



**M A G E E G A M M O N**  
CHARTERED ACCOUNTANTS



## Guide to Business Planning 2016/17

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Failing to plan is often likened to planning to fail.

It is essential for all business owners to take time out from the day-to-day running of their business to focus on plans and strategies for future prosperity and success.

We can help you to formulate a plan for your business, and build into that plan steps to minimise taxes.

### **What does business planning involve?**

The areas you will need to consider include:

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

### **How we can help**

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

#### Minimising the Tax Bill

### **Tax deductible expenses**

You will pay tax on your taxable profits, so it is essential to claim all deductible expenses (many costs and expenses will already be included in your accounting records). These will include all the direct costs and overheads you incur in running your business. You will need to keep adequate records. Perhaps using a computerised accounting package would be appropriate?

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

### **Capital allowances**

The tax system provides an annual investment allowance (AIA) of 100% on the first £200,000 of investment in plant and machinery (not cars) each year. Any annual expenditure over £200,000 enters either the 18% pool or the 8% pool, attracting a writing down allowance at the appropriate rate.

Any business that invests in energy-saving or environmentally beneficial equipment is entitled to claim a 100% first year allowance (FYA). Low CO<sub>2</sub> emission (up to 75g/km) cars also qualify for a 100% FYA. Other cars will enter the 18% or 8% pool according to the level of CO<sub>2</sub> emissions.

### **Involving the family**

Employing family members and paying them a salary and benefits can be tax-efficient, but you will need to be able to justify the amount paid. Bringing family members into the business can give you flexibility in allocation, and potentially prove a very tax-efficient way of passing on the family business.

### **A word about VAT**

VAT registration is mandatory for most businesses once turnover has exceeded £82,000 in the previous 12 months, or is expected to exceed £82,000 in the next 30 days, though many businesses register voluntarily. VAT is one of the most heavily-policed taxes and you must plan to meet all your VAT obligations while also making the most of the opportunities for minimising your firm's VAT liabilities. Talk to us if you are in any doubt – we will help you to stay on track.

### Your Business Structure

The structure of your business

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

Should you form a limited company?

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

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

### **Advantages of incorporation can include:**

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

**Legal continuity** – companies can own property, sue and be sued.

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

**Dividends** – shareholders can be paid in dividends (currently free of national insurance contributions).

### **Disadvantages of incorporation**

There may also be disadvantages to forming a limited company. Strict company law formalities must be observed. As well as liabilities to employees' and employers' national insurance, there may be legal and administrative costs including new accounting records, a new PAYE system, new business tax reference, new VAT registration and new stationery. The company will be taxed on the profits of each accounting period and a company tax return must be filed.

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

### Year End Planning

#### **Business year end planning**

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

- Accelerating expenditure into the current year or deferring it until the next
- Extracting profits at the lowest tax cost
- Improving cash flow and cash collection
- Efficient employee remuneration strategies
- Avoiding overvaluing stock and work in progress and other tax saving strategies.

#### **Exiting your business**

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

#### **We can help you to:**

- Estimate the current value of your business
- Maximise the sale price
- Decide the best time to sell
- Minimise your capital gains tax liability
- Minimise your inheritance tax liability.

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



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