

## Bad News for Small Businesses

The Chancellor George Osborne presented the Summer Budget to the House of Commons on 8th July 2015 and there was a lot of good news the UK was the fastest growing G7 economy in 2014, employment has reached record levels, and wages are rising above inflation.

The bad news for small businesses was...

### Dividend Tax Changes

Most small business owners currently take most of their income in dividends as its more tax efficient than salary. From April 2016 the way that dividends are taxed will change and more tax will be payable, the first £5,000 will be tax free, then basic rate tax payers will pay 7.5%, higher rate tax payers will pay 32.5% and additional rate tax payer will pay 38.1%.

While these rates remain below the main rates of income tax, those who receive significant dividend income – for example due to very large shareholdings (typically more than £140,000) or as a result of receiving significant dividends through a closed company – **will pay more.**

These changes will also start to reduce the incentive to incorporate and remunerate through dividends rather than through wages to reduce tax liabilities. This will reduce the cost to the Exchequer of future tax motivated incorporation (TMI) by £500 million a year from 2019-20.

### The Living Wage

From April 2016, a new National Living Wage of £7.20 an hour for the over 25s will be introduced. This will rise to over £9 an hour by 2020. That compares to the current £6.50 an hour minimum wage for over 21s.

Some 60,000 people are predicted to lose their jobs as a result of the changes.

The prediction from the Office of Budget Responsibility comes as many business groups are already warning that the changes will badly affect them.

### Employment Allowance

The recently introduced Employment Allowance that enables employers to reduce their annual NIC bill by £2,000 is to increase

to £3,000 from April of next year. However, for companies where the director is the sole employee, they will not be able to claim the allowance as from April 2016.

And now for some good news...

### Corporation Tax

The main rate of Corporation Tax has already been cut from 28% in 2010 to 20%, in order to boost UK competitiveness. It will now fall further, from 20% to 19% in 2017, and then to 18% in 2020, benefiting over a million businesses.

### Annual Investment Allowance

The annual investment allowance, which has previously been increased temporarily to £500,000 and was to be reduced to £25,000, will be set permanently at £200,000 from January 2016.

# How can you maximise Sales revenue?

Once you are selling, how can you maximise your sales revenue.....

1. Understand your clients' needs and wants, sell products that they want, or make them want what you have to sell
2. Keep your promises and earn your clients trust
3. Look for opportunities to sell additional services and products
4. Offer good value and service
5. Get testimonials, recommendations and referrals
6. Use your contacts and social media and tell them your success stories
7. Credit Check your clients, a client isn't a client if they don't pay and you aren't running a charity
8. Bad Debt Insurance could help reduce your risk but it's not appropriate for all businesses
9. Set up a customer rewards program and offer incentives
10. Follow up leads within 24 hours



## NOT SURE WHAT TO DO

Contact us – Practical Business Solutions

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## What counts as a Pool Car?

Pool cars must meet the following conditions:

- used by more than one employee
- not ordinarily used by one employee to the exclusion of others
- not normally kept at or near employees' homes
- used only for business journeys – private use is only permitted if it is merely incidental to a business journey (for example, commuting home with the car to allow an early

start to a business journey the next morning)

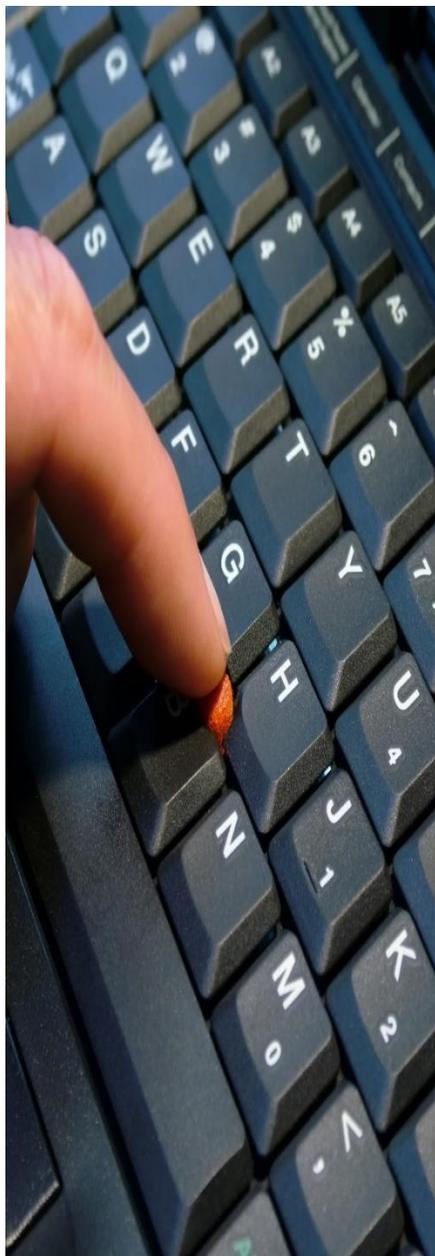
Provided all these conditions are met, you have:

- no reporting requirements
- no tax or NICs to pay

**To back this up it would be worth having:**

1. **A written 'no private use policy'**
2. **Business Only insurance**
3. **A mileage log to show that there's no private mileage**

# Companies House Reports are Free!



We all like getting something for free, well now you can get free access to 170 million company records.

In line with the government's commitment to free data, Companies House announced on 22nd June 2015 that all public digital data held on the UK register of companies is now accessible free of charge, on its new public beta search service.

This provides access to over 170 million digital records on companies and directors including financial accounts, company filings and details on directors and secretaries throughout the life of the company.

As a result, it will be easier for businesses and members of the public to research and scrutinize the activities and ownership of companies and connected individuals. Last year (2013/14), customers searching the Companies House website spent £8.7 million accessing company information on the register.

With free access to these records having a good credit score is essential, your credit score will be checked by Customers, Suppliers and Banks/Lenders, so how can you improve your score?

1. Pay your bills on time – many credit rating agencies (Dun & Bradstreet, Creditsafe, Risk disk to name a few) now collect payment data from your suppliers every month and update your score, often showing days beyond terms (DBT), if you have a dispute with a supplier try to resolve it quickly as it could affect your credit score.

2. Don't make multiple applications for credit – credit searches by lenders leave

footprints on your credit file and could make it look like you have cash flow problems.

3. File your accounts on time – late filing can really hurt your credit score, sometimes it can reduce your score by 50%.

4. Avoid CCJ's – Getting a judgement against your business even for a small value is extremely damaging to your score.

5. Retain Profit – this increases net worth and shows you are investing in your business.

6. Record Borrowing Terms – in your published accounts and notes make sure you explain the terms and split the loan between short and long term, if all your loans are shown as short term this will damage your score because it will impact on working capital.

7. Review Share Capital – if you have directors loans that you have made to the business and you aren't expecting repayment in the near future convert them to Share Capital, this will increase net worth.

8. Keep Credit Card Balances below 30% – Its bad for your credit score to max out your business credit card and it's also bad to have too many business credit cards, it makes your business appear desperate for cash.

9. Avoid Negative Net Worth – it can wipe out your score.

10. Fix any mistakes – if a credit score is wrong and contains errors speak to the credit agency and get it fixed.

# Could your staff work from home?

More and more office based workers are now working from home and the employers are focusing on Output rather than hours. For generations work has meant 8 hours per day at your desk but that's changing.

Switching from office based to home based is best done in stages, starting with a couple of days home based and building up.

Increasing the numbers of UK employees working from home can cut costs by £3 billion a year for UK employers and employees and save over 3 million tonnes of carbon a year, according to a report released in May 2014 by the Carbon Trust.

Advances in technologies such as broadband internet, smart phones and cloud computing mean that many jobs can now be done effectively outside of traditional workplaces. This has resulted in a significant increase in the number of UK employees who work from home, with the total now standing at over 4 million out of a workforce of 30 million.

Investigating the potential environmental benefits of a further shift to homeworking, the new research concluded that, if adopted and encouraged by employers across the country, homeworking could result in annual savings of over 3 million tonnes of carbon and cut costs by £3 billion.



**Over 40 per cent of UK jobs are compatible with working from home,** but recent research by the Carbon Trust has found that only 35 per cent of companies have a policy allowing their employees to work from home. And where homeworking is offered by companies, between one-third and one-half choose not to accept it.

Homeworking reduces employee commuting, resulting in carbon, money and time savings. If office space is properly rationalised to reflect this, homeworking can also significantly reduce office energy consumption and rental costs.

It is estimated that UK employees save an average of £450 per year if they work from home for 2 days a week.

A UK employer could save around £280 per homeworker per year (according to Indicator).

Ian Foddering, Chief Technology Officer & Technical Director at Cisco UK & Ireland, said:

"By 2018, there will be over 10 billion mobile-connected devices globally, as such, telecommuting will not only become commonplace but is already in the progress of fast becoming the most natural way for people to work and collaborate globally. Cisco has aggressive targets to reduce greenhouse gas emissions from our operations and suppliers worldwide, and telecommuting is helping us to achieve these goals.

"The average Cisco employee telecommutes 2 days a week, and those using our Cisco Virtual Office technology typically work from home 3 days each week. In total, this amounts to avoiding 35 million miles of commuting per year. Not only is this great for the environment, reducing Cisco's CO<sub>2</sub> emissions by 17,000 tonnes annually, but it's also great for business, with an estimated \$333 million per year made in productivity savings.

"Although some organisations may experience cultural barriers in adopting telecommuting, we believe our experience at Cisco demonstrates the real benefits to the environment, the business and the individual employee."

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