is basis of registration correct?

(c) Are details on registration certificate correct?

(d) Do procedures exist for notifying H M Revenue & Customs of relevant changes?

(e) Review position at regular intervals.

(f) Is the Cash Accounting Scheme for VAT available and would it be beneficial?

(g) Is the Annual accounting scheme available and would it be beneficial?

(h) Is the flat rate scheme available and would it be beneficial?

(i) Is it necessary to register for online filing of VAT returns or is this beneficial?

(j) Are any of the special schemes for retailers applicable?

Preparation of VAT Returns

(Most businesses fill in the return and submit online these days)

(a) Review sources of information.

(b) Prepare draft return.

(c) Check for accuracy and completeness.

(d) Submit the return and make payment (if outputs exceed inputs)

Input Tax

(a) Do any restrictions on input tax exist? If “Yes”, does an agreed method exist and does this method maximise input tax?

(b) Are invoice additions and calculations checked?

(c) Is input tax claimed at the earliest tax point?

(d) Are all claims properly supported? Ensure all supporting invoices kept.

Output Tax

(a) Are all income heads reflected for VAT accounting?

(b) Are all potential sources of notional supplies considered?

(c) Are all potential sources of income (asset sales, etc.) covered by VAT accounting system?

(d) Is VAT captured at the correct tax point?

(e) Is VAT correctly applied where appropriate?

As mentioned in the checklist there are various schemes which may be suitable for your business such as the flat rate scheme, annual accounting and cash accounting. We will be pleased to discuss the implications of these schemes with you and help you decide if they may be advantageous in your circumstances.

4.15 Money Laundering Regulations

HM Revenue & Customs have responsibility for administering certain aspects of The Money Laundering Regulations 2007, particularly relating to High Value Dealers (HVDs).

HVDs are those traders who may receive 10,000 Euros (approximately £9,000) in a single transaction or a series of linked transactions. The Regulations principally apply if cash or cash equivalent are offered in settlement.

If you believe you may be a HVD you should discuss this with your advisors or visit HMRC's website at www.hmrc.gov.uk

Further, if you believe you may be affected by the Regulations as they related to regulated businesses, you should discuss this with your advisors as the penalties for not complying are serious.

5 CHAPTER 5 - PAYROLL TAXES AND PENSIONS

Irrespective of the form of business in which you operate, if you are going to have employees, then you will have to contend with payroll taxes. If you are trading as a limited company, then remember that the directors are also employees. The brief summary that follows will give you some guidance in the rules and regulations of HMRC.

5.1 Helpful Publications

HMRC publish guidance on their website relating to how PAYE is operated and the legislation that you have to comply with. Not only do you collect and remit PAYE to the Collector of Taxes on behalf of HMRC, you also operate the sick pay scheme and maternity pay scheme. You should run the PAYE scheme in accordance with the legislation and should you fail to comply then HMRC will look to the employer for the tax or NIC you failed to deduct. This can be costly if you are unable to recover the tax and NIC from the employee.

5.2 Do You Have Employees?

Whether an individual is an employee or not in a particular situation is a question of fact depending on the terms on which he works. The question of whether an individual is employed or self-employed is very important for the business "employing" him or her, as that business has to comply with the reporting requirements. The "employer" should not just accept that the worker says he is "self-employed".

In certain areas HMRC has placed emphasis on reclassifying individuals claiming to be self-employed and has issued leaflet IR56 entitled "Tax: employed or self-employed". The booklet sets out the questions that should be answered to determine the problem. If you have treated someone as self-employed and subsequently after a routine visit from HMRC it is clear that they were employees, then the tax and NIC which should have been paid will be assessed on the employer. Therefore, it is important to ensure when using the services of self-employed people that they are in fact self-employed. If doubt exists as to the status of an individual, the situation can be clarified with HMRC. HMRC provide an interactive software tool to help employers and workers at:

https://www.gov.uk/employment-status-indicator

5.3 The Operation of PAYE and Real Time Information

Most businesses operate a computerised payroll system these days and we can advise on the software to use if you wish to run the payroll yourself. Alternatively, we can prepare the payroll on your behalf if you provide us with employees' hours, rates of pay and overtime on a timely basis each week or month.

A system of Real Time Information (RTI) has been introduced which will allow businesses to submit information electronically to HMRC every month. This will in due course eliminate the need for annual end of year returns of wages and salaries. You will need RTI-enabled software which is provided by several software companies. Alternatively, where there are 9 or fewer employees you can use HMRC's Basic PAYE Tools which can be downloaded from the HMRC website.

The tax and national insurance should be paid to HMRC by the 19th of the month following that in which the salaries were paid (22nd of the month if paying electronically).

Under RTI, the employer tells HMRC about tax, NICs and other deductions when or before the wages and salary payments are made, instead of waiting until the end of the tax year. It is hoped that this system will make the PAYE process simpler and less burdensome for employers and HMRC. It removes the need for the end of year return on P35 and P14, although the end of year form P60 still has to be prepared and given to employees. RTI will also simplify the employee starting or leaving processes.

5.4 Pensions Auto Enrolment

Recent changes to Pensions legislation require all employers to provide a pension scheme for their employees. This “Auto Enrolment” is now an obligation for all businesses with exception of one-man band companies.

New Businesses will be required to auto enrol relevant employees as at the date that the business makes its first payment to the employees. There are exceptions and additional procedures for businesses to follow so please contact ABC & Co for further information.

For automatic enrolment there are minimum contributions you must pay in order to comply with your duties. These are a percentage of earnings and are shown in the table below.

Date	Employer minimum Contribution	Total minimum contribution
Before 05/04/18	1%	2%
06/04/18 – 05/04/19	2%	5%
06/04/19 onwards	3%	8%

Your worker may also wish to pay additional pension contributions, which you will need to make sure you deduct and pay to the scheme on time. Ongoing automatic enrolment responsibilities: www.tpr.gov.uk/ongoing

After you have automatically enrolled your staff members, they may ask to ‘opt out’ of the pension scheme. You must then stop deductions of contributions and arrange a refund of any contributions they have paid to date.

You must set up a workplace pension scheme before your staging date if you don't already offer one. If you already have a pension scheme, you may be able to use that scheme. ABC & Co can advise you on your obligations and assist you in complying with the new rules.

Benefits in Kind

In most businesses, the directors, and often the employees, have benefits that are not immediately taxed through the PAYE system, the most usual being the provision of a car and possibly fuel. Class 1A national insurance contributions (currently 13.8%) are due on the taxable value of these benefits in kind and are due on the 19 July following the fiscal year in which the benefits are made available. In addition, HMRC requires on an annual basis a form P11D (Return of expenses payments and benefits).

The form is also used to report reimbursed expenses, such as employee travel and subsistence, however where these are incurred by employees wholly, exclusively, and necessarily in the performance of their duties they do not need to be reported. The form P11D(b) is required to declare the overall amount of Class 1A National Insurance contributions due on all the expenses and benefits you have provided.

5.5 Payroll Software

If you plan to operate and process your own employee payroll there are various software packages available including the free software from HMRC "Basic PAYE Tools" referred to above.

However, operating a payroll system can be complex and time consuming. ABC Accountants offer a bureau facility for processing your payroll and supplying you with reports, payslips etc. Contact us if you would like further details.

HMRC make available a checklist to help ensure compliance with expenses and benefits:

https://www.gov.uk/government/publications/hmrc-expenses-and-benefits-from-employment-toolkit

Information about completing forms P11D and P11D(b) can be found at:

https://www.gov.uk/employer-reporting-expenses-benefits/overview

You can register online and obtain more details at the HMRC website:

https://www.gov.uk/topic/business-tax/paye

6 Chapter 6 – Income Tax and Corporation Tax

Eventually, you will have to deal with income or corporate taxes. The taxation legislation is extensive and can be confusing for an individual starting a business. This chapter does not cover all the tax ramifications of a new business, nor does it detail all the expenses you can claim for, nor does it give details of allowances available on the purchase of some capital items. A Chartered Accountant should be consulted when you are dealing with the taxation affairs of the business. The payment of taxation has a direct impact on your cash flow.

6.1 Choice of Year End

6.2 Which Accounting Year Should I Choose?

If you expect profits to rise steadily year by year, in the case of sole traders/partnerships, an accounting date early in the tax year, for instance 30 April, might be best in the short term, because this will defer the payment of tax on your profit. However, it is important to consider what will happen when you retire. Any accounting date other than 31 March will cause a bunching of your tax liabilities because all your profit that has not been assessed prior to your retirement will be assessed for your final year. There are a number of ways to mitigate the effect of this. You could plan to retire on or shortly after the accounting date and allow "overlap relief" to reduce the burden. You could build up a reserve to meet the liability or use the higher profit to provide funds for a larger pension contribution which can reduce your tax bill.

On the other hand, if you expect to make losses in your early years, an accounting date late in the tax year, for instance, 31 March, will ensure that you get tax relief for those losses as quickly as possible. You would then not be faced with the bunching problem on retirement referred to above.

It will also be necessary to bear in mind the seasonality of your business. As part of the profit for your first period of trading could be taxed twice, it would be unfortunate if a poor choice of accounting date were to accelerate the tax on the profit of your first busy period. In these circumstances it might be preferable to run your first accounts to a date just short of your peak period.

As ever, it is important not to overlook commercial considerations. Your bankers might want to see as healthy a profit as you can manage, and this desire could conflict with tax planning. A solution would be to choose a tax efficient tax accounting date and keep the bank happy with quarterly management accounts.

6.3 Tax Rates

6.4 Companies

Companies are charged corporation tax at the rate applicable during the financial year (1 April - 31 March). Where a company's accounts period spans two financial years the profits for the period are apportioned between the years.

The corporation tax rate used to change most financial years, but from 1 April 2017 the rate for almost all companies will be 19%, irrespective of their level of profits. Plans to reduce the rate to 17% have been put on hold.

Corporation tax self-assessment requires a company to calculate its own liability to corporation tax and pay that liability by the normal due date, nine months after the end of the accounting period, without an assessment being raised.

The company is required to send its completed self-assessment tax return (form CT600), accounts and tax computation to HMRC by the filing date, which is 12 months after the end of its accounting period. Penalties will be charged if it is late. These accounts and returns need to be submitted online to HMRC in iXBRL format. We can deal with this on your company's behalf.

HMRC may generally have 12 months from the filing deadline (24 months after the accounting period) to open an enquiry into the company's corporation tax return, otherwise the self-assessed figures are considered final. If additional tax is determined to be payable, interest (and possibly penalties) will be charged on the additional tax due.

6.5 Sole Traders / Partnerships

Sole traders and partnerships are charged income tax at the rate applicable during the fiscal years (6 April - 5 April). The rates are as follows:

	2020/21	**Rate**	**2019/20**	**Rate**
	*see below	0%	*see below	0%
Basic- next	£37,500	20%	£37,500	20%
Higher-over	£37,500	40%	£37,500	40%
Additional – over	£150,000	45%	£150,000	45%

*A zero-starting rate for savings income up to £5,000 was introduced from 6 April 2015. This rate does not apply if taxable non-savings income exceeds that amount. From 2018/19 the first £2,000 of dividend income is tax free (previously £5,000 a year). In addition, the following amounts of interest income will be tax free:

- £1,000 a year interest tax free for basic rate taxpayers
- £500 a year interest tax free for higher rate taxpayers

Tax free interest will not be available to those with income in excess of £150,000 a year.

There may also be a liability to Class 2 and Class 4 National Insurance Contributions, depending on the level of profit in each fiscal year. Class 2 contributions are at a weekly rate of £3.05 (2020/21). Class 4 NI is payable by the self-employed on profits.

Class 4 contributions are levied at 9% on profits between £9,500 and £50/000 for 2020/21. There is a further 2% charge for 2020/21 on profits in excess of the upper limit.

For the self-employed and those that pay tax on other income such as rents, tax is normally payable in three instalments - the first two instalments are based on the tax paid on the previous year's business tax liability. Therefore, half is paid by the 31 January in the year of assessment, the other half by the 31 July in the year following the year of assessment. The third instalment will be any balance due (payable the following 31 January) or any amount repayable by the Inland Revenue if your final liability is lower than the amounts paid on account.

However – a word of warning when you start up an un-incorporated business.....depending on accounting dates chosen and when you start to trade, you may not pay any tax on profits for some considerable time (for example if you start to trade on 1 May 2020 and first accounts run to 31 March 2021). You will not pay any tax on 31 July 2020 or 31 January 2021, nor will you pay any tax in July 2021. So, the first tax liability will not arise until 31 January 2022. This will be 100% of the tax liability for the period to 31 March 2021. In addition, you will also have to pay 50% of that sum "on account" for the following tax year, with a further 50% in July 2022. You are then in the six monthly "cycle" and we can work with you to estimate the tax payments so that you can budget and set the money aside.

A lesson to take on board is to ensure that your accounts are prepared as soon as possible after the end of the accounting period. In our example of a 31 March year end, if accounts can be prepared before 31 July it will be possible to calculate the tax for the year to 31 March and the July 31 instalment can be adjusted accordingly – downwards if tax due is found to be less. If tax due is actually more for the year, there is at least early knowledge of the tax bill due in the following January. Under self-assessment your income tax return, which encompasses your trading results, needs to be filed by 31 January following the tax assessment year. This date is moved forward to the end of September if you wish the Inland Revenue to calculate your tax liability. We will however file the returns electronically and perform the tax calculations on your behalf.

6.6 Taxation of Dividends

An important factor to consider when deciding whether to trade via a limited company or as an unincorporated business is the total amount of tax payable, not just the rate of tax on the profits. The low rate of corporation tax at 19% makes a limited company appear very attractive. However, the shareholder/director then must pay tax personally on the profits that he extracts from the company, so there is effectively double taxation.

A big cost here is national insurance, payable by both the employer and employee on amounts extracted as a salary or bonus. Many owner-managed companies have tended to extract profits by paying themselves a low salary, with the balance being paid out as a dividend to minimise NICs.

The taxation of dividends was reformed from 6 April 2016. The old 10% dividend tax credit was abolished, and, in its place, individuals now have a £2,000 (was £5,000) dividend tax allowance.

Individuals will pay no income tax on dividend income received up to that amount. However, dividend receipts more than £2,000 will be taxed at:

- 7.5% for basic rate taxpayers (previously effectively 0%)
- 32.5% for higher rate taxpayers (previously effectively 25%)
- 38.1% for additional rate taxpayers (previously 30.56%)

The new dividend rates have resulted in a significant tax increase for owners of small companies, who have for some years been able to extract profits from their business with a tax-efficient mixture of salary and dividends. The chancellor's justification was to make tax-motivated incorporation less attractive.

6.7 Example

In 2020/21, Alan and his wife each take a dividend from their company of £37,500 (gross, no tax credit) and a salary equal to their personal allowance of £12,500. They pay tax at 7.5% on £35,500 of that dividend, after deducting the dividend tax allowance of £2,000. In 2020/21 they will each pay income tax of £2,663 on their dividends, totalling £5,326 for the couple.

6.8 Tax Credits

Whilst not specifically related to "tax" despite the name, we will mention Tax Credits at this stage. There are two elements - Child Tax Credit and Working Tax Credit, although these are gradually being replaced by a new system of Universal Credits.

Child Tax Credit (CTC) is for families who are responsible for at least one child or qualifying young person. You should claim if you have a child or qualifying young person who usually lives with you. You do not have to be working to claim CTC.

Working Tax Credit (WTC) is for people who are employed or self-employed (either on their own or in a business partnership), who:

- get paid for their work
- expect to go on working for at least 4 weeks

And who are either

- aged 16 or over and responsible for at least one child, and usually working at least 16 hours a week, or
- aged 16 or over and disabled, and usually working at least 16 hours a week, or
- aged 25 or over and usually working at least 30 hours a week, or
- aged 50 or over and are starting work after receiving certain benefits for at least 6 months and usually working at least 16 hours a week, or
- aged 60 or over and work at least 16 hours per week

WTC is made up of several elements which we do not have space to list here.

If you are married or living with a partner, you will need to make a joint claim for tax credits. You can only make a single claim if you do not have a partner.

When starting up it may be that your income precluded you from claiming tax credits in the past. However, income may drop substantially or a “loss” for both income tax and tax credits purposes may be able to be created by claiming allowances on equipment etc. Claims can only be backdated for three months from the date of application, so it is advisable to contact the Tax Credits office as soon as possible to make a claim. You may not be immediately eligible based on a provisional calculation which considers your income in a prior tax year, but you may become entitled to it at some stage. Telephone the Tax Credits helpline on 0845 300 3900.

6.9 Child Benefit

This basic credit is payable by reference to the number of children of the claimant. From 7 January 2013, an income tax charge has applied to this benefit where a claimant, their spouse, civil partner or person living with them earns over £50,000 per annum. The charge is 1% of the child benefit received for every £100 of the higher earner’s earnings that exceeds £50,000 in the tax year. So, if either you or your partner's income is £56,000, you will be taxed on 60% of the child benefit received. This is called the High-Income Child Benefit Charge.

If your income reaches £60,000 then Child Benefit is recovered in full by the High-Income Child Benefit Charge. Alternatively, the claimant can disclaim Child Benefit.

7 CHAPTER 7 - CASH PLANNING AND FORECASTING

Cash is King! The lifeblood of any business is its ability to collect cash and pay bills as well as pay its employees, particularly its owners. Far too often small businesses are profitable, but they do not have enough operating capital to meet their current needs. Consequently, they may be forced to sell out to a stronger competitor, sell a portion of the company to investors at an undesirable price or close the doors and put the company out of business. None of these alternatives are typically what the owners intended when starting the business.

The ability to forecast cash resources and uses is an art and is by no means a well-defined science. None of us have a crystal ball and any cash forecast which is prepared by the management of a company or their accountant can be no more than a guess as to when the customers pay and when your business will pay its obligations. Hopefully, the more effort that is put into cash forecasting the better will be the educated guess and the more accurate the resultant picture of the future operations of your business.

7.1 Starting the Analysis

One of the most significant factors to be considered in your cash flow forecast is the volume of sales that will be generated in the next several months and for the rest of the period for which you intend to forecast. Your sales forecast must be as fine-tuned as possible. It may be unrealistic to assume that there is a million-pound market for your product in your area and you will be able to capture a specified percentage of it. A sales forecast needs to be based on specific facts. These might include your sales history, or the history of similar businesses you have owned or operated, or the competition. In your area, what has been the experience of similar operations?

Some of the questions that should be addressed would include what other factors could I control such as adding new product lines, deleting unprofitable operations, adding a new salesperson, or terminating one that is not producing to quota? In preparing a forecast, you must also take into consideration items such as the seasonality of your business, the relative state of the economy and the period over which you will forecast.

Obviously, your ability to forecast sales for the next month is better than it is for three to five years from now. The amount of detail that must be included in the cash forecast is really a matter of preference. It can be based on per unit sales extended out by the sales price of each type of unit or an average sales volume per day, week, or month of your type of business in its current environment.

7.2 Cash Collections

Once you have determined a reasonable level of sales and you are comfortable with the forecast you have made, you must address questions such as: what percentage of my sales are received in cash, and what portion are credit sales for which I will have to carry amounts in debtors? For those that are debtors based, how soon is the cash collected? Do I have to wait for customers to pay me or do third parties such as Visa or MasterCard or a debt factor take the customer's account and convert it to cash for me with an appropriate discount?

If you are relying on customer payments for collection of debtor balances you must determine what portion of the debts will be collected in thirty days, sixty days, ninety days and thereafter, and what portion, if any, may never be collected. To assume that 100% of your sales will ultimately be converted to cash is probably unrealistic especially considering the current economic environment and the tight cash situations that may face some of your customers.

Other sources of cash may be available in addition to sales. Do you expect to bring in a partner or other investors, or can you borrow money from a bank? When will you receive the cash and how much will you get? Part of your cash flow analysis may be to determine how much investment money or borrowings will be required to operate your business.

Once you are comfortable with the cash receipt side of your business, and the timing of the collections of funds from your sales and other sources, it is necessary to consider the expenses and other cash needs of your business operation.

7.3 Disbursements

Certainly, if your business entails sales of stock, you will have to purchase the merchandise from others or purchase the component parts and pay employees to assemble it. This may require a significant outlay of cash before the first pound of sales is generated and received. You should consider how often and in what amount your employees must be paid and when their payroll taxes must be paid over.

Additionally, you need to know the credit trade terms your creditors are willing to advance to you. Do you have to pay for stock items on a C.O.D. basis or can you pay for them thirty or forty-five days after receipt? What expenses must be paid to allow you to convert purchased merchandise to saleable stock? If your production requires utilities to run machines or supplies that are required, such as consumable chemicals or packing materials that must be purchased prior to the sale of the stock, you should consider the timing of these payments.

In addition to the cost of manufacturing, you should consider whether your productive capacity would allow you to generate enough stock to support the level of sales that you are predicting. If the volume of sales you forecast is above your ability to produce today, what changes in your operating environment must be made to meet the production levels? Will you need additional employees? If so, how much will they cost? Do you have to acquire additional machinery for your shop operations? What is the cost of the machinery and when will you have to pay for it? Do you have enough space to cope with the additional activity?

Once you have determined the cost of operating your production or service facilities, you need to consider what other expenses you must pay to keep the doors of your business open. You typically will have to pay rent for your office or manufacturing facility. You must consider how much the monthly payment is and when it must be paid. Ask yourself if there will be other cash requirements such as a deposit on first and last month's rent. If you are opening a new business, you must consider what your cash requirements are to make your facility ready for your specific needs and purposes. Will you have to buy or rent furniture? Will you need to make tenant improvements or pay deposits for utilities and other services?

You also need to consider many of the overhead items and costs to open a new business that will hopefully be one-time expenses. This may be the cost of incorporating your business, a solicitor's fee for drafting partnership and other agreements, the cost to obtain business licences, approval from the taxing authorities, setting up an accounting system, stationery costs, costs of signs or logos etc.

It may seem like the list of costs and expenses to be incurred is endless. It may even discourage you in moving forward with your business endeavour. However, it is imperative to make the list as detailed as possible to ensure that you have sufficient funds to make your operation ready for business prior to running out of cash. The more detailed the list and the more sufficient information you can provide, the less chance there is of unpleasant surprises as you move down the stream to opening your business.

In addition to determining the amount and volume of expenses and cash outlays you will have to make, it is critical to determine the timing of such payments. As we have discussed in other chapters, there may be a variety of financing alternatives that are available to you. Most of the start-up costs which you incur can be delayed or deferred until you can generate the cash from your operations to help pay them. This needs to be carefully analysed and built into your cash flow analysis. However, a good rule of thumb is to assume that you are going to have to pay your expenses sooner than you think and that you will collect your cash slower than you anticipate. If you work with this attitude, any surprises should be favourable ones.

Cash flow projections can be very slow, time consuming and tedious to undertake. It is often very tempting to hire someone else to prepare the projections for you. There are a variety of individuals who can help you do this, but the critical factor is that they only help. As the owner and operator of the business, you are the only one truly qualified to develop your cash flow projections. You know what it takes to open and operate your business. Certainly, a trained professional can offer guidance and ask pointed questions to be sure you are considering all the necessary and sometimes hidden costs of operating a business. However, the more effort you put into developing the cash flow projections, the more accurate they will tend to be. This exercise may also help you to pinpoint areas of potential cash savings that you have not otherwise considered.

8 CHAPTER 8 - OBTAINING CREDIT AND FINANCING YOUR BUSINESS

If not independently wealthy and perhaps even if you are, eventually you will probably need to obtain some outside capital for your business. In some instances, you may need to obtain capital for the initial expenses prior to opening your business or, for instance, the funds you require may be for expansion or working capital during the off-season.

Generally, business financing can take two forms; debt or equity. Debt, of course, means borrowing money. The loans may come from family, friends, banks, other financial institutions, or professional investors. Equity relates to selling an ownership interest in your business. Such a sale can take many forms such as the admitting of a partner or, if you are in a company, issuing of additional shares to investors. It is typically a prudent idea to consult with your accountant, as there are many significant legal ramifications to such a step.

8.1 How Do I Get the Money?

Irrespective of the type of financing you need and can obtain for your business, the process of obtaining it is somewhat similar. There are several questions that must be answered during raising money for your business. The ability to answer these questions is critical to your success in obtaining financing as well as the overall success of the business. Remember, in raising capital you have to sell the ability of your business to potential investors in much the same way as you sell your product to your customers.

8.2 How much cash do I need?

To answer this question, you will have to do some serious cash flow planning, which will require estimates of future sales, the related costs, and how quickly you must pay your suppliers. You will also have to build into your planning some assumptions about when you will generate enough cash to pay the money back. However, if you raise cash through equity you probably don’t need to pay it back, but your investors will want to know how the value of the business will grow and how they will benefit through dividends or selling their shares.

8.3 What will you do with the money?

One of the most important questions you will have to answer for a potential investor is how the money will be spent. Will you use it for equipment or to hire additional employees or perhaps for research and development for a new improved product? Again, part of the answer on how you spend the money is how it will benefit the company.

8.4 What experience do you have in running your business?

One of the primary reasons for business failure is lack of experience of management. You will need to convince your investors that you have the knowledge, experience, and ability to manage your business and their money at the level at which you expect to operate.

8.5 What is the climate for your type of business and your geographic location?

Few investors will want to put money into your business if you have not done sufficient "homework" to determine that you have a reasonable chance of success. If your business is based on existing economic or legal conditions that are subject to change soon your risk is substantially increased. Even if your business has great potential, if the local economy is sluggish to the point that it cannot support your venture, you need to be aware of this before moving ahead.

Once you have developed concrete answers to these and other pertinent questions, you can begin looking for financing. One of the first steps is to determine whether to raise funds through debt or share capital. There are positive and negative aspects to each type. The cost to your company of each type of funding is different, as is the way in which they are treated for tax purposes. The interest on borrowed money is deductible by a business for tax purposes, which reduces the effective cost to your company. Dividends which you might pay on the same investment in shares would typically not be tax deductible by your company. In selling shares there usually is no firm commitment by your company to pay the money back but your shareholder will want, and generally will have, a legal right to have a voice in the management of your company. When you have made the decision as to the type of financing you think is appropriate to fit your desires and needs, it is probably a good idea to consult with your accountant as to alternative types of debt or equity financing available.

8.6 Business Plan

Typically, a potential lender will want to know all about you and your proposed venture. Many of these details will have already been provided but are best provided in a logical consolidated format. This format, or business plan, is a document that enables the investor to readily obtain an understanding of your proposal. It follows that to successfully raise funding, the business plan should be commercial and realistic.

ABC Accountants have experience in writing business plans and can assist you in the effective drafting of your plan.

8.7 Financing Alternatives

Whether you determine that debt or equity financing is the best choice for your company, there are several alternative types of financing available. Depending upon the nature of your business, the financing may be a combination of debt and equity and may be tailored to fit the specific needs of your company.

In the summary, we will only mention a few of the more conventional methods for a young company to obtain capital, though the possibilities are many. ABC Accountants can discuss these and other alternatives in greater detail.

8.8 Debt Financing Sources

8.9 1. Banks

The first source of funds, which typically comes to mind when borrowing money, is a bank, which is why they are in business. Banks typically lend to small businesses on a secured basis preferring bricks and mortar as security in preference to equipment, stock or debtors. The more liquid and readily saleable the assets you have to offer as security, the more acceptable they are likely to be a banker. Loans from a bank may take several forms such as:

8.9.1 An overdraft limit which is reviewed annually and allows you to borrow up to a predetermined maximum as you need it and pay it back as funds from sales and receivables are collected.

8.9.2 A short-term loan that is repayable on specified dates.

8.9.3 A term loan for the purchase of a specific asset such as a computer or a machine.

8.9.4 As your relationship with your banker becomes better, and your business becomes established, you may consider a longer (3 to 5 years) loan which will be payable in instalments.

8.10 Lease Financing

In today's business environment it is quite common to acquire equipment through lease agreements. Leasing packages come in a variety of types through many sources. Leasing companies typically will accept a somewhat higher degree of credit risk because they are looking to the value of the equipment for collateral if your business cannot make the agreed upon payments. For this reason, leasing companies generally prefer to finance new equipment of a general-purpose nature which can be resold if necessary. Leases often run for a period of three to five years and because of the risk that leasing companies are willing to take, they are somewhat more expensive than commercial bank loans.

8.11 Trade Credit

A very important source of financing for your company may be from the creditors and suppliers with whom you do business. Many suppliers will originally ask for cash on delivery or, in some instances, they want payment before starting on your order, depending on the nature of your purchase. Most suppliers will quickly establish trade credit with you once you have gained their confidence by continuing to do business with them and paying as requested.

8.12 Equity Financing Sources

Equity financing usually means selling a portion of your business. This can be accomplished in a number of ways including the sales of ordinary or preference shares. Equity sales are usually carefully tailored to meet the needs of both the company and the investor.

8.13 Venture Capital Companies

A venture capital company or fund is typically a company that is in the business of taking risks. A venture capital fund is often backed by a group of investors that may be individuals or companies. The investors are often represented by a management group that evaluates potential investments and manages the existing investment portfolio.

8.14 Private Individuals /"Business Angels"

Very often, individuals who are successful in their own right and have accumulated substantial wealth may be looked to for investment in your business venture. Such individuals may believe that the success of your business may enhance theirs as well as help increase their personal wealth. There are generous tax breaks that may be available to such investors if they subscribe for shares in a limited company that qualifies under the Enterprise Investment Scheme (EIS), or the Seed EIS scheme for start-up companies.

9 CHAPTER 9 - INSURANCE

Business insurance, like many types of expenditure, is one of those items that business owners typically do not like to pay. You must remember that sufficient insurance can be as critical to the success of your business as a good product or service. Without proper insurance you could lose all the money, time, and effort you put into your company. The types and amounts of coverage you purchase must be evaluated on a cost – benefit basis like any other commodity that you purchase. Your insurance broker can help you review the amount of coverage your business requires. Usually you will want to insure against risks that could have significant detrimental impact on your business. This normally would include items such as fire, storm damage, theft, employers, public liability, and products liability. Depending on the nature and size of your business it is often a good idea to self-insure for all or a portion of certain losses. Often raising the deductible (excess) can have a very favourable impact on the policy premium. The administrative cost to the insurance company to process small claims is quite high; consequently, the rates typically go down substantially if they are relieved of this expense by insuring losses in excess of a sizeable deductible amount. An insurance broker can provide you with comparative costs for various types of cover and varying degrees of deductible amounts.

9.1 Required Policies

The insurance cover required by law is employers' liability and third-party motor insurance. Your insurance broker can explain the required cover and help you purchase the correct policy. You must be aware that the terms of your building, office lease or mortgage may require you to carry certain kinds of insurance cover in specified minimum amounts. If you have leased equipment or have borrowed money from a bank or other lenders, there will usually be insurance requirements in the agreement relating to these transactions. There are many other types of policies that you may wish to consider. Specific cover is provided by each policy and a qualified insurance broker can explain the related costs in-depth.

Some types of insurance cover that you should consider for your business are listed below.

9.2 Commercial Liability Insurance

There are many types of liability your business may need cover for. "Liability" refers to your legal obligation to pay compensation and costs awarded against you in respect of loss or damage sustained by a third party. Types of liability insurance you may want to consider are: -

9.2.1 Public Liability – this will protect you from any liabilities to a third party (other than your employees) for bodily injury or loss/damage to their property that may occur during the normal operation of your business.

9.2.2 Employers' Liability – if you are a limited company or employ anyone outside your immediate family, you are required by law to purchase employers' liability insurance. This insurance offers you protection for any liability arising from injury or illness sustained by employees whilst they are working for you.

9.2.3 Products Liability – this will protect you from any liabilities to a third party (other than your employees) for bodily injury or damage to their property that may occur from the products you have sold or supplied.

9.2.4 Professional Indemnity – this cover is usually purchased by "professionals" such as IT consultants, surveyors, accountants, solicitors etc. This cover will protect your legal liabilities to third parties arising from your or your employees' professional negligence/wrongful advice.

9.3 Property Insurance

There are many different types of property cover but generally businesses will purchase cover for buildings, machinery and stock against fire and other perils such as storm/flood etc and theft. They will also consider covering money, goods in transit and glass. For small businesses cover can be provided on a 'package' basis where certain covers such as money and goods in transit are included in the premium as standard. However, this option is only available for specific occupations/trades and you should consult with your broker for further details.

If you are working from home be aware that generally your ordinary household insurance policy will not provide cover for your business stock and liabilities. Specific policies can be purchased if you are working from home and you should contact your insurance broker for further details.

There are specific policies for property owners who rent out their premises to tenants. These policies provide cover for buildings, liability and loss of rent. Loss of rent cover is usually only provided in the event of an insured peril occurring such as a fire or flood etc.

9.4 Business Interruption

This covers loss of income/revenue or additional expenditure incurred following a disruption to the operation of your business. Business interruption usually mirrors your property policy and covers the same perils. However, it is possible to add additional perils to your business interruption cover such as food poisoning or failure of utilities.

9.5 Fidelity Guarantee

This type of insurance typically covers risk of loss from theft by employees. If your business deals in large amounts of cash, negotiable securities, or similar types of assets, you may well be advised to consider this cover. Certain industries are required to carry this insurance by regulatory authorities.

9.6 Directors & Officers Liability

Directors and officers of companies in recent years have been found to be personally responsible for their negligence in the running of their company. Recent legislation has also made company directors liable for their behaviour to the company so that shareholders, creditors, customers, and employees can now sue them as individuals.

Directors and officer's liability cover provides indemnity to the company in respect of the costs it incurs in indemnifying a director against the successful defence of a claim or indemnifying the director where the defence has not been successful.

9.7 Key Person Protection

This provides a company with a valuable safety net should serious illness, disability or death curtail the contribution certain "key" people could make to its stability, profitability, and success.

9.8 Identifying a Key Person

These are the people whose special knowledge, skills or enterprise are vital to the continuing survival of a business - people who are difficult to replace. Remember, key people come in many guises. They are not always the Managing Director or other high-profile senior managers. Consider other key functions that are necessary to the company's business when talking key person insurance with your clients.

When is Key Person Protection Needed?

There are three clearly identifiable situations when key person insurance is most needed.

- To prevent loss of profits
- To protect the repayment of loans
- To safeguard the raising of capital

Partnership Protection

The death of a partner can be extremely damaging to any business. The ability to continue trading and maintain the financial wellbeing of the firm will be vital. In addition, there are other problems which may have to be faced, in the absence of property provision in the Partnership Agreement and insurance cover:

- The partner's interest may pass to an heir who may not have the necessary skills, experience, or interest to continue in the business.
- The partner's interest may need to be turned into cash to pay Inheritance Tax or provide for his or her dependants on death.

Raising the finance to buy a partner’s interest may involve the sale of assets or finding someone who can afford to buy into the partnership.

Finding a suitable replacement and raising the money can be difficult and time consuming. If unsuccessful, the partnership may even have to be dissolved. Partners need to retain continuity, stability and control of the business whatever the eventuality. This can be achieved by making adequate legal and financial provision.

9.9 Shareholder Protection

Like partners, shareholder’s shares may pass to an heir who does not understand the company’s business or whose interests’ conflict with those of the other shareholders. Alternatively, the shareholder’s interest may need to be converted into cash to cover Inheritance Tax liabilities or provide for dependants. Maintaining control and stability of the company during this often-turbulent time is vital to its continued success. By taking the appropriate legal and financial steps shareholders can be confident that the future holds no surprises.

9.10 Fee Protection Insurance

HMRC’s powers have changed and they now have wider scope than ever before to visit business premises and inspect records. The likelihood of enquiries into a taxpayer’s affairs appears to be on the increase. The professional fees in dealing with such enquiries can often be costly so it is advisable to “insure” or subscribe to a tax protection service which will fund these fees in the event of an enquiry or visit. ABC Accountants offer such a scheme and full details are available on request.

10 Chapter 10 - Selecting Professional Adviser

Starting your own business obviously entails a multitude of decisions which can seem overwhelming without the right players on your team. To succeed, you need to equip yourself with every tool at your disposal.

One of the most cost-effective tools you can utilise is the expertise of a specialist. The right accountant and solicitor can eliminate a host of problems and potentially costly errors you might make as you build the financial foundation of your successful business.

As any coach can tell you, having a first-rate attack (in this case, “you”) won’t guarantee a winning team without a first-rate line of defence. The right accountant and solicitor are your best defence. Their expertise can help save you money that in turn can be used to increase profits.

When enlisting the expertise of an accountant and solicitor, you want a specialist suited to meet your specific needs. You want a specialist who will listen to you. More importantly, you need someone you can and will listen to, as they devise strategies to help you to succeed.

You want to succeed – and you can. By taking the time to make key decisions and enlisting the right players on your team – you will succeed!

We wish you success and welcome you to the wonderful world of free enterprise.

11 Chapter 11 - Computer Accounting Systems for First Time Users

11.1 Introduction

This chapter is intended to alert the business user to areas of information technology that require attention and action when installing or updating a system. It is not intended as a complete DIY handbook covering every eventuality.

11.2 Computer Hardware

The choice of computer hardware involves primarily: - Hard disk size, Processor speed and Memory (RAM). However, with more and more software becoming “cloud-based” and accessible via the internet (online) this is becoming less of an issue and simple devices e.g. Chromebooks can be used.

In general terms though. Go for as much memory and the highest processor speed within your budget. Around £600 plus VAT will be the current price of a business PC.

11.3 Processor

The processor, or central processing unit (CPU) is the part of a computer responsible for responding to and carrying out the sets of instructions necessary to perform operations. The clock speed of a processor measured in Hertz (Hz) is a measure of how quickly the computer can execute these instruction sets. Bandwidth, measured in ‘bits’, relates to the amount of information that can be handled simultaneously by a processor within a given time. Higher clock speed and bandwidth will therefore yield better performance in a machine.

11.4 Memory (RAM)

Another important aspect to consider when selecting a system is the amount of Random-Access Memory (RAM) that a machine has. RAM is comparable to the short-term memory in the brain, as it is a temporary storage solution. Various pieces of information are stored flexibly whilst a program is running so that it can be accessed quickly; a linear storage space would take longer for data to be retrieved. Having more RAM, therefore, allows programs to run faster, so again ‘more is better’.

11.5 Hard Drive

The hard drive of a computer is used as a permanent storage solution and is used to store files and application data. The more storage capacity a hard drive has, the more information it can contain. The size of a hard drive is measured in bytes; many new desktop computers now come with at least 1 Terabyte of space which is more than adequate for most businesses! Portable hard drives are also available if required, adding even more storage capability to your system.

All software programs give their ‘minimum system requirements’ which are the requirements a computer system must meet to run a piece of software. Some programs give details of ‘recommended system requirements' which will run the software more effectively if your system can meet them. It is therefore recommended that you check that your systems can meet both the minimum and recommended system requirements of any software applications your business will require.

11.6 Accounting Software

Accounting software, like hardware, is now very powerful and comparatively inexpensive. Integrated software includes Sales, Purchase and Nominal Ledgers with Sales/Purchase Order Processing and Stock Control in a single suite of programs. Networked versions for multi-user use are generally more expensive than single-user versions. Most accounting is now done with Cloud Software.

11.7 Choosing an Accounting Package

It is necessary to consider your requirements and what you want to be able to do before buying a package. There are often different levels of functionality in different versions of a program. Consider both the ability to get data into the product and the reporting requirements that you have.

Online "cloud" based accounting packages is however fast becoming the norm, and you will not incur any upfront costs – simply pay a monthly fee for its use. These may have integrated payroll too if you have employees in your business.

If you are already using desktop-based accounting software, it is often possible to migrate to a cloud-based system at no cost.

The Government requires businesses to submit VAT information to HMRC quarterly as part of their "Making Tax Digital" project. This starts in April 2019 and you should consider a computerised accounting package from the outset that enables you to comply with this new obligation. We can advise on the most suitable accounting software for your business.

Modular systems are made up of individual programs for each of the above functions, each of which is more powerful and flexible than the integrated systems. These are put together to form a total system for the larger business, usually on a network of several PC's. However, cloud software often allows any number of users without having to install networks.

11.8 Websites

Developing and maintaining a website can be as complex and expensive as you care to make it. Careful thought needs to be given before significant time and expense is incurred as to how this technology be best implemented to suit your business. There are many options to consider; at Avar, we can give some useful independent advice and thoughts in relation to your strategy in this area.

11.9 Social Media

The rise of social media in recent years has meant that today there are a plethora of different social media platforms that can be used to the advantage of business owners. This guide will introduce several social media platforms that are currently popular for business use.

11.10 Twitter

Twitter is a micro-blogging service whereby users send and receive messages of up to 140 characters in length to each other, known as “tweets”. Users can track the tweets of other users by “following” them, and in turn can have their tweets “followed”; the more followers a user has, therefore, the more visible their tweets are. Twitter is useful as a business tool because it allows you to personally engage with potential and existing customers, monitor what is being said about your company and keep interested parties up to date with your company’s newest developments, products and offers.

11.11 Facebook

Many people are already familiar with Facebook for personal networking, but opportunities exist to use Facebook for business purposes. The most prominent of these is Facebook Pages, a flexible space within which users can promote their local business, brand, or organisation, amongst others. Facebook also offer several paid advertising solutions, whereby campaigns can be targeted at Facebook users according to defined demographics such as age, location, and interests, which can direct people to the company Facebook Page or an external website.

11.12 LinkedIn

Billing itself as the world’s largest professional network, LinkedIn is designed for users to showcase their professional qualities. User profiles include elements such as professional experience, education and honours and awards, as well as endorsements from other LinkedIn users. LinkedIn is thus a great place to establish yourself as a competent individual within your industry. Moreover, due to the number and diversity of groups on LinkedIn, it can be a great tool for finding and networking with like-minded individuals, as well as discovering potential business partners or additional company personnel.

11.13 Suppliers

The computer industry is well known for “here today, gone tomorrow” suppliers. Make sure that you choose one with a good local reputation and never part with money until you have received the goods. Paying extra for on-site maintenance is a sound insurance for equipment being used for business.

11.14 Planning and Implementation

Planning and implementation must cover the layout of your accounts, control over the information going in and verification of the information coming out of the system.

It will also be necessary to produce the accounting data for entering the opening balances.

Where advanced management information is involved, such as profit and loss by departments, more detailed planning is required. Development of a system can only take place at the pace at which staff can increase their own skills. The following phases of development may be appropriate for a new start-up system:

- Recording of prime entries (Cash Received and Paid; Sales and Purchase Invoices)
- Bank Reconciliations and VAT Returns
- Monthly Adjustments (e.g. Depreciation and Stock Change) producing monthly management accounts
- Sales Invoicing Routines
- Advanced Management Information e.g. detailed analyses of sales and departmental costs
- Sales and Purchase Order Processing with Stock Control

Even at the first stage, the system will produce Aged Debtors and Creditors on a regular basis to enable the business to improve its cash flow.

A “set up procedures list” together with details of typical available reports follows this section.

11.15 Training and Support

Training staff on your computer software is essential. ABC Accountants can provide training, on request, tailored to your specific requirements.

11.16 Security

The popular press would have you believe that it is only a matter of time before a virus attacking your hard disk eats up your data! The most frequent reason for loss of data is not taking backups.

Avar will not only advise on, but also insist that, proper procedures are in place to make your data as secure as is practical.

11.17 Costs

Hardware and software is dependent on prevailing market prices. Installation and training is proportional to your requirements and usually charged at an hourly rate.

11.18 Conclusion

ABC Accountants have the necessary balance of computing and accounting expertise to help you to both get off to a good start and later to improve your system.

We have good working relations with local service providers who will supply and maintain your equipment. Many will also provide the technical support for networks and, if needed, tailor your software to specific requirements.

11.19 Installation of Accounting Systems

11.19.1 Consult your accountant! Grants may be available for training.

11.19.2 Decide on starting date, consider trial period.

11.19.3 Set up nominal ledger accounts, Balance Sheet and Profit and Loss Layout.

11.19.4 VAT- Accrual or Cash Accounting?

11.19.5 Are departments required for sub analyses?

11.19.6 Use a dummy company for practice (Multi-company systems only).

11.19.7 Obtain starting trial balance.

11.19.8 Obtain starting Sales and Purchase Ledger balances.

11.19.9 Enter Trial Balance by journal entry.

11.19.10 Enter Sales/Purchase account code, names, addresses, etc.

11.19.11 Enter Sales and Purchase Ledger balances by posting directly to Sales/Purchase control account.

11.20 12. Enter live data:

11.20.1 Sales and purchase invoices

11.20.2 Cash received

11.20.3 Cash paid

11.20.4 Petty cash

11.20.5 Consider the need to keep manual records for at least three months and Cash Book for full year.

11.20.6 Reconcile Bank Statement with Cash Book and Computerised Bank Control Account.

11.20.7 Consider direct production of Sales Invoices.

11.20.8 Keep a backup disk for each of the five weekdays. Keep a weekending backup off the premises. Many businesses backup using “Cloud” based systems these days for additional security of data.

11.21 Apps

The move to cloud-based software has led to significant growth in other ancillary products and services which link into the accounting software. No longer is it necessary to print out supplier invoices, pass them for manual entry into the accounts and file them away on the shelves. These can now be sent to a software product for automatic data extraction and coding, and the details end up in the accounting software, together with a copy of the invoice which is viewable from within the accounts system.

Similarly, there can be automation in other areas; chores such as debt chasing, bank reconciliations etc. Reporting can also be automated too, with automated "alerts" when something is good – sales exceed £100,000 for the month, or bad – the overdraft limit has been reached.

Benefits will be mainly a business that you manage - instead of a business that manages you!

11.22 Double Entry Principles

By entering a Sales Invoice in the Sales Ledger, the customer's account, the Sales Ledger Control Account (agreeing the total of the individual sales ledger balances to the total debtors in the trial balance), the VAT Account, and the Sales Account in the Profit and Loss Account are all automatically updated. Posting Purchase Invoices, Cash Received and Cash Paid all complete the double entry and update Control Accounts.

12 CHAPTER 12 - USEFUL NAMES, ADDRESSES AND TELEPHONE NUMBERS

Name	Address	Tel No
H M Revenue & Customs		
Self-Assessment Helpline	Self-Assessment HM Revenue & Customs BX9 1AS	0300 200 3310
Self-Assessment Orderline (for extra pages of the main tax return, help sheets and leaflets)	Self-Assessment HM Revenue & Customs BX9 1AS	0300 200 3610
New Employer Helpline	NI Contributions & Employers Office HM Revenue & Customs BX9 1BX	0300 200 3211
Construction Industry Scheme (CIS) Helpline	CIS Registrations (BT&C) HM Revenue & Customs BX9 1AU	0300 200 3210
Newly Self-Employed Helpline	HM Revenue & Customs Self-Assessment PO Box 4000 CF14 8HR	0300 200 3504
Tax Credit Helpline	Tax Credit Claims HM Revenue & Customs BX9 1HE	0345 300 3900
VAT Helpline	HM Revenue & Customs VAT Enquiries 123 Vincent St Glasgow G2 5EA	0300 200 3700
National Insurance Self-Employed Helpline	PT Operations North East England HM Revenue and Customs BX9 1AN	0300 200 3500

Miscellaneous		
Companies House	Crown Way, Maindy, Cardiff CF14 3UZ	0303 123 4500

Sundry Internet Sites:	**Website Address**
H M Revenue & Customs – Home Page	https://www.gov.uk/government/organisations/hm-revenue-customs
H M Revenue & Customs - News	https://www.gov.uk/search/news-and-communications?
NIC - Information	https://www.gov.uk/topic/personal-tax/national-insurance
Parliament	https://www.parliament.uk/
News providers – BBC	www.bbc.co.uk
Chartered Institute of Management Accountants	www.cimaglobal.com
Institute of Chartered Accountants in England and Wales	www.icaew.com
Association of Certified Accountants	www.accaglobal.com
BT Phone Net UK (UK online directory)	www.thephonebook.bt.com
Royal Mail (Postcodes on line)	www.royalmail.com
UK Street Map	www.streetmap.co.uk
GOV.UK (Government services and information)	www.gov.uk