MORE THAN WORDS

Accountants (general business advice for accountants' clients)

Note to readers

We first started writing for accountants in 2016. Some of the articles contained herein may relate to previous years in which tax rates and rules are different from today.

Requirement to Correct (accountant advice article, 700 words)

It seems that tax evasion and avoidance is something we see in the newspapers every other day. Since the big financial collapse in 2008, governments under pressure from campaigners have attempted to tighten the loopholes that allowed evasion and avoidance to happen in the first place.

The next big phase of this campaign has been announced and it's called the "Requirement to Correct" regulations.

In this article, the Smart Team looks at what UK taxpayers with overseas interests need to know.

Requirement to Correct according to HMRC

The Requirement to Correct (RTC) legislation concerns "those with undeclared offshore tax liabilities (relating to Income Tax, Capital Gains Tax or Inheritance Tax for the relevant periods) to disclose those to HMRC on or before 30 September 2018."

What's affected by RTC? Any offshore matters (specifically income, assets, or capital gains you have made outside the UK) and offshore transfers (any income or capital gains you've made in the UK but have transferred out of the country).

RTC is intended to find income tax, capital gains tax, and inheritance tax payments that have not been made to HMRC because they haven't been declared.

Specifically, HMRC want to find taxpayers who have:

- failed to complete a return
- made mistakes in their returns (whether you are aware of those mistakes or not)
- not informed HMRC that they should have sent a return because you had income to declare.

Requirement to Correct – the deadlines

The deadline for compliance is 30th September 2018.

By that time, you must declare all non-compliance covering the period up to and including 5th April 2017.

Requirement to Correct – if you declare by the deadline

If you comply, you will be expected to pay the money you owe to HMRC plus any interest on the overdue amount.

However, you may be able to escape any interest charges depending on how HMRC have assessed the level of your cooperation during their investigation.

Requirement to Correct – if you miss the deadline

If you don't inform HMRC of your undeclared income by 30th September 2018, you are almost certain to face a 100% penalty on the tax you owe.

If HMRC do not believe that you are being particularly helpful during their investigation, the fine may rise to 200%.

If HMRC believe that you have moved your assets in a purposeful attempt to hide liabilities from them, the fine could go as high as 300%.

If you have owed more than £25,000 tax, HMRC may add another 10% asset fine to your tax account.

HMRC have also indicated that they are willing to pursue a "name and shame" policy for the worst offenders. Your name would be put on the internet for anyone to find when performing checks on you and your company with a view to buying from you or supplying you. The reputational damage this could cause would be significant.

Requirement to Correct – what if HMRC are already investigating you?

The same rules apply – you must declare everything by 30th September 2018. Please let the official dealing with your tax investigation know beforehand.

Requirement to Correct – what about second homes abroad?

If you've been renting out your property or you've recently sold it, get in touch with the Smart Team just to make sure you've handled all the paperwork properly as you may be liable for either income tax or Capital Gains Tax here in the UK.

If you're not making any money from your property and you have a bank account in the country of your second home linked to that property, you should have nothing to worry about. If you're concerned, contact the Smart Team straight away.

Requirement to Correct – the next step

If there is something you need to tell HMRC, there are two ways to do it. You can either use HMRC's digital disclosure facility or speak to the officer in charge of your tax investigation if you're currently the subject of one.

Requirement to Correct – talk to the Smart Team

By any measurable standards, the amount of loss taxpayers could suffer as a result of RTC is enormous.

This is happening, it's real, and if there is something you're not sure about, you need to take action.

Before you go to HMRC, call the us today in confidence on (telephone number) or email us on (email address).

Card Transaction Programme (accountant advice article, 600 words)

In our last blog, we looked at the Requirement to Correct campaign currently underway with HMRC. There is another important campaign running too and it's called the Card Transaction Programme.

In HMRC's words, the Card Transaction Programme allows "businesses that accept card and cash payments and haven't reflected all transactions in a return, to bring their affairs up to date and take advantage of the best possible terms."

They're looking for:

• non-declaration of card payments, cash payments, internet orders, and phone orders by businesses registered with them, and
• non-declaration of card payments, cash payments, internet orders, and phone orders by businesses NOT registered with them

Card Transaction Programme – how will HMRC possibly find out?

Don't underestimate the snooping powers available to HMRC.

HMRC have spent £100m on their Connect software system. Connect allows HMRC to aggregate, store, and analyse data from the following sources -

- Bank accounts and financial institutions (including from 60 other countries)
- Child benefit payments
- Council tax
- DVLA
- Earnings (from any employer)
- Ebay, Amazon, Gumtree, Etsy, Airbnb
- Facebook
- Instagram
- Land Registry
- Maintenance payments
- Previous tax investigations
- Previous tax returns
- Twitter
- VAT
- Visa and Mastercard transactions

In the new online world, we leave significant financial digital footprints. Connect uses an algorithm to determine whether what we spend money on matches with the lifestyle and expenditure that HMRC believes someone with a certain declared income should be able to afford.

If you have been taking electronic payments and not declaring them, sooner or later HMRC will find out.

And it's going to get far more forensic in the future. The vast majority of tax investigations are still triggered by problems with Self Assessment returns. However, Connect will soon incorporate learning artificial

intelligence algorithms meaning that more anomalies will be spotted together with interim computer-generated reports on what lines a tax investigator should pursue with an individual.

Card Transaction Programme – how will disclosure work?

If you already file Self Assessment forms, HMRC will consider that you "have taken care to make sure your tax affairs were correct". That said, they will look back over your last 4 tax years for errors.

If an investigator decides that you have not taken reasonable care, they will examine your last 6 years' worth of tax affairs.

If you have not told HMRC that you started a business and/or they decide you made deliberate mistakes, they will go through your last 20 years' worth of tax with a fine-tooth comb.

Card Transaction Programme – what fines will non-compliance bring?

If you volunteer to join the programme, that'll bode well for your dealings on the subject with HMRC. At the very least, you will have to pay the tax that you owe.

The question now is how HMRC will treat you. Will they…

- want to look back over your records for 4 years, 6 years, or 20 years?
- impose a 100% or 200% fine in addition to your unpaid tax?
- fine you £3,000 for failing to keep adequate records of your business?

Card Transaction Programme – your next move

If you need to join the Programme, how you join it is going to be a determining factor in your treatment at the hands of HMRC.

Approach the Smart Team today. Let us represent you in your dealings with the taxman. Within 90 days of your joining, we'll need to present a full disclosure on all of your business activity that HMRC does not know about.

We'll present them with an offer, work out what you can pay them now (with a view to securing a Time to Pay agreement if money is tight), and prepare a dossier full of the information they'll want to know about.

Call the us today in confidence on (telephone number) or email us on (email address).

HMRC Credit Card Ban (accountant advice article, 575 words)

HMRC's credit card ban, implemented on the 13th January 2018, was made in response to the government's decision to end credit card transaction surcharges.

In the past, smaller businesses were able to pay their tax returns using a personal credit card, which – if they were experiencing cashflow issues at the time – meant they were able to pay taxes in their own time, whilst still managing to meet the deadline.

Still, business owners would typically only turn to paying their tax return by credit card as a last resort – if payment was made on a credit card and not settled immediately, a business owner's tax bill would, in essence, be greater because the additional interest charges levied by their credit card provider.

Why have HMRC implemented this rule?

When a credit card is used to pay for something, the provider (sometimes called a merchant services provider) takes a percentage of the transferred amount as payment the transaction. Credit card charges are typically between 0.374 and 2.406 percent, depending on whether the card is a business or personal one.

The EU directive to completely ban these surcharges was interpreted by the UK government in a way that many found frustrating – instead of simply banning the charges, they removed the credit card payment option altogether.

A HMRC spokesperson explained the reason behind banning the personal credit card payment option. Effectively, since they are no longer able to pass on the transaction charges from the bank, the cost would fall to the taxpayer to pick up. HMRC offers other ways to pay, including Faster Payment, BACS, debit card, and direct debit.

However, this does not offer those with cashflow problems a feasible payment method. HMRC did hint at a "budget payment plan" option, which would involve monthly payments made in advance.

What does this mean for smaller businesses?

In an ideal world, businesses would be put tax money aside monthly, meaning that when the time came to pay their bill, the cash would be readily available. Unfortunately, this method is often an impractical choice for business owners who find themselves struggling to meet even basic overheads in times of slowing turnover.

Business and corporate credit cards are still accepted, but the majority of small businesses are either ineligible for these or have never considered applying for them.

This begs the question: what exactly was the government trying to achieve with the credit card ban?

Avoidance of the issue?

A tweet from Prime Minister Theresa May on the 13th January states that the decision to ban credit and debit charges “is a move that will help millions of people avoid rip-off fees when spending their hard-earned money.”

Perhaps the more pressing issue, however, is the hundreds of thousands among the self-employed who found themselves unable to pay their tax returns on time due to the poorly communicated rule change and sudden implementation.

Accountants and bookkeepers are concerned about the consequences that this new rule will inevitably subject the self-employed to. It looks like those self-employed struggling to meet payment will end up paying more in late payment charges and penalty fees than they would incur in interest charges had they had the option of paying by personal credit card.

If you have been affected by the credit card ban, or you would like some advice on how to best prepare for the 2019 tax return, don’t hesitate to get in touch with our team on (telephone number) or by clicking here to email.

What is an insolvency practitioner and should I use one? (accountant advice article, 900 words)

Insolvency is a serious problem faced by companies of all sizes across the UK but it doesn't necessarily mean the end for your business.

If your company is struggling to repay its debts on time, bringing a licensed insolvency practitioner on board could help you to rescue your business or, where this is not possible, ensure that the liquidation of your company goes smoothly.

Is your business insolvent?

Legally, your company is considered insolvent when it is unable to repay its debts on time. This can happen surprisingly quickly – events that may trigger insolvency include losing an important client or a fundamental and negative change in the markets you operate in.

It can happen slowly too when your cashflow gradually gets worse over time because of declining sales until you can no longer manage your debts.

There are two different types of insolvency. These are:

- Cashflow insolvency
  This is where you own enough in assets to pay any bills that are due but they cannot be turned into cash quickly enough to actually make payment.

  Let's say that you have a convoy of company vehicles whose value is greater than the amount of money that is due to your suppliers but your business has no cash on hand to make payment. Cashflow insolvency can usually be resolved by liquidating your assets – selling the company cars – and using the money you make to cover your debt.

  This can take time, however, and some of your creditors may not be willing to wait until after the sale to get their money.

  The best course of action to take in this situation is to negotiate more time to pay with your creditors, providing them with regular updates on your progress.

- Balance-sheet insolvency
  When the value of your company's assets is less that the value of your total current and future liabilities, you enter a different kind of insolvency.

  Many business owners in this situation choose to liquidate their company but this is not your only option. If you are adamant that it's a healthy business and you're determined to keep your business trading, you may be able to resolve the situation directly with your creditors.

  Once the loss is accepted by both yourself and your supplier or lender, it may be possible for you to negotiate a new payment plan. You may be able to take out a loan to cover the remainder of your debt or your creditor may be happy for you to repay the money in instalments for an additional fee.

As you can see, regardless of the type of insolvency you might be facing, coming to an agreement with your creditors without your company ceasing trading can be achieved through honest, open negotiation. That's where a professional insolvency practitioner comes in.

What does an insolvency practitioner do?

Most insolvency practitioners (IPs) are chartered accountants who have undergone additional training which qualifies them to act on behalf of an insolvent person, partnership, or company. They have experience in managing companies out of difficult financial situations and this experience is available to company directors finding themselves with solvency issues.

When faced with insolvency, your IP may do a number of things to improve the situation. This may include:

- Raising cash by collecting all money owed to you by customers, partners, and others,
- Selling off some of your assets to raise the required funds to cover your debts, and
- Working with your creditors to come to a mutual payment agreement.

In some cases, liquidating your business entirely may be the only option your company has. If this is the case, then your insolvency practitioner will assist you in liquidating all of your assets turning them into cash and use these funds to pay off your existing debts before dissolving the company entirely.

If you do choose to dissolve your business, your IP will also be responsible for distributing the remainder of the money between you and other partners/shareholders once all outstanding debts have been paid.

What can happen without an insolvency practitioner?

Many creditors do become increasingly impatient when they do not receive their payments on time and in full, particularly if you are not in regular touch with them and when they do not know that your business is experiencing difficulties. Some resort to taking legal action out of frustration and a genuine concern that they will not be paid. Not only could they bring action against your business but, in some circumstances, some creditors could even petition a court to force you to repay the debt from personal funds.

If you have signed any personal guarantees, if you have favoured shareholders over creditors during insolvency, or if you have an overdrawn director's loan account, you could be held personally liable for your company's debt. In this case, we would recommend seeking legal advice as well as the help of a qualified insolvency practitioner.

Failure to take action may mean that your business is ordered into liquidation by a court leaving you with no option left to save your company.

When should I appoint an insolvency practitioner?

If you are experiencing serious cashflow problems and you fear insolvency may not be far away, get in touch with a professional insolvency practitioner without delay. The sooner you seek advice, the more likely it is your IP will be able to set plans in place to save your company.

Please phone or email your local branch for support.

How to get out of revenue debt (accountant advice article, 975 words)

Owing money is always stressful but when you're in debt with HM Revenue and Customs, it can be a particularly discomforting experience.

If you have fallen into arrears on your tax payments, you can guarantee that HMRC will do everything in their power to make sure they get the money they're owed.

HMRC's infinite power with revenue debt

The taxman is the most serious creditor you can have chasing you for payment because HMRC has a whole range of powers available to it for collecting the money you owe them.

Back in April 2014, a new law was passed allowing HMRC to seize tax that is owed directly from an individual's or a company's bank account. While they will issue a number of warnings before they do this, the Revenue may even choose to have your bank account frozen as a warning sign to you that they will be taking the money soon.

They are, however, bound by the rule that they must leave at least £5,000 across your bank and savings accounts and that they can only seize amounts upwards of £1,000.

A spokesperson for HMRC told the Telegraph that the Revenue can "take money from any account – including any type of Isa – it does not matter where they are held," but that "the people we are targeting will have had plenty of warning and time to settle their affairs."

In addition to this direct recovery of debt, HMRC have other 'enforcement actions' in their repertoire to recover the money they are owed. These include:

- Court action
  If you do not pay the money you owe HMRC, they may decide to take you to court. Should the court uphold HMRC's decision, you could be made to pay court fees and HMRC's costs on top of the tax you owe. Read more about court action here.

- Distraint
  This involves HMRC taking the assets that you own from you and then selling them to pay off your debt. They send a bailiff or enforcement officer to your home or business to seize property that will cover the cost of your tax bill plus certain fees. Find out more on the gov.uk website.

- Bankruptcy
  If you do not pay your tax bill or your debts to HMRC exceed the assets you own, you could be made bankrupt. When this happens you may lose your home, business, savings, and investments in the process. See more about what happens during bankruptcy here.

- HMRC Security Bonds
  When HMRC suspect there is a risk you will not pay your future tax liabilities on time, they can ask you to pay a deposit – or bond – on various types of tax. If your business is issued a Notice of Requirement for security then the debt can even be transferred to you personally. Read more here.

- Winding up petition
  Failing to pay your company's tax bills (corporation tax, VAT, and PAYE) could result in a winding up petition being issued. If you don't pay back the amount HMRC are demanding within seven daysm your bank accounts will be frozen, you will not be able to sell or transfer any company assets, and other creditors could use the same petition to wind up your company. See what happens following a winding up order here.

How should you handle HMRC if you owe them money that you can't pay back when they want it to be paid?

Talk to HMRC

If you know you can't pay your bill when it arrives, the first course of action should always be to get in touch with HMRC directly. Simply not paying your tax may appear to them like evasion which is a serious criminal offence.

HMRC may agree that you won't be able to pay the total bill upfront and they will often offer a solution to help you meet your tax obligations without financially crippling you.

Time to Pay Arrangements

Payment plans like a time-to-pay arrangement give you the option to pay the tax you owe in more manageable monthly instalments rather than in one big lump sum.

It is important to note that time to pay arrangements only apply to the tax arrears in question. You will still be required to pay all future taxes on time and in full.

If you are struggling with your tax bill, contact HMRC ahead of your payment deadline to ask if this would be available to you. You can find out more about Time To Pay here and you can apply to pay tax in instalments here.

Use a loan

Since HMRC have begun escalating the number of winding up orders they're bringing, some businessowners choose to take out loans to pay all of their overdue tax bill in one go.

You can then spread the cost of your tax bill across a year or a number of years with your monthly loan repayments. Please note that the interest on any loan you take out will mean that you end up paying your finance provider more than you would have paid HMRC.

Work with your accountant

If you are in VAT arrears or if you are having trouble meeting your PAYE bill, you should try to negotiate with HMRC wherever possible.

This is a good time to take advantage of your accountant's experience in dealing with the taxman. They will, in many cases, be able to help you to reach an agreement with HMRC to help you manage and pay down the debt.

We can help

If we foresee that you may have trouble paying HMRC when a bill becomes due, we'll let you know that we have concerns. Working with your accountant will give you the time you need to make cutbacks in your spending, to push customers to pay their invoices, and to make alternative arrangements with HMRC for a payment plan.

Please phone or email your local branch for support.

Cryptocurrency 101 (accountant advice article, 950 words)

After last December's spike in the price of Bitcoin, we received a number of calls and emails from clients wondering if they were missing out on business by not being able to take them. It's still too soon to tell whether Bitcoin and other cryptocurrencies are here to stay.

The Maple Accounting team have put together this article for you in which we explain what cryptocurrency is, how it works, and the pros and cons of accepting cryptocurrency as a form of payment.

What is a cryptocurrency?

Cryptocurrencies are an entirely digital form of money which can be used all over the world.

Cryptocurrency is entirely P2P, which means peer to peer. There are no third parties involved. When you buy cryptocurrency, you are purchasing it from a person or company, and it is not regulated by a central bank (which we'll talk about in more detail in a moment).

All cryptocurrency transactions are fast and cheap. You can buy, sell, and transfer cryptocurrencies from any computer, tablet, or mobile device. As long as you have an internet connection, you're good to go.

Examples of cryptocurrencies

Three of the most commonly used cryptocurrencies, and what makes them different from one another, are:

Bitcoin

Created in 2008, this was the first ever cryptocurrency. It is also the cryptocurrency with the highest face value that you can purchase. Bitcoin is the most widely available and accepted form of cryptocurrency on the market today.

Ethereum

Ethereum takes the concept of removing the middleman a step further. Bitcoin allows users to store the crypto in an individual wallet – the wallet itself can be downloaded from Apple's Appstore or the Google Play store. This means, in theory, that Google or Apple can remove access to your crypto at any time by withdrawing the wallet from users. Ethereum users use a decentralised online application instead.

Litecoin

This cryptocurrency is based around the same model as Bitcoin but it has a greater focus on the speed with which you can process a transaction. Litecoin hopes that by focusing on the speed with which you can purchase goods and services, it will become a dominant player if cryptocurrency is eventually adopted on a wider scale in the future by businesses and consumers.

What is the appeal of a cryptocurrency?

Three of the main reasons that people are drawn to cryptocurrencies are:

Anonymous transactions

You might ask why crypto users, or anyone, would want to keep their transactions anonymous. But as time goes on, more and more of what you do, purchase, and even look at is tracked. In comparison to most of the activities you partake in online, cryptocurrency use is relatively anonymous. If someone in government wanted to track how you personally used cryptocurrencies, it would be technologically a lot more difficult for them to do so than, for example, access your bank account.

No central bank is required

There are only 21 million bitcoins that could possibly exist ever. Because of this, there is no need for a central bank to regulate the currency. This also ties in with the peer to peer point that we made earlier. No government can regulate or manipulate cryptocurrency in the same way that they can with their own currency.

It is all online

Everything is becoming digitised, so why should currency be left out? It was inevitable, wasn't it? In 1999, Nobel Prize winning economist, Milton Friedman, said that "One thing that is missing is a reliable e-cash…" A globally available, reliable, electronic form of money has been on the cards for years, and cryptocurrency may be the final realisation of this.

What to consider when looking into accepting cryptocurrency in your business

What are some of the benefits and downsides of accepting cryptocurrency in your business?

Lower transaction fees

When you accept debit or credit cards, you pay a proportion of the amount you take on card to the merchant service providers. You do not need an intermediary or a merchant services provider to accept cryptocurrency. Even when factoring in conversion fees from crypto to GBP, it often costs a lot less money to take a payment in cryptocurrency than it does to take a payment on a credit or debit card.

Increased sales

Cryptocurrency has a worldwide reach. So, if you sell a product that can be made available to customers all over the globe, then you now have a way to charge for it. It doesn't matter what the currency of the country is in which your buyer is based – one Bitcoin here is worth the same as one Bitcoin there when the transaction is made.

Catering to consumer preferences

Although still slow, more and more customers are using cryptocurrency in their day to day lives. As a result of this, many argue that there is a growing need for businesses to start accepting cryptocurrency as a payment method.

There are two sides to every Bitcoin and the problems we see with it are…

Cryptocurrency is volatile

The cost of cryptocurrency goes up and down at a much more rapid and unpredictable rate than any other traditional currency. This isn't ideal because you could accept a payment of £10,000 in crypto for your services which is worth, for example, £400 less as little as 10 minutes later.

It might not last

Crypto may not be here to stay. We may be at its peak now and it may decline gradually. Governments may crack down on it. Banks could refuse to deal with any company which accepts payment in crypto. You may go to a lot of time and effort to accept Bitcoin and other cryptocurrencies but never take a payment.

Talk to us

For all accounting matters crypto and non-crypto, call or email your closest branch today.

How does HMRC treat crypto profits? (accountant advice article, 875 words)

At the end of 2017, cryptocurrencies, and in particular, Bitcoin made headlines around the world as the price of a Bitcoin soared to nearly $20,000. At time of writing, the price has more than halved from that high at just over $8,900 so sincere commiserations from us if you were tempted into cryptocurrency at the height of the market.

If you're an overseas national registered with Her Majesty's Revenue and Customs (HMRC), the UK's tax collection body, or if you're thinking about becoming one, what is the current UK tax policy on profits, howsoever made, on cryptocurrency?

It is important to state from the off that there is no settled interpretation at the moment on the treatment of crypto-derived profits. When there is a dispute between a taxpayer (or taxpaying organisation like a limited company) and HMRC, these disputes are then decided by a body called the First Tier Tribunal (FTT). FTT decisions are, on most occasions, treated as "case law" – what that means is that FTT judges will use a previous FTT's judge's decision as guidance. It is possible to appeal against an FTT judgement but that's not really important for the purposes of this article so we'll leave it for a later one.

With no case law to go on, the best thing to do in most cases, and the safest, is to take HMRC's least favourable scenario on a particular area of taxation and apply that to your situation. If you achieve anything more favourable than that, then consider it a bonus.

HMRC will first want to consider if you are an active trading investor or a passive investor. If you have made multiple transactions in crypto, you can almost certainly be assured that you will be considered as an active trader.

Passive investors

If you are a passive investor and you're investing in your capacity as a private citizen, you will be charged Capital Gains Tax. Capital Gains Tax is payable on all profits made from the sale of assets (and cryptocurrency will almost certainly be considered as an asset). You have an annual personal allowance on which Capital Gains Tax is not paid of £11,700. Above this amount, basic rate taxpayers (those earning less than £46,350 per year from all income sources) will pay 10% of their profit in Capital Gains Tax. Individuals earning more than £46,350 per annum will pay Capital Gains Tax at a rate of 20%. If you make losses, you can offset those losses against gains in that and the other areas of business you partake in.

If the passive investor is a limited company and it has held onto the currency for a short period of time, it will be treated as an NTLR (non-trade loan relationship – this is complicated so please phone or email us to tell us about your situation). If the crypto is held onto for a long time, it is only taxed when sold with fixed asset costs being held back when working out the tax payable for offsetting against the profit you make when you sell the crypto (again – this is best done on a case-by-case basis – we have experience in this so please contact us for advice).

Active traders

For individuals acting in private capacity, the value of your crypto will need to be quantified at the end of the tax year to assess actual loss or gain in value. Tax will be payable on any gain in value at up to 45% (income tax) and between 2%-9% for National Insurance.

Limited companies will also need to revalue their crypto holdings at the end of the tax year. Any gains or losses you make can be offset against gains and losses made by the company in that year and in later years. You can only offset losses you made in previous years if they are in the same area of business (i.e. crypto investment and speculation) or NTLR (ask us about this one – our contact details are below).

Gains will be charged at 19% (the level of corporation tax) or at 10% if you can utilise either investors' or entrepreneurial Capital Gains Tax relief.

Crypto mining activities

If you're running your existing computer equipment to mine cryptocurrency, you could make a decent argument that any gains made are passive income because you've invested no money into the building of your "mining rig" and it is probably not your main source of income. In these cases, the gains you make will be treated as if you are a passive investor.

However, if you have spent money putting together a substantial rig and you are fully involved in the running of the rig, you or your company will be treated as an active trader. From your gains, you will be able to take off the costs incurred in building your rig and keeping it running (electricity, maintenance, wages, and so on).

Many crypto enthusiasts believe that conversion from one type of crypto currency to another will not create a capital gain and that capital gains are only taxed when converted back to standard (fiat) currency. This is a dangerous assumption we advise you do not take.

Need assistance?

Ask us for help on the current UK treatment of cryptocurrency-derived profits and gains on (telephone number or by clicking here to email.

Director guarantees – what you need to know (accountant advice article, 775 words)

Setting up a business and working for yourself is a dream that's realised by many and behind each story is a struggle to set up and establish yourself.

In order to protect themselves from business creditors, many entrepreneurs set up as limited companies. The reason they do this is that, should the business go under, your personal liability for debt will be restricted to the value of your share capital – in many cases, that's as little as £1.

If you're looking to raise finance to grow your business, buy in new machinery, hardware or stock, or lease commercial premises, one of the conditions that may be in the supply agreement is that you and your fellow shareholders have to take a personal guarantee (or a director's guarantee).

How does giving a personal guarantee affect me?

A personal guarantee means that you and your fellow directors are personally liable for paying off any outstanding debt if your company cannot, is deemed unable to settle the debt, or, in some way, breaks the terms and conditions of the governing contract.

A personal guarantee may be secured against a director's property by way of a fixed charge on their property or it may be unsecured.

An unsecured loan sounds much more appealing however caution is required. A creditor to apply to take a charge over your family home at a later date if you have given a personal guarantee, sometimes forcing you into selling up

When would a director's or personal guarantee be asked for?

Banks and finance companies will often ask for a director's guarantee on any loan applications you may make. Trade suppliers, asset leasing companies, finance providers and Invoice factoring companies are all likely to ask for a guarantee.

It also common for commercial landlords to insist on a personal guarantee on a commercial property lease.

What happens if several directors give a personal guarantee?

If several directors give a personal guarantee then the liability is usually commensurate with the value of their shareholding.

However, in and of itself, this doesn't offer you much protection as, via your guarantee, the debt will be joint and several. This means that, if some or all of the other directors do a vanishing and do not pay back their share of the loan, then you, as the remaining director, can be pursued by the creditors for the whole amount.

What action may be taken against me / us if the loan isn't repaid?

Personal guarantees may be called in even though your business isn't insolvent. Lenders and landlords can activate personal guarantees if you have invalidated the terms and conditions of the original loan agreement.

If a County Court Judgement against your business has been awarded, then this may prompt creditors to activate a personal guarantee. There are so many ways in which a director's guarantee can be activated – to your personal detriment - so please given detailed and careful consideration before you agree to one.

In circumstances where the guarantee has been called upon and the loan remains unpaid, the creditors can start bankruptcy proceedings or apply for a county court/high court judgement. If the latter is granted, the creditor may send in the bailiffs and/or apply for a charging order against your home if there is equity in the property which could be used to pay off the debt.

Are there any ways to protect myself in the event the guarantee is required or called in?

Prior to considering giving a director's or personal guarantee advice, should be sought from a relevant professional. Make sure you shop around for finance or premises as you may find that many lenders or landlords do not actually require a director's or personal guarantees.

There is form of insurance that can be taken out which pays off personal guarantees in the event they are called in. Advice on the suitability of this course of action or the provider cannot be given here and you should make your own enquiries through a Regulated Financial Adviser.

Your lender or landlord may be open to negotiation if you find yourself in difficulty prior to the guarantee being called in. Legal advice should be sought in order to commence mediation in these circumstances.

Be aware that all of these three options will cost money and they are not guaranteed to produce a favourable solution for you.

Summary.

Director's or personal guarantees are not without a great deal of personal risk. If you would like to talk with one of our team of qualified accountants about these types of guarantee, please call us today on (telephone number) or email your accounting partner by clicking here.

Up to £100,000 funding for new starts (accountant advice article, 1,050 words)

Looking for cash? Interested in up to £100,000 funding for new starts? Or has your company been established for less than 2 years?

If I could sweeten the deal further and say that you don't need to put up any capital of your own, be a distinguished 20-year veteran in your field, know the right people, put up your home as security, or give a personal/director's guarantee, would all that interest you more?

Yes? There is a way that, with a great accountant (and we know a few of those), a believable business plan, a credible cash flow forecast, a precise profit-and-loss forecast, and proof that your market exists, you can get up to £100,000 for your new-start or young company.

And here at TWP, we can help you with your application. Here's our guide.

The Start Up Loans Company (TSULC)

TSULC are part of the British Business Bank (BBB). The BBB was set up after the great financial crash of 2008 because banks had become so frightened of lending that the then coalition government was terrified that the recession would deepen because companies couldn't borrow to invest, employ, and grow.

BBB set up TSULC as a response. TSULC provides personal loans to entrepreneurs of up to £25,000 with a fixed interest rate (6%), no set-up charges, and no early repayment fees. The only condition is that the money has to be used for business purposes.

Where do I apply?

When TSULC set up the service, they recruited a number of delivery partners based around the UK. To find out which ones are closest to you, please click here.

The reason delivery partners were put into place was that, by having them based in the regions, they would know the economic requirements of their area better. They could then use marketing campaigns to encourage experienced people to set up on their own in the trades the delivery partner was targeting.

It didn't quite work out that way, unfortunately, but you can see why it didn't. If your job is unstable, the economy is wobbling, and you'd never run a business yourself before, it would take someone who's pretty brave and got a very loyal and loving partner to take them up on the offer.

The scheme has been hailed a success though. And it's more than just the money. Borrowers have access to free mentoring for a year after receiving the money by someone who has been in business themselves or who has been a successful advisor to many companies.

Getting started

There are five tests that the delivery partners look for when someone applies for a loan. They are:

• you have some experience and knowledge of the sector (but they're happy with much less than a high-street bank would ask for)
• you can prove there's demand for what you want to sell (invoices would be great but letters of intent to buy are good too)
• you have a business bank account into which the money can be paid
• you have a great business plan
• you have a cash flow forecast and a profit and loss forecast that looks believable.

Our tip – however much you ask for, make sure that your cash flow forecast proves you need that much money. If your cash flow forecast shows a temporary deficit of £15,000 but you're asking for £25,000, you will be in danger of undermining your credibility.

What should be in your business plan?

The requirements aren't hugely different to a plan you might present to a high street bank. Your delivery partner will almost certainly want to see:

• your company and the idea behind it in a summarised form
• short descriptions of what it is you're going to be selling
• market research (who will buy from you, why they'll buy from you, how much they'll pay you for what you're selling, and any invoices/letters of intent you have)
• your route to the customer (sales and marketing strategies)
• how you'll run the business day to day
• the names of the companies which will supply you
• miscellaneous (legal and insurance requirements, management team, staff you already have, how you take payment, how you fulfil orders, where you're based or will be based, and so on).

And, of course, your cash flow forecast and profit and loss forecast.

How long does the process take?

It's not quick. If you already run a business, you're short of cash, and you need the money next week, this is not an option. The application process takes up to 3 months as it uses public money.

If you're pre-launch, apply as soon as possible because, if there is a delay in payment and you've signed lots of documents committing you to spending a lot of money, the loan may not arrive in time.

If you're business is less than 2 years old, your plan will receive just as much scrutiny so if you're borrowing to expand or invest in equipment, make sure that the plans you make are flexible enough to account for the fact that the money may not get to you when you had planned it for.

£100,000?

A business can borrow up to £100,000 with a maximum of 4 directors taking £25,000 each. If this is what you want for your company, it is possible to get this and we've heard of plenty of cases where a loan of this size has been granted. Be prepared for much deeper scrutiny of your proposals however which may delay your receipt of the loan.

Anything else I should know before applying?

These loans are personal loans made to you. If you use the money to fund a limited company and the limited company becomes insolvent and goes into liquidation, the debt does not die with the company. You are personally responsible for the repayment of the loan.

If you have bad credit history, you may find this loan impossible to get, no matter how good your business idea is.

Want to know more

We can help with all aspects of applying for a start-up loan, especially the financials. To find out how we can work together, call the team on (telephone number) or email us by clicking here..

What to do if you get an unannounced HMRC visit? (accountant advice article, 850 words)

Anecdotally and in the accounting trade press, it seems that the number of unannounced HMRC visits has been rising steadily over the last 3 years. We're your accountants and to us, HMRC are an organisation we work with every day and they're not scary people. They're people trying to do a tough job and there are not enough of them to get everything done anymore.

However, to clients and to businesspeople, an unannounced HMRC visit is something to be scared of. It's easy to see why. They're a very powerful organisation and they're the only part of the state that you have to prove your innocence to.

So, if this happens to you, what do you need to know?

Has a letter gone astray? Or has there been an organisational error?

More often than not still, it appears that, when you get an unexpected HMRC visit, that there has been an administrative mistake.

You should have received a letter informing you of the details of the visit, how long they expect to take, who they want to see, what your role in the enquiry is, what records they want to see, and some detail on why they are coming to see you.

If you have received one of these letter, make sure that you have everything read for when they turn up. Also, make sure that one of us from (company name) is here too.

Does the inspector have a signed formal notice for this unannounced HMRC visit? What does that mean?

When they show up, there will normally be a number of HMRC officers. They'll all be wearing hi-visibility jackets, carrying official badges, and waving around the notice of inspection. Yes, this is all true.

On an unannounced HMRC visit, the taxman's representative may have a formal notice which has either been signed by a tribunal or by one of HMRC's authorised officers.

If it has been signed by a tribunal and you refuse them entry "without a reasonable excuse", you could face a penalty of £300 plus additional daily £60 fines. In these circumstances, we recommend that you refuse entry giving the excuse that you want to have one of us, your accountants, present at the meeting – this is a reasonable excuse.

If the formal notice has been signed by one of HMRC's authorised officers, they do not have an automatic right of entry and you will face no fine for not letting the inspectors in.

What are reasonable excuses for not letting an inspector in if I get an unannounced HMRC visit?

There is no hard-and-fast definition of what a reasonable excuse is (other than wanting your tax agent/accountant with you). HMRC, in their relevant notice, explain that "it might be due to circumstances outside your control or a combination of events … Whether you have a reasonable excuse depends upon the particular circumstances in which the failure occurred and your particular circumstances and abilities. This may mean that what is a reasonable excuse for one person may not be a reasonable excuse for someone else."

What are my legal rights?

As stated above, you do not have to let the inspectors into your premises when they turn up. It is reasonable to want your accountant in attendance so respectfully and politely refuse them entry and try to make alternative arrangements to see them.

The officers from HMRC must show you the following:

- their identification
- a copy of the inspection notice
- an explanation for the reason for the visit
- an explanation for how they intend to carry out the inspection
- a CC/FS4 factsheet
- ask if there are any health or personal issues on your part that they need to know
- inform you that they can call your tax agent/accountant.

If they want to call your agent, HMRC is not allowed to enter your premises until the agent has got to your location.

They are not supposed to interfere with your business when it's trading – that's why so many of these inspections happen later on on the busy day. If your business works mainly in cash, they may be paying this visit because they have concerns about your cash-handling systems. In these circumstances, they have a right to examine your till, for example, but not if the timing is detrimental to your trading.

What can HMRC not do?

If they come to visit you in your home, they cannot enter the parts of your home that are not used for business purposes.

They cannot ask you for payment nor inspect any of the business's cash (unless the cash itself is trading stock). They cannot conduct a search, force entry, use clandestine methods to gain entry, or make a person subject to the notice comply.

How long do tax investigations take and how much do they cost?

In a recent survey carried out by the Federation of Small Business, the average full HMRC investigation takes "16 months and costs a potential £5,000 in accountancy fees".

There is, for all businesses, no matter how well and honestly run, a strong argument to take out insurance against investigations, especially if they start out with an unannounced HMRC visit.

For more information, please call us on (number) or email (address).

How much, and which, stock should my business hold? (accountant advice article, 900 words)

Stock management cashflow – not the first three words that spring into your head when you think of Gordon Ramsey screaming his head off at apparently witless restauranteurs and chefs imploring them to "grow a pair of b*lls" and "simplify the (freakin') menu". But Gordon Ramsey is exactly right with the point he's making.

Every time you buy a fish for your fish and chippy, clothing for your women's fashion store, or tyres for your repair garage, you're transferring cash out of your account on something you haven't sold yet.

So, what's the best way to ensure that you can serve customers want they want and when they want it whilst preserving a great profit margin and keeping as much cash in the business as possible.

(name) investigates

Work out how long the stock you've got in the business now will last you

What is your "inventory turnover ratio"? It's a way of finding out how long the stock you currently have in the back and front of your premises will last.

How much stock do you have now? Let's say £20,000. And what is your annual turnover? Let's say £100,000.

Take your turnover of £100,000 and divide it by your current inventory level (£20,000). This gives you an answer of 6.

Divide 6 into one (1.667) and multiply it by 365. This gives you an answer of 60. That means that you've got enough stock on your shelves and in your storage areas to last you for 60 days.

Stock management cashflow – reduce your stocking levels

In the example of our shop above, they've got enough stock to last them for 60 days. If they only had £10,000 worth of stock, that would be enough to see them out for a month and they would have £10,000 in ready cash available in their business account.

There may be many good reasons for buying that much stock. Your supplier may have a minimum order value or they may give you a generous discount if you place a combined order that's over a certain amount.

Stock management cashflow – run regular sales and explore more

It's a fair bet to speculate that, out of the £20,000 in stock being held by our example above, a decent proportion of it has been held by the business for much longer than they imagined they would. Sometimes, despite the keenest eye for what your customers want, all businesses make stocking errors, perhaps the most famous British example being Marks and Spencer.

If a line fails to take off within a given period, allow yourself to mark the price down to try to shift the product. It might be 20% or even 40%. You may take a loss on some of the items. Profit is important in business but so is cashflow. There's no point having £4,000 tied up in stock eating up storage space if you

can sell them at discount for £3,000. Yes, of course, it's not great to take a hit like that but it's better to have the £3,000 in your business.

And if you've misjudged a product or a line completely and even the markdown won't sell it, there's always eBay.

Stock management cashflow – what are the customers telling you with their purchases?

Most businesses see the so-called Pareto rule with their product sales. The Pareto rule is that 80% of their sales come from 20% of their lines.

Now we've looked at ways to improve your cashflow through tighter stock management and clearance sales for unpopular lines, the next area of improvement is the stock that you buy in.

Focus as much as you can only that magical 20%. Do all you can to get the discounts from suppliers you need to increase your margin on the items. Keep a close eye week on week so that you constantly recognise what is still in the 20% and what isn't anymore.

For your 80%, focus on the products that complement the 20%. If you're running a fashion store, which accessories would work best with the clothing that flies off the shelves? Sometimes, you may double or triple the profit on your sale by upselling accessories and other related items.

Stock management cashflow – sales you have to squeeze out

Back to Gordon Ramsey. We've all seen the shows where he has gone into a restaurant only to be confronted with a gargantuan menu with 150 different main dishes which sprawl across 20 different types of world cuisine.

In one sense, the restaurateur's decision makes sense. She or he wants to give everyone a reason for coming into their store. But this decision leads to two unfortunate outcomes – a) a lack of focus and b) way too much being spent on food to be able to provide 150 different mains.

In some sectors, this is called "chasing the sale". "Chasing the sale" takes up way too much money and management time for it ever to be profitable enough to pursue the practice.

Stock management cashflow – let's talk

It's hard to believe that your business's profitability and future may be adversely influenced by stocking policy but it's true. You're always one or two bad big orders away from running out of cash holding products that are difficult or virtually impossible to sell.

If you want to talk to our team about stock management cashflow and how we've helped other businesses with it, please call on (number) or email (address).

Capital gains tax investigations ongoing (accountant advice article, 600 words)

HMRC seem to be in a "cracking down on things" mood at the moment. Recently we discovered they'd recovered nearly £8bn in business taxes above the previous year through tax inspections and investigations. Now, it's come to light that the same is happening with capital gains tax.

Firm Collyer Bristow have revealed that HMRC collected £124m last year from investigations into SMES and wealthy individuals suspected of not being entirely straight or accurate with their reported capital gains.

Here's our guide on what you need to know.

Capital gains tax – what is it?

You pay capital gains tax on certain things you sell for profit. Capital gains tax is paid by individuals, not by companies.

Examples of items you pay CGT on include personal possessions of £6,000 (more notes here on what they are), property that isn't your main home (unless you've let it out, used it for business or it's huge), shares that aren't in an ISA or a PEP, and business assets.

You get a personal tax free allowance every year of £11,300. If you're a basic rate tax payer, you generally pay 10% (the rules can be quite complex though). Everyone else pays 20% on their gains or 28% if the gain comes from residential property.

You may also be liable for CGT if you give an asset away as a gift, transfer it to someone else, swap it for something else, or you're paid compensation for it (for example, an insurance payout).

If you sell your business, you normally only pay 10% of the price you sold it for (minus expenses) up to a lifetime limit of £10,000,000 (this is widely referred to as Entrepreneur's CGT).

HMRC's new investigation departments

Accounting firm PFP recently discovered and publicised the existence of two new investigative departments within HRMC, namely:

the Individuals and Small Business Compliance Unit, and
the Wealthy and Mid-Sized Business Compliance Unit.

Their successes so far have been hauling in an extra £3.4bn in VAT and £3.5bn in other business taxes in 2016/2017 over the amount in the previous financial year.

Capital gains tax investigations

Rules enacted in 2015 have made it more difficult for businesspeople selling their company to claim Entrepreneur's CGT.

According to Economic Voice, “HMRC projects that only £2 billion of Entrepreneurs’ Relief will be successfully claimed against Capital Gains Tax bills in 2016/17, down from £3.5 billion in each of the two previous years.”

HMRC have long suspected that many people either avoid or reduce paying CGT and Entrepreneur’s CGT by creating artificial losses elsewhere. Speaking to Economic Voice, Collyer Bristow partner James Badcock said, “In the past, CGT avoidance schemes have included creating artificial capital losses which can be used to offset the tax, whilst others might use offshore trusts and structures to make use of loopholes ... However, some will simply fail to declare the sale or transfer of an asset, or undervalue it when reporting to HMRC".

Professional Advisor reported on the case of a Hampshire landlord who was recently jailed for two years as he evaded £157,725 in capital gains tax after failing to declare the sale of properties.

Be careful out there

Remember that HMRC is the only part of the British state that presumes you’re guilty until you prove yourself innocent.

If a scheme to avoid CGT seems to be too intricate, it’s probably going to be seen as evasion.

Speak with the team here at (firm) and we’ll help you reduce all your taxes, including CGT, in a fair, transparent, and in a way that HMRC does not find objectionable. Please give us a call on (number) and email us at (address).

Making Tax Digital – it's coming (accountant advice article, 950 words)

Making Tax Digital is nearly here – and it very nearly wasn't here as well. Making Tax Digital is HMRC's attempt, over the course of a number of years, to make all personal and corporate accounting digital. But it's more than just filling everything online because you can essentially do that already.

The big idea behind Making Tax Digital is that every citizen and every business will have their own e-tax account which they can update at any time. They can keep track of taxes accrued, taxes paid, benefits or credits to which the taxpayer is entitled, and so on. It should be as readily available and as easily manipulable as your online banking services.

Many of you will already use online bookkeeping services like Quickbooks and Xero. If you're also VAT registered, you'll notice how it keeps a running tally of the VAT bill you're accruing during the quarter. Making Tax Digital will, in its final form, also do exactly the same for personal and corporate tax charges and credits.

From April 1st 2019, the VAT system will move from the HMRC website to the Making Tax Digital portal. We'll cover that more later but let's have a look first at how Making Tax Digital has stopped and started over the years.

How we got to here…

The original plans were to introduce Making Tax Digital in April 2018. The government's Making Tax Digital (MTD) initiative, which was announced in the March 2015 Budget, aimed to increase transparency in the new digital age and would lead to business owners facing greater scrutiny and HMRC obligations.

It was a bold move which was set to make HMRC one of the most digitally advanced tax administrations in the world. Taxpayers would benefit through being able to view a complete picture of their tax affairs at any time, in the form of their online digital tax account which pulled together information provided to HMRC from various sources, including employers, banks and other government departments.

In this way, there should be no tax liability surprises at the end of the year.

Under MTD, taxpayers, companies and businesses would all be required to submit their accounts to HMRC on a quarterly basis and then submit a final, fifth set of accounts annually to make any year-end adjustments. The quarterly reports will be due within thirty days of the end of the quarter, and these must be submitted electronically via the taxpayer's own bookkeeping software.

When accounts are submitted, would HMRC see a tidy, succinct, clear office; everything where it should be and a tax plan properly in place? Or would they see a mess, with corrections made after the year end which will provide them with the opportunity to ask questions?

As you can see, the original plans were ambitious. That's not what we've ended up getting at launch though, much to the chagrin of the tax authorities. HMRC were and are so keen to introduce MTD in full as soon as they can because they're convinced that there's a big tax gap and they want to close it. The tax gap is the difference between the amount they think they should collect and the amount they actually do collect. In 2017, that figure was estimated to be £34bn.

We've ended up with MTD Lite…

And we've got there by the skin of our teeth. From 1st April, companies registered for VAT with a turnover of £85,000 must move over to the new system.

There were major concerns right up until December 2018 about whether the software required to help companies switch would be ready for firms using online bookkeeping platforms. For those who use bespoke accounting packages or spreadsheets, there is meant to be "bridging software" available but very few businesses seem certain on where to source it. For companies using paper-based accounting, they must move over to Making Tax Digital by April 1st for their VAT.

MTD will record a lot more about your VAT than under the current system. Every time you make a sale, your software will need to record the date and time of supply, how much the sale was for, and what VAT rate you charged.

Whenever you buy something, you'll need, again, to record the date and time of supply, the value of the purchases including VAT not claimed by your business, how much VAT you're claiming back, and, if there is more than one item listed on an invoice you receive from your supplier, the totals from that invoice.

It's a lot more granular and detailed than the 9 box green form of a few years ago.

When does MTD start for your business?

The current timetable for moving over has been released by HMRC and is as follows:

VAT return filing currently	Start of first MTD VAT quarter
Dec/Mar/Jun/Sep	1st April 2019
Oct/Jan/Apr/Jul	1st May 2019
Nov/Feb/May/Aug	1st June 2019

If you are on the annual VAT scheme, your MTD year begins at the first annual account period that occurs after 1st April.

What's to come?

Public testing for income tax via MTD began on March 2018 – the test is available for UK taxpayers who derive income from property investments based in the UK. The proposed roll-out for income tax and National Insurance was going to be the 6th April 2020 however, in recent announcements, HMRC have indicated that they want to see how the first year of the VAT transition goes before starting to migrate other taxes onto the system.

Keep checking back to our website for the latest news and opinions on the introduction of Making Tax Digital over the coming weeks and months.

We provide Forensic Accounting services to assist in the quantum elements of legal disputes. Please call (telephone number) or email us by clicking here for more information.

Turnover is vanity, profit is sanity, cashflow is reality (accountant advice article, 1,100 words)

Some of the best businesses are brought to their knees by cash flow issues.

Businesses which were full of promise with committed and passionate owners backed up by motivated staff disappear from Companies House on a daily basis because they didn't have enough ready cash (or access to debt capital) to meet the bills.

Late payment is definitely an issue but, as business owners, we've got to take some of the responsibility ourselves. If you know this is a problem in your particular sector, it's time to take action.

Here are {client name]'s four ways to make sure you don't run out of cash, no matter how much you're selling and no matter how delighted your customers are with you.

Invoice and chase

Always get your invoice to the customer as quickly as you can. Let it show on your invoice what your payment terms are.

Try to negotiate terms that are as favourable to you as possible. Just because everyone else might be doing 30-day invoices, it doesn't stop you for asking for 14 days. Some will object, others won't. But you'll never find out until you ask the question.

What is your trigger point for invoicing - as soon as the order is placed, as soon as the order is completed, or are there multiple milestone points at which invoices become issuable?

Whenever it is, make sure you do send the invoice as early as you can. If you're a {client name] client, the chances are that you use the Xero online accounting and bookkeeping system. Using Xero, you can draw up and dispatch an invoice in less than a minute using your desktop PC, laptop, tablet or mobile.

What if you don't feel comfortable chasing up the invoices you've issued? You're not alone – there are millions of business owners in Britain who feel just like you.

{client name] offers a credit control service where we'll chase your invoices for payment up for you. That includes pre-due date chasing, dunning letters, and more. We're experts at this and always keep your customer on side. To find out more about our credit control service, click here (redacted link).

Offer as many ways to pay as possible

Cheques are great in many ways but they are a hassle. They take days to arrive in the post, you've got to take them to your bank, and then wait for it to clear. And, as we all know, cheques have the propensity to bounce on occasions.

For customers who are insistent on continuing to pay by cheque, just let them. It's not worth getting into an argument over, particularly if you like and trust them and you need their business.

You can encourage other customers to pay by direct bank transfer. Other options to consider include allowing clients to pay by credit or debit card and by direct debit. If you're a Xero user, you can set up your business up to receive these forms of payment on your account.

Direct debit is a convenient solution for companies you regularly bill. Agree a date with your client on which payment is taken and make sure that you account for every single product or service provided on your bill and on your direct debit money transfer request.

Resistance to paying by credit and debit card is much lower than it used to be a few years ago. The fees associated with using them are coming down all the time and, particularly in the case of credit cards, the handling fee you pay may be less than handling fees on cash or cheque deposits.

If you're in an industry where the payment lead time is abnormally long (60 days, 90 days, 120 days for example), you may wish to consider invoice factoring. With invoice factoring, you are paid up to 90% on the production of the invoice to your customer nearly straight away with the remainder coming when your customer has settled up with the factorer (minus their fee).

Two things to remember about invoice factoring are that you'll only be paid on completed work so, in most cases, factorers won't be able to work with milestone-based payment jobs (with the exception of construction) and that each of your customers will be assigned a credit limit which may be less than you like.

Forecast your cash in…

There are generally two types of incoming cash flow – smooth and lumpy.

Smooth cash flow is where you receive payments into your account every day or nearly every other day. Lumpy cash flow is where you can go for days or weeks without cash incoming.

Smooth cash flow businesses tend to be characterised by simpler products and services with lower average order values. Lumpy cash flow companies more often than not provide complex, multi-faceted products and services with very high order values

If your business is smooth, take your company's last 60 days' bank accounts, add up the amount of cash you've brought in and divide that by 60. You can then use that figure as a good estimate to understand what speed your business is going at and how much cash you'll bring in during the following month or quarter.

If it's lumpy, make a note of all the payments you expect to receive in for the next month and quarter. Look at the due dates, look at each customer's history and record on late payment, and try to forecast exactly how much you're getting in and when.

…and balance it against your cash out

There are certain bills you can always expect. You have to pay them at the same intervals. Using your knowledge of the cash you've got coming in, you can ascertain whether you're going to be able to meet them or whether you're going to have to cut back on other expenditure if sales don't pick up.

Watch out for these pressure points –

- 1st day of the month – business rates and commercial mortgage (if you own your premises)
- 7th of the month once a quarter – VAT day
- 22nd of the month – PAYE reconciliation

- 25th of the month once a quarter – rent day (if you're in leasehold premises)
- Last Friday of the month – staff and director pay (minus income tax and both NICs)

Cash flow is something you always need to keep your eye on. If you'd like to discuss how to get pay in faster, how to allocate surplus cash, or how to save in lean times, please call your {client name] team on {client phone number] or email {client email address]

Selling your company? Our guide to entrepreneurs' relief on capital gains tax (accountant advice article, 950 words)

Thinking about selling up? It's one of the toughest business decisions you'll ever make.

In this article, we're going to look at three different things in relation to the tax you pay when selling a company. The first is about the "type" of sale, the second is about how the tax paid on the sale depends on how it was sold, and the third is about how much tax will be due and when you have to hand it over to HMRC.

Asset and goodwill sale versus company share sale

A company share sale is when you sell the ownership of the issued shares of your business to a buyer. All of your company's assets and liabilities are included within the share sale. If your company has finance facilities (like an overdraft, a loan or assets on hire purchase), your buyer will be normally expected to settle all of these facilities on the day of completion.

An assets and goodwill sale is different. You still own the shares.

But an assets and goodwill buyer only wants a specific part of your business - normally valuable things like a hit product or service you offer, the infrastructure built to deliver that product or service, the customer database, related intellectual property, and more.

So, let's say your business did X, Y, and Z. The buyer only wants your Z trading and you agree to sell it.

Your buyer will make you agree to restrictive covenants which mean you, your company or any other business that you and your company might have shares in won't be able to compete against your buyer. You're essentially out of the Z marketplace, normally for between 3 to 10 years.

Your business would still be able to do X and Y after the sale had taken place.

For the purposes of this piece, let's say that you agree to sell your company or your assets and goodwill for £500,000. The £500,000 will be paid like this:

- £275,000 on the day of completion,
- £75,000 in month 3,
- £75,000 in month 6, and
- £75,000 in month 9

Most company sales and asset & goodwill sales have these types of split payment structures. The way solicitors refer to it is "initial consideration" for the first payment and "deferred consideration" for the others.

What you pay in tax

If you're selling the assets and goodwill of your business, think of the sale as being one massive purchase from your company. Sometimes, you'll need to charge VAT on your assets and goodwill sale but other times not – give us a call and we'll give you the best advice on whether that applies in your circumstances or not.

On the day of completion and on the three subsequent pay dates, your company would, if profits are there, be liable to pay corporation tax on each tranche of money. Let's say you received your £500,000 all in one financial year. At the current rate of 19%, your company would incur a £95,000 corporation tax liability if it had not made losses in other places to offset the amount.

With a share sale, it's different. As long as you own more than 5% of the shares in your company (including sole traders and partnerships), entrepreneurs' relief on capital gains tax applies. If that's you, you only pay tax of 10% on the sale.

It doesn't matter when you're paid the money, other income you've earned during a tax year, or even if it straddles tax years – you only pay 10% tax on the money you actually receive (and you can even deduct related expenses including solicitors' and accountants' bills to bring your tax down further). (1)

When you pay the tax

If yours is an asset and goodwill sale, you pay the corporation tax (if due) according to the financial years in which your company received the cash.

In our example, let's say you got the big first payment and the first small one in FY18 and the second and third small ones in FY19. And let's say that, in both years, the money your company received from the sale of the assets and goodwill was on top of an overall trading profit your company had made.

The corporation tax on the £350,000 will be due 9 months and 1 day after the end of FY18 and the corporation tax on the £150,000 will be due 9 months and 1 day after the end of FY19.

If it's a company share sale, the tax you pay on the money you actually receive from the sale is paid when your self-assessment bill is due. So, if you sold your business in July 2017, your personal tax year end is April 2018. You'd then be liable to pay your entrepreneurs' CGT on that money on January 31st, 2019.

If the money you're paid in instalments goes into the following tax year, then you pay the CGT at the next self-assessment deadline, in this case January 31st, 2020.

And finally, what if I'm promised the money but don't get it all?

You only pay either corporation tax or entrepreneurs' CGT on the money you actually receive. If the buyer goes bust or finds another reason not to pay you, you (or your company) don't pay tax on money you've not received.

Want to know more

{client name] can help with every accounting aspect related to selling your business. To find out more, call the team on {client telephone number] or email {client email address].

NOTES

There is a lifetime limit on entrepreneurs' CGT of £10m. Once you've passed that limit, you pay capital gains tax at the normal rate which, at time of writing, is 20% on business disposals.

Top 10 reasons we recommend Xero for your business (accountant advice article, 1,200 words)

Why do we recommend your business uses Xero for its online accounting and bookkeeping? Simply, it's the most powerful tool for accountants and their clients we've found.

As a business ourselves, we believe that well-run companies are always in the know about the money they've got coming in and going out. There are times you can use your company funds to expand and other times you need to hang on to cash to meet your bills – and it's knowledge and attention to detail that gives company owners these types of valuable insights.

You need to make it as easy as possible for your clients to pay you and you should always be on top of staff wages and everything connected with payroll.

Your business is a living, breathing entity and what keeps it alive and healthy is a proactive, informed management team checking its vital signs every day. {client name] work with hundreds of businesses and we see the difference this online system makes to how customers handle both their company's good and bad times

Here we list the ten most impressive features of Xero and why we believe it's the best choice for your company.

10. Expense claims

Xero allows you to record expenses and receipts immediately meaning you can reimburse yourself and your employees for business-related costs.

By doing it straight away, you're not having to try to remember what the receipt was for months later like you did in the old days as you gathered everything together to send your accountants.

And because it's a timely, accurate record of what the money was spent on, you may be able to claim the expenditure as a benefit in kind, saving money on both your personal and corporate taxes.

9. Bank reconciliation

Xero connects directly and securely to your bank account, downloading all the recorded transactions it finds.

You can customise the system so that invoices, bills, and purchases are correctly recorded and categorised in the system. Whether your business only sells a few things at a high price or sells lots of things at a low price, Xero will reconcile all the transactions it finds seamlessly and quickly.

8. VAT online

Traditionally one of the most complicated and labour-intensive taxes to calculate, knowing how much money you need to find to pay your VAT bill is so much easier using an online accounting system like Xero.

There are multiple VAT schemes in existence and Xero produces accurate returns for all of them. In addition, you can see the size of your VAT bill at any time during the quarter using the system.

7. Payroll

Working out payroll manually is very difficult. Employing the services of an outside payroll company is quick and accurate but it can cost a lot of money.

Xero's integrated payroll system makes everything a lot easier as you can do it from your office. And because it's part of the Xero service, you don't have to spend even more time typing in the numbers from the print-out produced by your outside payroll services provider into Xero – it's all done automatically.

It lets you know how much tax and NI you need to pay on the 22nd of the following month, it's fully Real Time Information-compatible and it handles HMRC submissions.

We're also really impressed with the way it handles sick pay, maternity pay, and multiple pay rates.

6. Workplace pensions

Another huge change employers have had to deal with in the last 5 years is the introduction of compulsory workplace pensions. It's added an extra 3% minimum to wage bills meaning that, in addition to National Insurance Employer's Contributions, the tax on employment many company pay is now at least 16.8%.

Xero automatically assesses your workforce when you reach your staging date, it handles employee opt-outs, and has a built-in capability to produce letters and emails informing your staff of their enrolment or postponement.

5. Invoicing and quoting

Xero allows you send accurate, superb-looking invoices using one of their template designs or a custom one you make yourself. As soon as you've completed the work, you can send the invoice off straight away, even from your mobile phone.

The system handles recurring invoices, bulk invoicing, and past invoice replication. When it comes to actually getting paid, you can automate your invoice payment reminders and get paid faster. For example, set a reminder up 3 days before due, on due date, 7 days after due, and 21 days after due. You know your customers best so you can set the reminder system up to suit your business.

Sending out quotes becomes a lot easier too. You can do it from your desktop, laptop, tablet, or mobile. Once the quote reaches your customer, there's even an "accept" button they can press so that you can get started working with them straight away.

4. Accept payments

More and more, payments are being made by credit, debit, or charge cards. Instead of having a separate and expensive merchant account, you can use your Xero service to accept card payments (including PayPal and Apple Pay). When payments come in, Xero reconciles them against the relevant invoice.

If a customer wants to pay you by card, let them. There's a lot less hassle and leg work taking a customer's card details than sending out a paper invoice, waiting for them to post a cheque back, and then taking the cheque to the bank and waiting days for it to clear.

3. Dashboard snapshots

Want a quick summary of how your business is going? The dashboard allows you to see what cash is due in and out each month based on the invoices and bills you've inputted to the system. You can see running balance updates and reconciliation information for each bank account and credit card account belonging to your business. The system lets you manage sales and expense budgets as a glance.

Better still, your dashboard is fully customisable meaning that every time you open the system, you see snapshots of the information most important to you.

2. Business performance dashboard

Going much deeper into your business than the dashboard snapshots, this feature charts, tracks, and graphs your company's performance on key performance indicators like gross profit, net profit on net sales, and debt to equity.

Whenever you need to know the numbers that underpin your business, the business performance dashboard presents them enabling you to plan for growth, protect yourself in tougher times, and keep the ship as steady as possible.

1. Saves time and money

Xero saves time and money. It eliminates the need for separate payroll service provider and merchant services provider accounts. It keeps all your information in one unified system for easy recall and instant interpretation.

As a Xero Gold Partner, we can offer you preferential deals that you can't get via Xero's website to start using the system.

And because it's something you keep updated every day, as your accountants, it's faster and cheaper for us to do what you need us to do to satisfy the requirements of HMRC and Companies House.

If you'd like to talk to us about taking up Xero or if you're using a different online system and would like to transfer to Xero, please call the team on {client telephone number] or email {client email address]

Raising commercial finance for your business (accountant advice article, 1,100 words)

Here at (client name), we've helped hundreds of businesses grow, sometimes organically and other times through unlocking commercial finance for them.

Growth is always difficult for any company. The main challenges are:

- your fixed costs go up meaning you've got to make more sales before turning a profit,
- it's difficult finding the right staff to lead growth,
- as your company gets larger, the culture changes and the bonds between you as a director and your staff become weaker, and
- while profits can be bigger, losses can escalate too.

Is it worth it? Some business owners say that the bigger their business grew, the less they enjoyed it. Other says it's the best thing that ever happened to them and finally they could see an exit in sight.

For you, time will tell whether it was the right move for you.

In this article, our team looks at attracting commercial finance for your business to grow and why it's always better to do it in partnership with your accountant.

Who is in the commercial finance market these days?

You might have heard of "fintech" companies. They're financial technology companies who use big data to make lending decisions. The consumer finance world is full of such companies – think Wonga, Satsuma Loans, CashLady, and more.

In the past few years, to plug the gap in funding caused by banks being too frightened to lend to all but the most bulletproof businesses, "fintech" is now big in commercial finance. Think Funding Circle, Fleximise, eZbob, and more.

Just as with consumer fintech, commercial finance is now dominated by algorithms. For companies, the algorithm will consider things like cash movements in and out, VAT bills, credit history, filings at Companies House, cash at hand and in the bank, and so on.

These algorithms produce three results based upon a calculation of how likely the fintech company system believes it is that you can pay the money back – "yes", "yes but maybe no", and "no."

You can still lend from high street banks. They claim they're lending more than ever before. In our experience though, the hurdles you have to jump over are much higher than with fintech companies and the collateral you have to secure the loan against puts many off the idea.

Who are commercial finance companies lending money to?

Every commercial finance provider has their own underwriting criteria unique to them. For each one, there'll be some types of company they like to lend to and others they don't.

A limited number of commercial finance firms work with companies as young as six months old. You'll need to produce bank accounts, VAT records, and more as part of the application process. They will generally lend you up to £200,000 but the actual amount is usually restricted to twice your company's monthly turnover.

If you're looking for much large sums like £500,000, nearly all lenders will want to see at least two years' trading history as a minimum.

Am I at risk with these forms of commercial finance?

Without exception, every commercial finance company making loans to businesses will want personal or director guarantees from you (and any other shareholders in your business).

What that means is that if your company can't pay the loan off, they'll come to you for the money. If there is more than one shareholder/director, everyone whose name is on the commercial finance agreement will be jointly and severely liable. So, if the other directors flee the country and can't be found if your company defaults on the loan, they'll come to you for their share of the repayments as well as your own.

Please be in no doubt that they will not pursue you for the money if you can't make the repayments.

What are commercial finance interest rates like at the moment?

It depends on who you go to but anywhere between 1% and 8% per month is normal. Converting that into numbers on a 12-month loan looks like –

• £100,000 at 1.5% per month would mean you pay back £110,016 (£9,168 a month)
• £100,000 at 8% per month would mean you pay back £152,000 (£12,666 a month).

The interest rate you'll be offered will depend on their view of your business based upon their method of risk profiling.

How would you help me access the best-priced and most-suitable commercial finance loan?

Nature abhors a vacuum and commercial finance underwriters abhor a lack of information. In these circumstances, you're more likely to get a "yes but maybe no" or "no" from the funder.

Accountants like us can help you save money on interest charges and increase your chances of getting a loan. How?

• Up-to-date management accounts show a business owner who knows what is going on in his or her company
• Management accounts help underwriters see how repayments of your loan and increased fixed costs fit into your financial and sales planning
• Presentation of bank account statements, HRMC statements and correspondence, and VAT return in an ordered and quick fashion give an underwriter confidence in you.

Please check out our Management Accounting for Growth page on our website.

Thought about invoice factoring?

Have you heard of invoice factoring? It's a form of finance based around the invoices you've issued.

This is how it works. You sell £1,000 + VAT worth of widgets to the Widget Retail Emporium Ltd. Widget Retail Emporium Ltd get your widgets and say they're happy with your widgets. You then raise the invoice and send it to your factorer. You factorer will then pay you (normally next day) £800 + VAT.

30 days pass and Widget Retail Emporium pay your factorer the full amount. The day after funds have cleared, your factorer than pays you the remaining £200 + VAT minus their fees (normally about as expensive as a credit card transaction).

That's invoice factoring. You can only factor invoices to other businesses and your factorer will give each customer a credit limit. You can also only factor invoices when the order is complete and the customer has indicated satisfaction. Specialist factoring services allow payment by milestone.

There is a simple invoice factoring service linked to your Xero account called duecourse.com. Contact us if you want to find out more.

Commercial finance and you

If you're looking for commercial finance, the first person you should call is your accountant here at (client name).

Let's meet up (your place or ours) and we'll go through everything we need to so we make sure that your growth plans stack up and you borrow no more than you need.

Call us on (telephone number) or email us at (email address).

Non-bank funding for very young businesses (accountant advice article, 1,200 words)

Business funding has changed since the credit crunch back in 2008. One of the surprising spin-offs of this has been the proliferation in non-bank funding for very young businesses.

Launched in the wake of the financial crisis, the government-owned British Business Bank created The Start-Up Loan Company a few years ago. Its remit, through its network of affiliates across the UK, was to lend up to £100,000 to new start companies or firms which had been trading for less than 2 years. We'll cover The Start-Up Loan Company in a later article here at Sunny Accountants.

Crowdfunding B2B finance platforms have also grown, led by Funding Circle. Most of these platforms like to see two or more years' full accounts before they'll consider your business for a loan. Again, we'll cover crowdfunding platforms in its own article in the not-too-distant future.

What we'd like to talk you through for this article are the current four largest non-bank finance companies who are currently lending money to businesses as young as six months old. If you decide you wish to borrow money from them, we also look at how Sunny Accountants can help you.

Who are the four main companies?

The four companies are Fleximize, Iwoca, EzBob, and Boost Capital.

Fleximize works with companies which have a minimum of 6 months' trading behind them, lending up to £200,000 (generally restricted to twice your company's monthly revenue). Repayment times vary between 1 month and 2 years.

Iwoca looks for a minimum of 12 months' transaction history from its customers. They'll advance your company up to £100,000 over a period of twelve months (or one month's turnover equivalent).

EzBob lends up to £120,000 but they'll require a minimum of £30,000 annual turnover and 12 months in business before they'll consider you.

Boost Capital have the strictest lending criteria. You'll have to have two years' accounts before they'll process any loan application you have. They'll lend up to £500,000 between four and eighteen months.

Where have these companies come from and how do they work?

These new business finance providers are part of the wave of "fintech" companies we've seen emerge over the last 10 years. Although there is a large element of human intervention in the decision-making process, whether a loan is granted or not depends heavily on an algorithm.

This algorithm looks at all sorts of variables including your cash movements in and out, your VAT bills, your management accounts, credit history (as recorded at places like Creditsafe), Companies' House filing history and more.

This set of variables produces a score. If it's too low, you won't usually get the loan (although you can appeal to an underwriter who will have a degree of flexibility). If it's a good score, it will then grant the loan and put on an interest rate commensurate with the risk it believes there is of your not being able to pay them back.

Are their rates competitive?

Rates vary from between 1.5% per month to 8% per month.

If yours is considered in the least risky category of companies and you borrowed £50,000 at 1.5% per month over 12 months, then you'd end up paying back £55,008 in total.

That's expensive credit card rates. It's roughly equivalent to taking out £50,000 on your card at 18.9% interest and paying it back over 12 months (about £4,584 a month).

If your business is rated in the riskiest category but they still decided to advance you £50,000 at 8% per month over a year anyway, your total repayment would be £76,000.

These are not competitive rates when compared to The Start-Up Loans Company which has a fixed interest rate of 6% per annum. Funding Circle's lowest rate is 4.9% stretching out to 21.9% for the riskiest loans.

Do you really need a loan?

Loans are generally taken out for two reasons – either to introduce working capital to grow the business or to plug holes when turnover has dipped.

Whenever a business owner is thinking about taking a loan out, it's time to speak to your accountant.

If you have a shortage of cash or your QuickBooks is forecasting that there may be problems with cash flow in a few weeks' or months' time, a loan is not necessarily always the answer. Talk to us about ways to reduce your fixed costs, strategies to work with suppliers on payments, and if it's a VAT bill in particular causing you a problem, let's see if we can arrange a "Time To Pay" deal with HMRC.

If you're looking to expand your business, please come and see us or let us visit you before you make the leap. When you expand, you see big increases in both your fixed and variable costs and, for a while, it will be a race to increase your turnover to meet your extra outgoings. Expanding a business is often riskier than setting it up in the first place so please do work with us.

If you do choose to go for a loan, how can we help?

Underwriters at the four firms mentioned in this article have a degree of autonomy when it comes to the decision to grant a loan, how much for, how long over, and at what rate. They speak and understand "finance" more than "business" so before and during your application, it will benefit you to have an accountant on hand.

They will want access to your bank accounts, VAT statements, management accounts and more. That sounds like a lot but it's actually less than your bank will need.

Before you hand over your details to the company, give your accountant the chance to prepare the latest, up-to-date picture of your business. An accountant will be able to present accurate, reliable numbers. Having professionally-prepared figures will make any finance company take your proposition more seriously and may very well reward you with a more favourable outcome in that the interest rate you're offered might be lower.

Director’s guarantees – what are they?

You will be expected to take a director’s guarantee out on a loan from one of these four companies. What that means is that, if the company can’t make the repayments, it becomes your personal responsibility. This doesn’t mean that the loan is secured on your property like a mortgage.

However, although it is not explicitly stated on any of the lenders’ websites, they may take a charging order against your property in the event of a permanent default.

In this scenario, the lender may try to force you to sell your property so that they recover the money that’s owed to them.

If in doubt, take any finance documents down to your solicitor before signing them to get their professional opinion on what rights the lender has over you and your property should you not be able to pay them back.

Speak to us about all funding options open to you

Taking a loan out on your business is a big consideration.

We have helped our clients at all stages of business development. We’ve been there to help clients expand and to help them manage when cash was tight.

As your business partner, we’ll look at your books and listen to everything you have to say with a view to considering it all to give you the best advice.

We’re available on (telephone number) or at (email address).

Selling your business – your responsibilities (accountant advice article, 750 words)

Selling your business is a big step. You've poured your heart and soul into growing your company, but when the right offer comes along or you feel you have given it all you can give, you know it's time to let go.

Sentimentalities aside, there are several responsibilities you need to make sure you're fulfilling during the business sale process. You need to legally provide for staff you employ and you must also finalise your business's tax affairs before you close the sale.

These specific responsibilities will change depending on which type of company you own. In this article, the (client name(team looks at the legal responsibilities you need to be aware of when you choose to sell your business.

I'm a self-employed sole trader. What are my responsibilities?

There are a few bases you need to cover before you can close the sale of your business. The most important one, from a legal point of view, is making any staff you employ aware of the impending change.

Staff should know when and why you've decided to sell the business, and are entitled to information regarding relocation packages, or even redundancy terms.

Tax-wise, you can use this form to tell HMRC you've sold your business. The National Insurance helpline is also open for you to cancel any Class 2 NICs, and you can transfer your VAT registration number to the new owner here.

If you made a Capital Gain when you sold your business, you'll need to pay tax on it if the profit is above the annual threshold. If your business is eligible, there's a possibility that you could reduce your Capital Gains Tax liabilities using Entrepreneurs' Relief, or other relief schemes.

I'm in a Business Partnership. What are my responsibilities?

In this case, your responsibilities depend on whether you're selling the entire partnership, or you're simply disposing of your share. Your business's partnership agreement may have conditions or restrictions relating to a sale so make sure you check it before going ahead with taking your company to market.

Just as with sole traders, as a business partner your staff must be informed about your reasons for selling the partnership, when it's due to occur, and whether they'll be relocated or made redundant.

In terms of tax and VAT obligations, make sure to observe the following points:

- You may need to transfer the VAT registration number to the new owner
- You need to fill out a personal Self-Assessment tax return by the deadline (if you're only selling your share in the partnership)
- If you're selling the whole partnership, the nominated partner must submit a Partnership Tax Return to HMRC by the deadline, and all individual partners must complete a personal Self-Assessment tax return.
- Capital Gains Tax will be payable on any gains you made during the sale of the partnership

Again, tax relief or exemptions may apply if you are eligible for Entrepreneurs' Relief, or other types of reduced tax liabilities.

I'm the owner of a Limited Company. What are my responsibilities?

If you're selling the entire shareholding, your responsibilities will be different compared to if the company is selling a part of its business.

If you're selling the entire shareholding:

- Before you resign, you need to appoint new directors or company secretaries. Companies House must be informed of these changes.
- You'll need to pay tax on any Capital Gains made from the sale. Relief may be available using the Entrepreneurs' Relief scheme or an alternative.
- You must inform your finance provider know within 21 days of the sale if the finance you secured for the company was set against your personal property. Most times, however, you will be required to inform any providers of finance or credit to your firm prior to sale and the new owner will normally be required to pay all debts off in full.
- VAT registration numbers should be transferred to the new owner.

If your company is selling only part of the business, you must inform affected employees of any relevant changes. This may include redundancy packages, or relocation details.

How can I be sure I'm fulfilling all my responsibilities?

If you're worried you're forgetting something crucial, get in touch with us.

We can give you guidance on your responsibilities as a director when you decide to sell your business, and we're more than happy to answer any questions you may have.

Give us a call on (telephone number) or email us at (email address).

Getting to grips with VAT (accountant advice article, 950 words)

Businesses turning over or expecting to turn over £85,000 a year or more need to register with HMRC for VAT. That might sound like a large figure on its own but it breaks down to a smallish £1,635 a week worth of sales.

We work with businesses of many sizes here at {client name} and every time a client has been growing their company fast enough to warrant registering them for VAT, the whole subject causes real concern and anxiety to the owners.

Get prepared – get a bookkeeper

For company owners who don't use a bookkeeper and an online accounting package, filing your VAT return to HMRC will be a very time-consuming and complex task. For those with online accounting and a bookkeeper, it's not – it's simple. Their main worry about VAT is how to pay for it as the size of a standard VAT bill is similar to three weeks' turnover.

VAT – working out your bill

So how does VAT work? There are two parts to the sum used to calculate your VAT bill – input VAT and output VAT. Input VAT is what your business pays on the goods and services it buys. Output VAT is the VAT your business charges customers when you sell them something.

To work out what your VAT bill, you need to add up all your output VAT, add up all your input VAT and the difference between the two is what you pay HMRC (or in some cases, what HMRC will pay you).

For most goods and services, you charge the standard 20% rate of VAT to your customers. There are two other rates of 5% and 0%. 5% applies to small range of products and services including utility bills, mobility equipment for people aged 60 or over, and children's car seats. The 0% rate applies to a much broader spectrum of items including most food, children's clothes and shoes, motorcycle helmets, books, and newspapers.

The different ways to pay

There are a number of different VAT schemes in place. Most businesses are on the standard VAT system. Under that, you submit your VAT returns and pay your bill to HMRC once a quarter. It's one of your biggest outgoings so be sure to work with your bookkeeper so that you know how much it's going to be and, if cash flow is a regular issue, when you should start saving up to pay it.

So, what counts as a sale for VAT purposes? When the sale is made or when it's paid for? If you generally invoice over a longer period than 30 days or work in a sector where it's difficult to get customers to pay by the due date, you should count sales for VAT purposes according to when you receive the money. This is called "cash accounting" – you don't have to tell HMRC that you're doing it but you're only allowed to do it when your turnover is £1,350,000 or less.

What difference can it make? Let's say you turn over £20,000 a month. Over a quarter, your output VAT will accumulate to £12,000. If you get all the money in straight away, great. But if it takes 60 days for your

customers to settle their bills, you'd have to pay the VAT on 2 months' worth of invoices you hadn't got the money in for. That could cause a lot of cash flow issues. If that sounds like how your business gets paid, speak to your bookkeeper now.

For seasonal businesses, you can take advantage of VAT annual accounting. You only produce one VAT return a year and then choose to make either four quarterly or twelve monthly payments a year. The amount you pay is either based on what you paid in VAT the previous year or, if you're a new business owner, an estimate of the level of business in your first year. How this helps is that it flattens out the payments over the course of a year and you know how much you have to save up for every month or quarter. As with cash accounting, this is only available to companies with £1,350,000 worth of sales a year or less.

Finally, there is a flat rate VAT scheme. It's not going to cost you any less but it makes the paperwork a bit easier. Flat rate VAT ignores both input and output VAT – instead, it's calculated as a percentage of your turnover including VAT and depending on your line of business. If you're working under the flat rate VAT system, you still charge the applicable rate of VAT. For example, if you send out an invoice for £500 + 20% VAT, you collect £600. Let's say you're an estate agent – flat rate VAT for estate agents is 12%. You keep aside 12% of the £600, equalling £72. At the end of the quarter, you add all of the 12%s up and the total is how much you'll pay in VAT.

Beware

You are expected to pay your VAT on time. If you don't submit your return or pay your bill on time, your business will then be put under a "surcharge" period for a year. There's no penalty for going into a surcharge period but there are if you continue to miss getting your return or bill in on time. For the worst offenders, the surcharge can be up to 15% of your VAT bill as a punishment.

Get VAT ready

{client name} successfully submits accurate VAT returns on time for hundreds of customers every month. If you're concerned about VAT and want to talk with one of our team about it, please call us on {client telephone} or email {client email}.

Planning a management buyout if you're looking to sell up (accountant advice article, 1,200 words)

One often-overlooked possibility that many business owners miss when they decide that now is the right time to put their company on the market is the option of a management buyout.

The traditional route to market for owners selling up is to use a business broker who then uses his or her "considerable" database of contacts and marketing reach to find sellers chomping at the bit to buy your company. At least, that's what most of them say in their sales pitch before they walk away with £5,000 of your money for putting together a recycled information memorandum and spending £300 on a year's advertising on businessesforsale.com. Forgive our cynicism but we've heard too many horror stories about this non-regulated sector of the economy.

Even if an owner does find a good broker, they often get very nervous about their staff finding out that they're ready to walk away. They're even more nervous about letting competitors know, even with a non-disclosure agreement in place, that they're up for sale because how many of them will feign interest to nutmeg the business broker so that they can look in relatively deep details into their financials and other market-sensitive information?

What is a management buyout?

Your existing management team buy some or all of your business from you. The people who are running your company now will be running it after you've gone. They'll control it, they'll own it, and they're perfectly placed to profit from the company's existing strengths and to put right the company's weaknesses – in theory, at least.

Why would I sell to my management team? Couldn't I fetch a better price on the open market?

Although there will be tension between you and your management team as the deal goes forward, it will be a lot smoother than the process most companies on the market go through selling up to someone they didn't know of either at all or that well before the company went to market.

When most businesses are sold, there is normally an "initial consideration" – that's the money that's paid to you on the day of completion – and "deferred consideration" – that's the remaining money that's paid to you in agreed chunks and on agreed dates after transfer of ownership has taken place.

As most deals are done that way, selling to your existing management team can assuage any fears experienced by staff, customers, and suppliers by the change of ownership. The current management team are familiar with nearly aspect of the company so, although they will make changes over the time, it will feel and seem like "business as usual". This veneer of normality keeps the whole ship steadier and it should mean that you're more likely to be paid your deferred consideration in full and on time.

Deals can be done a lot quicker too. Most business owners who have sold their company have had to go through "due diligence". This is, not to put too fine a point on it, a horrific experience lasting months where the current owners often lose the will to live.

Absolutely everything about your business is questioned during due diligence with the underlying implication that you're lying about everything. Every gap in the information means the deal may get worse for you – their solicitors will keep chipping away at the originally agreed sale price. It costs a fortune and, for many owners, there comes a point where they are forced to sell because the size of the solicitor and accountant bills have gone up into the tens of thousands and they need the money from the proceeds of the sale to meet these eye-watering costs.

Of course, it's not always like that. However, whether it is or it isn't, it takes a long time if the person or company buying from you is a stranger. If it's your current management team, their solicitors won't ask for as much information because your current management team will already know most of it.

Where does the money come from?

Each member of the management buyout team will be expected to introduce their own funds to the takeover because this offers funders comfort in the confidence of the management team in the current viability and future potential of the business. Most funders will want each management team member to add one year's salary to the funding pot.

The rest of the money may come from private equity, bank financing, and refinancing of a company's debt, stock, equipment, machinery, and property.

Originating in America but increasingly seen over here, vendor loan notes (where you "lend" the management team the money using deferred consideration) are also a popular funding option. However, if the management team can't make the transition from being managers to being entrepreneurs and they crash your company (that's not unheard of), then the "vendor loan notes" you offered will never be paid back.

What do the funders want to see?

They'll want a consistent record of profitability in your business even during times of growth and significant capital investment. They'll want to see excellent cash flow management skills so that loan repayments can be met and a focus on year-on-year net and gross margin improvements so that future growth can be paid for.

They will scrutinise the skillsets and current responsibilities of each of the management team. They will certainly want a realistic price (i.e. as low as possible). What may be uncertain is your role – some funders will want continued involvement from you on a consultative level (perhaps even as a paid consultant-cum-non-executive director) and others may want you out as soon as possible.

Funder due diligence

Assuming that the funders are happy with the financial performance of the business to date and the ability of the company under new ownership to service the debt taken out to assume ownership, they'll be worried if your influence over the company prior to the sale was so great that they can't see the current management running the business without you. They'll also want reassurance and comfort over the commitments your current management team give on how long they'll stay post-takeover.

They will almost certainly carry out a lot of research into your market sector to see if it's at risk from emerging competitors or new technology (i.e. Amazon). They'll also have cause for concern if only a handful of customers make up a high proportion of your turnover so that the disappearance of those customers would turn a profitable company into a loss-making one.

How does it work?

You and your management team first need to come to an agreement on how much you will sell the business to them for and the structure of the payments before and after completion day.

Your management team will need to commit to a certain amount each that they can invest as well as preparing detailed financial analysis of the company as it is today and as it will be post-transfer, particularly on the serviceability of the financial package used to fund the deal.

Getting a business and its management team ready for the process

MBOs take between 3-9 months and they can involve one funder or a board of funders. The level of complexity behind the financing of the takeover of your business will have a direct correlation on how long it will take.

If this is something you'd like to consider, talk to (client name) about it. Please call us on (telephone) or email (email address).

Funding Circle (accountant advice article, 1,200 words)

There are now more options than ever before for companies to borrow money.

Traditionally, new start businesses and firms less than 2 years old have struggled to get their hands on finance. Now, there's the government-sponsored Start Up Loan Company (TSULC) which offers you up to £100,000 plus four independent finance firms offering businesses over six months old up to £200,000. We'll be covering both and the new "fintech" companies in separate blog posts in the coming weeks.

Another brand-new type of entrant to the market is the crowdfunding platform. In this article, we'll be looking at business loans (not asset or property finance loans) offered by the biggest UK company in this field, Funding Circle.

Funding Circle – what it is and what it isn't

Funding Circle matches borrowers with lenders. Companies advertise the fact that they wish to receive finance on there and investors then make a decision whether to invest in them or not.

The only form of investment on Funding Circle is debt finance – a business loan.

Other crowdfunding platforms also offer business loans but they also offer equity investments (where you take a small shareholding in the company based upon your level of investment).

Funding Circle is not a particularly speculative platform backing high-risk companies – its sole purpose is to provide the safest haven possible for investors' cash. It does not back start-up companies – you have to be able to produce at least two years' full accounts before they will consider your proposal.

Your proposal has to be fully funded before you will get the money. No overfunding is allowed.

Funding Circle – how does it work?

In its earliest incarnation, companies went onto the platform and had to wait sometimes a couple of weeks for their loan to be fully subscribed.

Since then, the platform has achieved a dominant position in B2B commercial finance. It now counts among its investors the government-owned British Business Bank, institutional investors, and even some local authorities.

Once your loan request has been approved by Funding Circle's underwriters, it then goes live onto the platform. Most deals are now fully subscribed in minutes.

In business, nothing is ever guaranteed but if your loan does go live on Funding Circle, it's almost certain to attract enough investors to back the loan.

Funding Circle – how do I apply?

You can either apply direct or via a broker.

Either way, you'll need to provide your last annual accounts (that's the full and complete version we give you, not the shortened version we send to Companies House) and your latest management accounts. You may be asked for, as part of the decision-making process, recent bank statements, VAT returns, and for explanations on usual movements of money within your business bank account or balance sheet.

You'll be then asked to provide a direct debit mandate, I.D. and proof of address documents for all guarantors, and, if it's a limited company, a personal guarantee. These will be sent by email – you should print them off, fill in the blanks, sign it, scan it, and send it back.

Once you have passed underwriting and you have given your agreement, the loan goes live on the platform. Once fully funded, you receive the funds within 24 hours.

Funding Circle – what do they charge?

The interest rate you pay will vary according to how long you're borrowing the money for and the credit risk level Funding Circle assign you. At the moment, there are 6 risk levels and these are their current interest rates on funding facilities based on length and risk -

Term	A+	A	B	C	D	E
6 months	4.90%	7.00%	8.50%	11.00%	14.90%	17.90%
12 months	5.50%	7.50%	9.00%	11.50%	15.50%	18.90%
24 months	6.50%	8.00%	9.50%	12.50%	15.90%	19.90%
36 months	6.50%	8.50%	10.00%	12.50%	16.90%	20.90%
48 months	7.00%	9.00%	10.50%	12.90%	17.50%	21.50%
60 months	7.50%	9.00%	10.50%	13.50%	17.90%	21.90%

Out of the amount you're borrowing, Funding Circle (and the broker) will take a fee which will reduce the money you actually receive. That fee is between 1.5% and 6% of the value of your loan.

There are no early repayment fees so you can pay off your loan to the value of the outstanding capital and the interest up to the day you make the repayment.

Funding Circle – how do I make repayments?

Payments are collected in equal monthly instalments over the time period of the loan. They are collected from your nominated account – normally your main trading account.

Funding Circle – what if I miss a repayment or I default on the loan?

If you're more than 7 days late in making a repayment, Funding Circle may apply an administration fee of 15%.

If your loan is placed into default, they may also charge another administration fee of up to 15% of the remaining arrears. On top of that, they may also levy a collections charge of up to 20% of the total loan amount outstanding.

Total Loan Amount outstanding at default date	Maximum charge
£1.00 - £25,000.00	£2,500.00
£25,000.01 - £50,000.00	£5,000.00
£50,000.01 - £100,000.00	£7,500.00
£100,000.01 - £250,000.00	£10,000.00
£250,001.00 - £500,000.00	£12,500.00
£500,000.01 +	£15,000.00

You may incur other costs, including…

Third party services	Cost
Desk-top tracing	£125
Pre-litigation asset tracing	£500
Service of statutory demand	£195
Winding up petition	£2,828
Bankruptcy petition	£1,892
Taking additional security	Variable
Court action for money judgment	Variable
Enforcement of judgements	Variable
Application for charging order	Variable
Application for order for sale	Variable
Appointment of administrators	Variable

Funding Circle – what if my business fails and there is still money outstanding on the loan?

When you signed your loan documents, you signed a director's guarantee. What this means is that you become personally liable for the loan if your company can't make the repayments.

Funding Circle may apply for a charging order against your property if there is a permanent default on the loan. That means they may also force you to sell your property so that they can recover any money that's owed to them (whether they actually can or not depends on the decision of a court).

Before you sign any director's guarantee, whether for Funding Circle or not, please take the relevant documents to your solicitor for their professional opinion on the rights the company will have over you and your property should you not be able to pay them back.

Funding Circle – how can Smart Team help?

Funding Circle are a reputable and well thought-of lender. We have listed everything in this article, including those things that would be detrimental to you if you failed to keep up repayments, so you have all the facts. Funding Circle's policy of debt recovery and their steps they take to protect themselves against bad debt are no more onerous than any other lender, including a high street bank.

If you want to talk about using Funding Circle to help grow your business or to fund you when trading is a bit slower, speak to us first. We may be able to find a way with you to achieve what you want without access Funding Circle loans.

If you really want to go for a loan, getting the help of your Smart Team accountant will help your application and your credibility as we present them with the correct, accurate snapshot of the business they need together with any later supporting documentation and information they ask for.

Ask us for help on (telephone number) or email us by clicking here.