Planning for results

Did you know that if your plans are written down, you're 95% more likely to achieve them?

If you don't know where you're going, how will you know when you get there? As the saying goes, the devil is in the detail. If you put your energy into the detail, you're much more likely to get results. Your accounting information is one of the most powerful tools that you have to help you in running your business effectively and profitably. This can show you where you're making money and where you're not. It can highlight areas for business growth and where you need to tighten your belt. Your management accounts provide the road map for moving your business forward. They are a way for you to take control of your finances and make sure that you have the information you need to create a flourishing and profitable business.

Contact info@parispartnership.com or phone 020 8951 5522 to book a Business Review and find out how we can help you to make a fresh start and plan for a bright new future.

Should VAT be flat?

A simplified "flat rate VAT scheme" is available for businesses with turnover of up to £150,000. You pay a lower rate of output tax on your sales, but you don't claim input tax on your expenses. The rate depends on the type of business you are – some rates seem to be generous, and some are less so. It is at least worth considering the figures if you qualify, to see if it might save you money or time, or even both.

There are bigger savings – or pitfalls – if you have two different activities which on their own would have different flat rates. The rules say you should use one rate for the whole business, and it's the one appropriate for the larger part of your turnover. That can be a very good thing or a very bad thing, and it's important to think about it.

COULD YOU SAVE UNDER THE FLAT RATE SCHEME?

Looking for Inspiration?

If you're not already receiving our newsletter, sign up now and you'll get updates on business and accounting news, inspiration, advice and a fresh perspective on how to realise the full potential of your business.

Simply email your name, company name and email address to newsletter@parispartnership.com or visit www.parispartnership.com for more free resources from The Paris Partnership.

Know anyone else who could benefit from a fresh perspective on their business?
We're always looking for new business so feel free to recommend us to your friends and colleagues if you like the way we work.

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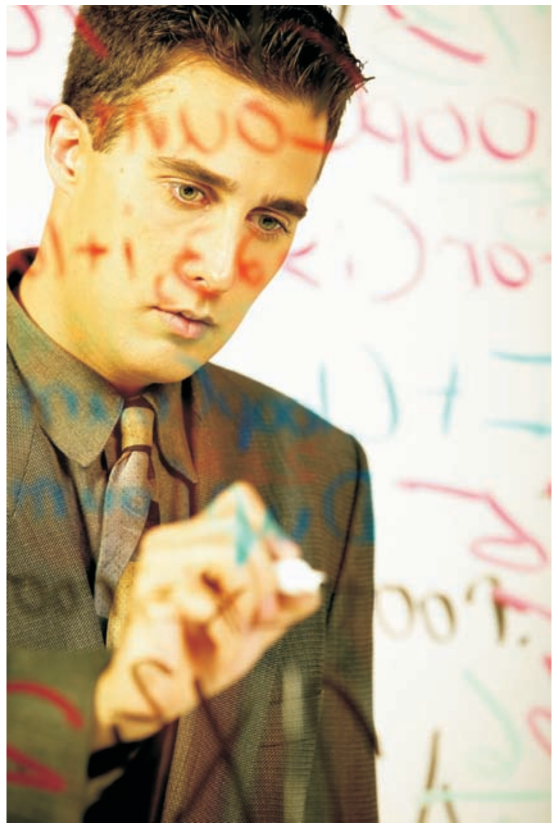

Bookkeeping getting you down?

Are you finding that keeping the books is a pain and prevents you doing the business that you really enjoy?

Do you burn the midnight oil rummaging through unpaid invoices in an attempt to get the VAT return settled? Can you even *find* the VAT return??

Then suffer no further. Have an early night and let Accounting For You take the strain out of the bookkeeping issues.

The service is going from strength to strength and is keen to help you.

Call Mandy at our office for more details on 020 8951 5522.

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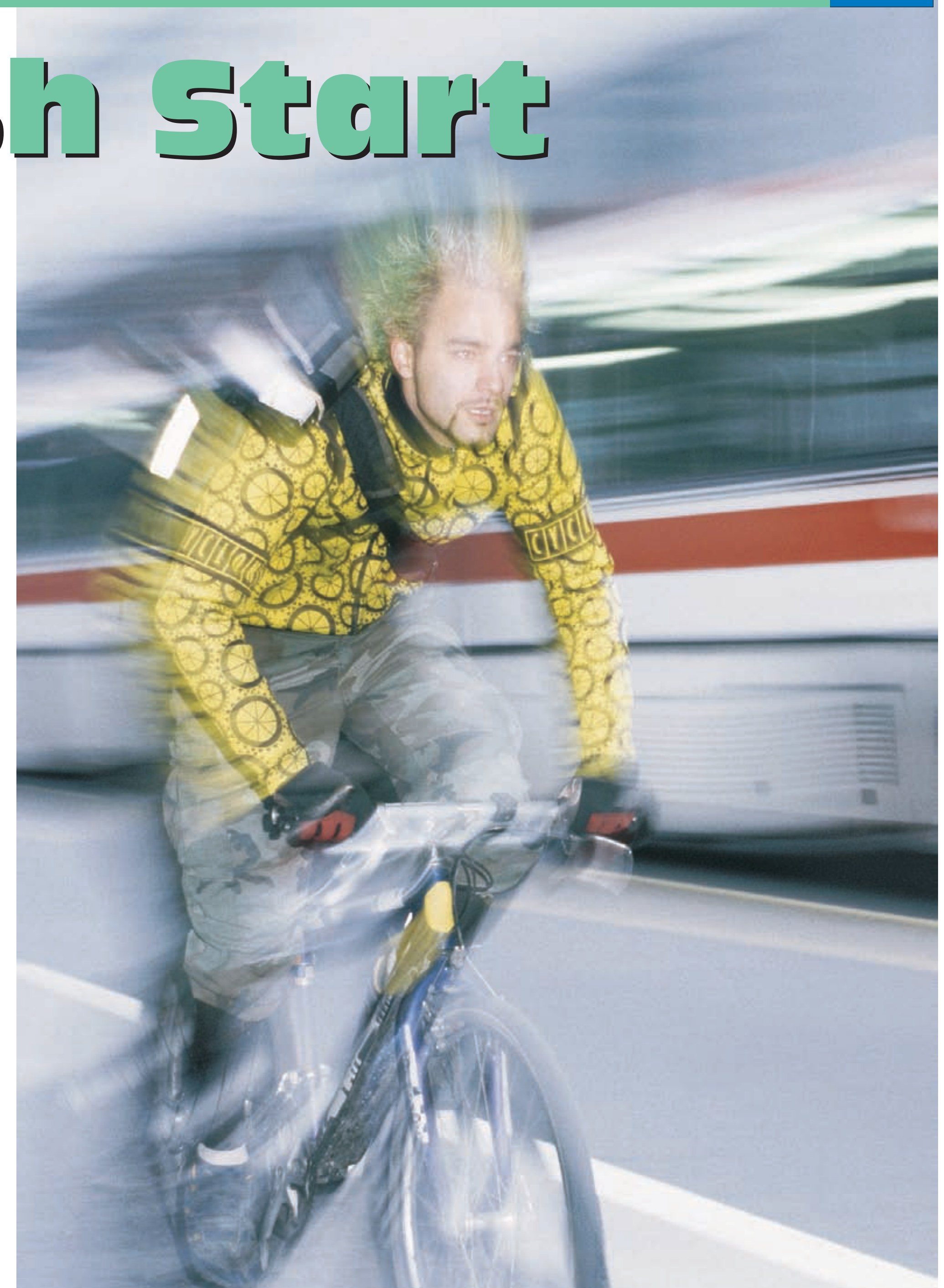
Seasonalnews
SPRING 2007

A Fresh Start



Spring is in the air and it's the start of a new planning season. At Paris Partnership, we're taking advantage of the post-tax season lull to review our business systems, revisit our business models and make sure that we're working as efficiently as possible.

This year we want to encourage YOU to send us your information earlier so that we can turn it around more efficiently and avoid the January Rush next year. We'll be sending you a Tax Return Questionnaire in April so please deal with it immediately and get it out of the way.

It's also a good time to review your business and make plans for moving forward. Is your business model working? Are you using your accounting information as a management tool? Are your systems and infrastructure cost effective? Could you save money and make your business more profitable?

Let us know if we can help. We would be delighted to do a review with you.

Regards,

The Paris Partnership

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What's new at The Paris Partnership?

- We've got some great new people on board and more training in place for our existing team;
- We've helped one of our clients go to the AIM market;
- We've put new, more cost-effective systems in place for a supermarket client;
- We've helped another client through a tax investigation (without losing all their hair!);
- We've helped clients with everything from new business launches through managing their business growth to developing exit strategies;
- We've finished off all your tax forms (even the late ones!) and closed our systems for last year;
- We've got all our plans in place for the new season;
- We've revisited our business models and improved our systems so that we can turn your accounts around more efficiently and give you even better service than you've already come to expect from The Paris Partnership.

For more accounting, tax planning and business development articles, email newsletter@parispartnership.com

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Family Tax Planning

Everyone has tax allowances – the "personal allowance" of tax-free income (£5,035 in 2006/07), and lower rates apply to the first £33,300 above that. For an employee paying top rate (40%), the allowance and lower rates are worth over £8,250 in tax saved. On dividends and interest, which are taxed at different rates, you can save over £9,650.

The problem is that not everyone can use their allowances in full. In a family where one partner goes out to work and the other raises the children, the carer (and the children) don't have much income. If the "breadwinner" is a higher rate taxpayer, this is a waste.

Take two couples. In one, each partner has a taxable income, all salary, of about £40,000. They will pay about £10,930 in tax and NIC each, £21,860 in total. That's just over 27% of their combined income of £80,000. In the other couple, one partner has a salary of £80,000, and the other has none. The earner will pay about £27,300 in tax and NIC – nearly 25% more than the couple who can split their income. If the income isn't subject to NIC, the difference is much greater – there's more NIC to pay on two separate salaries than on one big one.

It is not always easy to transfer income between husband and wife in order to take advantage of allowances, but the following methods are possible:

- an outright gift of savings and investments which produce taxable income;
- putting savings and investments into joint names and sharing the income;
- employing the spouse in a business;
- taking the spouse into partnership in a business.

The biggest saving (£9,650) requires a very rich spouse to move £38,335 of investment income to a spouse who has no income, but you can save a worthwhile amount on smaller transfers. A higher rate taxpayer whose spouse has income below the personal allowance will save £400 a year on a transfer of just £1,000 of taxable income.

Capital gains are much easier to transfer for tax purposes, so if you are likely to realise a gain above your annual exemption, you could transfer the asset to your spouse first and save a fair amount of tax.

CAN INCOME OR GAINS BE TRANSFERRED TO REDUCE THE TAX?

Capital gains

Up to 1998, it was common to "bed and breakfast" shares just before the end of the tax year, in order to take advantage of the annual tax-free allowance for CGT. This particular plan – selling a shareholding and buying back exactly the same thing the next day – no longer works, but it is still possible to achieve the same result (at the cost of more stockbroker's commission) by switching to a different investment. On a substantial portfolio and over a period of years, this can save a great deal of tax.

The "taper relief" which was introduced to replace the old inflation allowance goes up for those assets which have been held since before 1998. If you are thinking of realising some investments, it may be best to wait until then – and you'll pay any tax a whole year later, as well.

Taper relief is much more generous for "business assets" than it is for "investments". You can wipe out 75% of the gain after only two years and pay CGT at an effective rate of only 10%. The trouble is that the rules are complicated and you may not qualify for that magic 10% – the most important thing is to understand what your assets count as, and how much relief you are likely to get. It's better to take advice on this early, rather than to be disappointed by a lower level of relief than you expect after you have sold something.

HAVE YOU USED YOUR 2006/07 ALLOWANCE?
DO YOU HAVE PROPERTY WHICH MIGHT QUALIFY FOR BUSINESS TAPER?

Dates for your Diary

19.04.07	Outstanding 2006/2007 PAYE/NIC due
19.05.07	Forms P35, P14, CIS36, etc. to Inland Revenue
31.05.07	Forms P60 to employees
06.07.07	Forms P11D to Inland Revenue Copies to employees
19.07.07	Class 1A NIC due on benefits
31.07.07	Payment 2nd installment of 2006/2007 Self-Assessment due. Further 5% penalty on any tax outstanding for 2005/2006

Children's savings

If a parent gives something to a child under the age of 18, the parent remains taxable on income if it is more than £100 a year. So you cannot enjoy the benefit of the child's personal allowances by putting investments or deposits in their names.

There is no similar rule for gifts from grand-parents. Of course, the Revenue might be upset if a parent gave money to a grandparent to give to a child, but a genuine and straight-forward gift from a grandparent, which does not originally come from the parent, can be put into a bank account for a child and no tax needs to be paid on the interest (as long as it is less than the child's allowances).

Inheritance Tax

Inheritance tax is often thought of as a tax for the rich, but it is really a tax for the unprepared – the rich have usually made their arrangements and pay very little. Although IHT is not so closely related to the tax year, an annual review of tax matters can usefully include checking the exposure to IHT and whether anything can be done to mitigate it. In particular, it is useful to have a clear and up-to-date Will, which has been drafted with tax in mind. This is particularly important if you have total assets, including a house and any insurance policies which would be paid to your estate on death, in excess of £285,000 – the current starting point for IHT.

There are a number of standard, unobjection-able measures which people can take to save very significant amounts of IHT.

These include:

- reviewing the payees of the proceeds of insurance and pension policies – if the insured person's executors are entitled to the money on a death, there will be unnecessary IHT;
- giving surplus assets away as early as possible – they will fall out of IHT altogether if you survive 7 years after the gift;
- making regular gifts during lifetime rather than saving up for a big legacy on death – the regular gifts are generally not chargeable at all, while the big legacy is likely to cost 40% in tax.

Married couples can also take advantage of both their nil rate bands to exempt £570,000 of assets, as long as they plan in advance.

HAVE YOU CONSIDERED HOW MUCH IHT YOU MIGHT PAY?