

TIPS FOR A STRESS FREE TAX SEASON

GROWTH

Tax time tends to be one of the most stressful times of the year for most independent practice business owners. This is largely due to the fact that instead of preparing throughout the year for tax season, we tend to wait until the last minute sort of like cramming for an exam. Implementing some of the tips that we have shared with you below will not only reduce your stress but also save you time and money.



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1. MAKE SURE YOU SUBMIT YOUR ACCOUNTS ON TIME

Diarise your tax returns and Companies House paperwork (if you are a limited company) to avoid penalties and increase the chance of an HMRC investigation. Remember that, even though your accountant is likely to submit information on your behalf, the company's directors are ultimately responsible for any errors or missed deadlines.

2. KEEP GOOD RECORDS

Maintain accurate records at all times, and keep all your invoices and receipts in a safe place. You should keep all business records for six years according to HMRC. Even if you don't want to spend time doing bookkeeping yourself, you can help make sure you are claiming for everything you are entitled to by keeping copies of everything. A common reason for HMRC to disallow expense claims or input VAT amounts is a failure of the business to keep proper supporting records. Don't fall into that trap.

3. KNOW YOUR TAX ALLOWANCES

Make sure you claim for all the allowances you and your business are entitled to – from capital expenditure, to claiming help with your business rates.

4. USE ONLINE SOFTWARE

Online accounting software packages such as FreeAgent and SageOne can save you hours in time, and make your accountant's life easier at year end. You'll also be able to access your records at any time, from anywhere.

5. HOME-RELATED COSTS?

If you are running a business from home, you can claim back a fixed nominal sum each year, or claim expenses for a proportion of your home-related costs.

6. DECLARE THE CORRECT DIVIDEND

If you run a limited company, you must ensure that you only declare dividends from retained profits. Heavy penalties exist for companies who declare dividends illegally.

7. GET THE VAT RIGHT

If you are VAT registered, ask your accountant if you would be better off using the Flat Rate VAT Scheme, which also provides a further percentage reduction during the first year following registration.

8. BUSINESS SET-UP COSTS

Don't forget to claim for the costs incurred as a result of setting up your business, such as company formation costs (if applicable), or any equipment you may have purchased.



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9. ALWAYS SET ASIDE FUTURE TAX LIABILITIES

Always set aside future tax liabilities to ensure that you do not come unstuck at tax deadline time. We recommend setting up a separate deposit account for this purpose.

10. TREAT YOUR STAFF

There are several tax free benefits that can be paid to staff to save both you and them tax. The cycle to work scheme has been in operation for several years and can save up to 25% of the cost of a new bike, as well as making tax savings. Tax free childcare vouchers are also a great way to save tax, as well as being a tax free benefit to staff. HMRC have also been generous in recently allowing staff mobile phone bills to be treated in the same way as childcare vouchers. By deducting the payments each month as a tax free deduction on the employee's payslips the employee is saving tax.

11. PAY YOURSELF EFFICIENTLY

The amount you pay yourself from your business obviously has an impact on the amount of tax you pay. How you pay yourself can also have a significant impact also. Salary, dividends, benefits in kind, all need consideration on an on-going basis. A common benefit in kind is use of a company car. Each case needs to be considered on a case-by-case basis, but generally business owners can save tax by having a company car. Care needs to be taken to ensure that HMRC are notified promptly when employees receive a company car. This avoids a nasty tax bill at the end of the tax year. Dividend payments need to be monitored on a monthly basis, and this can only really be achieved by keeping up-to-date records that are able to provide monthly management information. Dividends can be a great method of paying key people within the business, but care needs to be taken so not to fall foul of Company Law, and ultimately HMRC.

12. TALK TO YOUR ACCOUNTANT

A good accountant may become your most important advisor, and could save you money. An accountant will also be able to advise which business structure will suit you the best-sole trader, partnership, or limited company. Remember: your accountant will consider your own practice's circumstances more carefully and do all the hard work for you and often they can save you money. Business owners often complain about their accountant and how they have too much tax to pay. The truth is that the business owners who regard their accountant as trusted advisors and someone who can help them save tax are often the ones who are paying as little tax as possible. If you don't talk to your accountant; change accountant.

13. AND FINALLY - A BONUS TIP...

Make sure you look at setting up a salary sacrifice scheme. This can help you to reward staff, including yourself, and cut the amount of tax that both, your employees, and your business pays.



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