

April 2009

Cornish Accounting Solutions

Global Warming - does it make you switch off?

As individuals, we all know we should be doing more to reduce global warming and improve the environment, but for a busy manager running a hectic small business, it is seldom high on their business agenda.

Here are 5 top tips to save you money on your utility spend:

1) Save money by switching off - Simply switch off lights when not in use, or better still, convert to low energy alternatives. A low energy alternative will cost you around £6 but will save you around £37* a year on your electricity bill! Leaving photocopiers on standby overnight also wastes enough energy to print 1500 A4 copies.

2) Check you're not paying more than you have to for your energy - Specialist commercial energy brokers can help guide you through the maze of utility charges and rates to make sure you get the best package for your business. The majority of brokers do not charge for this service and can typically save you 10-40% on your renewal charges.

3) Find out where your energy goes - As a business you probably pay thousands of pounds for your energy but don't know where all that energy has gone. Would you pay your stationer's bill without knowing what you'd spent it on? An intelligent metering and monitoring system can detect the wasteful use of gas, electricity and water, and represents a very low cost method of saving energy. Following a three year trial, the Carbon Trust predicts that the installation of intelligent metering technology could save organisations more than £300m a year and cut annual carbon emissions by 2.5 million tons

4) Don't get sentimental about that old boiler

Your old boiler may have been going for years and you may know exactly how to tweak it to keep it running, but it's probably costing you thousands of pounds a year. Find someone who can take you through the alternatives as there will be one that will save you money; high efficiency boilers; biomass boilers; ground source heat exchangers - there is one that is right for you. And, if you've been in business for more than 12 months, there are interest free loans available from the Carbon Trust to help you implement many of these measures.

5. Tell your customers what you're doing

Everyone's talking about the environment and how our behaviour and neglect is leading to changes in the climate. The public is becoming increasingly vocal about what they expect from retailers and manufacturers. For example, less packaging, more recycling, less emissions etc. Telling your customers what you are doing can increase your brand reputation and that can increase your total profits.

*based on 12 hours a day at 10p per kWh

IF YOU WOULD LIKE A NO OBLIGATION ENERGY QUOTE THEN PLEASE CALL
Alastair Carnegie at Total Energy Solutions on 01579 370073 or visit
www.totalenergysolutions.co.uk



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Quote of the Month

"Great things are not done by impulse but by a series of small things brought together"

Vincent van Gogh

Traps in the VAT Flat Rate Scheme

The Taxman likes to encourage small businesses to join the flat rate VAT scheme. This scheme simplifies your VAT return as you apply the relevant flat rate percentage applicable for your trade sector to all your total business income each quarter, (including the VAT charged), and pay the resulting amount as VAT to the Taxman as VAT. You don't have to worry about reclaiming VAT charged on purchases.

However, the flat rate VAT scheme does not suit all small businesses. The flat rate must be applied to all business income, including interest received from business bank accounts, rents, and sales of assets where VAT was not reclaimed, such as cars or property. This means you effectively pay VAT on the gross receipts of sales on which you have not collected any VAT.

If you are a sole-trader the flat rate should be applied to any letting income you receive in your sole name, as lettings are regarded as a business for VAT purposes. Lettings undertaken as a partnership, perhaps jointly with your spouse, are not counted as part of your sole-trader business income. When you sell a let property the flat rate should be applied to the total proceeds. You can withdraw from the flat rate scheme before you sell a high value item such as a property, but you have to stay out of the scheme for at least 12 months.

Remember the flat rates for most business sectors changed on 1 December 2008, when the standard rate of VAT was reduced to 15%, so check you are using the correct flat rate for your sector.



Better Safe Than Sorry

Because of the recession, it is quite likely that some people will find that their income falls sharply during the 2009/10 tax year. Also, some self-employed people may find that their taxable income is lower because of the availability of 100% first-year allowances for purchases of vans and equipment for their businesses. In some cases, they will find that they are, for the first time, entitled to claim Tax Credits.

We would therefore strongly advise any clients not already claiming Tax Credits to carefully consider whether they should make a protective claim. Further information on how to do this is posted on HM Revenue & Customs' website at www.hmrc.gov.uk/taxcredits/claiming-early.htm.

Another point to watch is that if an individual claims Child Tax Credit, his claim to both Child and Working Tax Credit will be backdated automatically. However if he claims only Working Tax Credit, his claim will not be backdated unless he specifically requests this.



11 Point Cash Collection System

Effective debt collection policy requires a system that should not be overridden other than by exceptional circumstances - discipline is the key. Not allowing late payments will avoid disrupting your cash flow and will also avoid harming your company's chance of success.

To keep debtors flowing smoothly, many businesses use a series of letters and telephone calls, all designed to ensure customers pay on time, every time. These communications start out friendly enough but progressively they become more serious and insistent as payments become overdue. How you adapt the suggested collections system is up to you - for example, you may be more comfortable telephoning customers, rather than sending letters. The important thing is to have a system - please use the steps outlined below to create yours.

Before you start doing business with anyone, remember the following:

- 1) Invoices are Payable immediately.
- 2) Check the credit status of your potential customer.
- 3) Determine the credit limits.
- 4) Ensure your Terms of Business have been signed by your customer and a copy returned to you.
- 5) All invoices should have your bank sort code and bank account details in the event that your customer wants to transfer money directly.

For more information on the 11 Point Cash Collection System do not hesitate to contact Debbie on 01208 74615 or email debbie@cas-sw.co.uk



Don't let your business fail because of poor debt collection techniques.



VAT - Electronic Filing for all

A diary date. HMRC confirmed last month that it will phase out paper VAT returns in just over one year's time. From 1 April 2010 most VAT returns will have to be filed online.

Who's affected. Some businesses will be allowed to escape online filing for a while longer, but the following will be caught by the new rules:

- * those businesses whose turnover is greater than £100,000 (excluding VAT) per annum
- * all businesses registering for VAT after 31 March 2010, no matter what their turnover is.

Stay of execution. Those businesses that fall outside the above conditions can continue to send paper VAT returns. But HMRC will be reviewing the position in 2012.

Tip. As much as it pains us to say this, we recommend you bow to the inevitable and start filing online VAT returns as soon as possible. It's better to be dealing with it at your own pace rather than finding out at the last minute that you don't have the technology or know-how to cope with it.

For more information do not hesitate to contact the office on 01208 74615.

Tax efficient dividends for 2009/10

There's no personal tax to pay on dividends you receive if your total income is within the basic rate tax band (BRB). So clearly there's an advantage if you can keep your income within this limit. But exactly how much is this?

From 6 April 2009 the BRB is £37,400. In addition there is also a tax-free "Personal allowance" of £6,475. So the limit is calculated as follows.

	£
Personal allowance	6,475
Add: basic rate band	37,400
Total income limit	43,875

Trap 1 - Dividends are treated as paid net of 10% tax (called the "tax credit"). You must therefore add this on to the dividends you receive when working out your total income. E.g. A dividend of £900 equals gross income of £1,000. That is £1,000 less a tax credit of 10% = £100, equates to the net dividend of £900.

Trap 2 - You're only allowed to pay dividends out of your company's profit. If you draw dividends in excess of this the Taxman may treat it as salary on which PAYE tax and NI would be due.



So, having worked out the limit up to which dividends can be taken tax-free, should you draw all your income from the company in that way?

If you drew a salary of between £95 and £110 per week, that is a maximum of £5,720 for 2009/10. At this level you or the company would have no NI to pay. But your earnings will count towards your state pension as if NI had been paid.

	£
Total income limit	43,875
Less: salary	5,720
Gross dividend could be tax-free up to	38,155
Deduct: tax credit at 10% of gross dividend	3,816
Maximum tax-free dividend	34,339

Example - David draws a salary from his company in 2009/10 of £5,720, and receives £10,000, before tax at source, bank deposit interest. David could draw a dividend of £25,339 without paying extra tax, i.e. £5,720 + £10,000 + £25,339 + £2,816 (tax credit) = £43,875.

Train to Gain

Do you own or run an SME or professional practice with between 5 and 250 employees? If so you may well be eligible for funding to help develop and strengthen your leadership capabilities, and those of your senior management team. Train to Gain, part of Business Link, offer a flexible funding package designed specifically for that purpose. If your business qualifies, then the head person will be entitled to an investment of a maximum of £500 for their personal leadership development, no strings attached!

The good news is that there is a further £500 available, subject to match funding, for further development actions involving members of the team. Also importantly, the investment can be used to meet the specific needs of the business and those concerned with running it. Bearing in mind investing in people development is normally tax deductible, this represents a fantastic opportunity to obtain up to £1500 of development which can be used to address some of the challenges our present economic climate is creating.

Alegna Training Limited, a local Cornish based company, has been developing managers and leaders for nearly 20 years in both the public and private sector as well as large and small businesses, and is able to bring all these, and more, benefits to you.

For more information contact David Clark - alegna@eclipse.co.uk

Car Benefit Changes from 6 April 2009

Company cars still used by company directors, sales representatives, car dealership staff, and certain disabled workers. All of these employees will be affected by changes concerning car benefits coming into effect from 6 April 2009.

- **Form P46(car).** Whenever an employee has a new company car the employer has to complete a form P46(car) with the details of the new vehicle and submit to their Tax Office at the end of the quarter. From 6 April 2009 the employer only has to complete a form P46(car) when an employee is provided with a car for the first time, or gives up the company car completely. Where the company car is replaced by another car the change will not be reported during the tax year, as those changes will be picked up on the annual form P11D.

- **Motor-dealerships** often allow their staff to drive cars for demonstration purposes, and take those cars home. Each member of staff may have use of many different demonstration cars during one tax year, which would mean numerous forms P46(car) being completed to report each car. To ease this administration nightmare the major dealerships have come to local arrangements with their Tax Offices to provide details of an "average car" provided to their employees. These local arrangements are now being standardised across the country from 6 April 2009. Ask us if you need more detail about these new rules for motor-dealerships.

- **Disabled employees.** An employer may provide a severely disabled employee with a specially adapted car to allow that person to get to work. Where that car is also used for private journeys, other than ordinary commuting to and from work, there is a taxable benefit. This benefit in kind charge is reduced where the employee needs to use an automatic transmission car rather than a manual due to their disability. The CO2 emissions of the equivalent manual car (which will usually be lower) are used in the benefit in kind calculations. From 6 April 2009 the list price of the equivalent manual car will also be used in the benefit in kind computations. To ensure the employee has the correct car benefit included in his PAYE code for 2009/10 he must tell his Tax Office that this particular rule for disabled employees applies, and let the Taxman know what the cost of a manual equivalent car is.



"Do not follow where the path may lead. Go instead where there is no path and leave a trail."

Utilising the Annual Investment Allowance

The Annual Investment Allowance is available for expenditure upto £50,000 a year on plant and machinery purchases for your business. The allowance is available immediately against your profits in the year of expenditure, once you go over the £50,000 the expenditure comes under the normal capital allowances regime and attracts a writing down allowance of 20% per annum.

However in the budget the chancellor has extended this to include an additional 40% allowance on qualifying expenditure incurred in the 12 months from 6 April 2009.

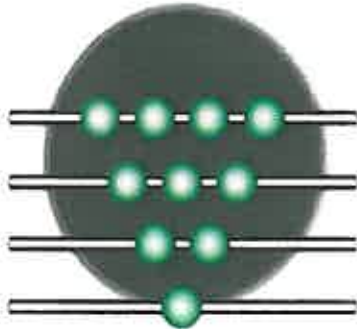
Now is an ideal time to invest in new equipment and utilise your Annual Investment Allowance. If you need new computer equipment or help with your computers then contact Terry at Digit Info-tec on 0845 0940114 or email terry@digitinfotec.co.uk





Welcome

We would like to take this opportunity to welcome two new staff members to the team. John Chapman joins us as a Semi-Senior Accountant and Lorraine Jarvis also joins as our Bookkeeper/payroll clerk.



Helping You Succeed

Dates for your Diary

19 May - P35 and P14 returns must be received by HMRC

31 May - All P60's to have been issued to employees

Goodbye

It is with great sadness that we have to say goodbye to Karen at the end of the month. Karen has been with us for 4 years and will be sorely missed. We hope that you will join us in wishing her every success for the future.

Helping our Clients

As you can see from this month's

newsletter we have highlighted a number of associates and clients who have services/products which may be of interest to you, if you would like us to include you in our future newsletters then please email John on john.chapman@cas-sw.co.uk



Seminars

Following on from the success of our seminars in 2008 we are continuing to run our seminars in 2009.

The next seminar is detailed below;

26 May Understanding your accounts

If you would like to book a place or would just like further information then please contact Debbie on 01208 74615 or email her at

debbie@cas-sw.co.uk

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