

THE CREDIT CRUNCH - SURVIVAL TIPS



The statistics on the economy now show with certainty that we are heading for recession. According to the CBI, businesses expect a fall in output this quarter similar to 1980 when the country was in major recession. Job losses, lack of credit and fuel cost rises bring pressures to bear on households and businesses alike.

For many this will be the first time they have experienced such conditions. The effects of recession will require businesses and individuals to adapt, and inevitably some will weather the storm better than others. As accountants we are uniquely placed to offer guidance through difficult times and we encourage clients - existing and new - to come and talk to us even if they are not currently experiencing problems. Preparation is the name of the game in circumstances such as these.

In view of that fact, businesses will need to be more proactive in monitoring performance than they may have been accustomed to in the recent boom years. For small businesses, this could mean a more

hands on approach from owners and managers as well as making use of services offered by professional advisors. The key to survival is not to bury one's head in the sand.

Here are some tips to help businesses cope with economic difficulties. Many are 'best practice' that should be deployed in all situations. However, none are a substitute for suitable professional advice!

Know your customer

- Focus on sound reliable customers
- Obtain credit checks
- Make clear your terms of credit and encourage customers to keep to them
- Identify the person that authorises payments
- Obtain payments on account or cash on delivery

Debt Management

Take a systematic approach to collecting debts. Regularly chase for payment. Keep communication channels open with customers, consider offering payment by instalments, preferably by standing order.

Better to have some cash in your account than none. Whenever you speak to a customer who is in arrears agree a payment plan and follow up promptly if they default.

Invoice accurately and promptly. Resolve queries as speedily as possible. Enquire why an earlier invoice has remained unpaid and do not give customers reasons to delay payment. Set out late payment penalties and interest charged if applicable.

If you account for VAT on the invoice basis and a debt is more than 6 months old then you will usually be able to reclaim the VAT from HMRC. The debt should be written off to a separate bad debt account and if the debt is later recovered the VAT is then payable to HMRC. (Please note that if you are the creditor and have reclaimed the VAT back, and the debt is unpaid after 6 months then the VAT element should be repaid back to HMRC).

If your turnover is less than £1.35m and you have a good track record with the VAT man, you may want to consider switching from accounting for VAT on an invoice basis to cash basis. That way you do not pay the VAT over until you receive the money from the customer, the downside being you cannot reclaim input VAT until you pay your suppliers. If you are considering switching make sure you tell your accountant and you know how to deal with the transactions that crossover the two systems.

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Essex Community Foundation making charitable giving easy and effective

Essex Community Foundation (ECF) is playing a leading role in the development of local philanthropy across Essex. By offering a simple, cost effective and efficient way for local families and companies to channel their charitable giving, the ECF has become a significant funder of community activity across the county.

Community Foundations manage funds donated by individuals and organisations, building endowment and acting as a vital link between donors and local needs. They enable donors to achieve more than they could by themselves by connecting people with causes, and by targeting grants that make a genuine difference to the lives of local people.

Rather than setting up a separate registered charitable trust, a Fund can be established within ECF which takes care of the administration. The donor can name the fund, decide the criteria and agree the charities which will receive grants. ECF has already awarded over £11 million on behalf of its donors, many of whom have actively agreed grants to more than 2,500 Essex based charities. The Foundation's knowledge of local charitable organisations ensures that the money is spent effectively. Individual donations and bequests are pooled into an endowed fund from which income is distributed to Essex charities, in perpetuity. Donors supporting named funds receive regular reports.

ECF currently invests some £8 million which provides an annual income for distribution, overseen by a Board of Trustees who all live and/or work in Essex. An additional 100 independent advisors bring a broad range of expertise and specialist knowledge to the Foundation's decision making process and ECF welcomes contact with people who can support it in this way.

There has never been a better time to give

In spring 2008, the Government announced a £130 million programme aimed



(Above) The Yoga Educational Support Society (YESS) helps people with learning and physical disabilities take part in Yoga classes. It has received a grant to run its classes for the next three years.

at strengthening local community engagement. Called Grassroots Grants, it is a key element of the Government's strategy for building stronger and more active communities in England, and is funded by the Office of the Third Sector and delivered by Community Development Foundation. It is targeted at volunteer-led grassroots groups, and offers a highly innovative endowment challenge by incentivising local people and businesses to support small local community projects.

Community Foundations throughout England were invited to bid for their local authority area's allocation and ECF was chosen to manage the Grassroots Grants and Endowment Challenge in Essex. The two-part programme, which lasts from July 2008 until March 2011, brings £2 million in grants and a challenge to help build a £5 million endowment fund.

If you give, so will the Government

For every £2 raised, the Government will give £1 to create a £5 million Fund for Essex. This means that donations from basic rate tax payers are nearly doubled, and donations from companies can be uplifted by 50%!

To meet the Challenge, ECF needs to raise £3.3 million. This offers a real chance for individuals and businesses to increase the impact of their giving at no extra cost to themselves. Donations of any size are welcome. Those pledging £25,000 or more

can set up a Named Fund within ECF allowing them, over time, to choose the community activities they want to support.

If you would like to help meet the Grassroots Challenge, or would like more details about the work of ECF, contact Bob Sherer, Development Director on 01245 355947 or visit www.essexcommunityfoundation.org.uk



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Look at your costs

Are there reductions that can be made? Certain types of expenditure can be a luxury; for example, entertainment, certain types of advertising, company cars? Other savings may be made by shopping around for better value suppliers, negotiating discounts etc. More fundamental decisions may need to be made in respect of under-utilised staff. If redundancies are necessary, take appropriate advice to ensure that all the costs are identified (statutory redundancy, pay in lieu of notice, unused holiday entitlements) and the legal issues are complied with, otherwise it could end up costing you more than you bargained for. Review profitability, margins and stock control.

Look forward

Prepare cash flow forecasts so that you know when you might need to extend facilities.

Other sources of income

If you are an owner of an unincorporated business and your profits have fallen consider whether you are entitled to any government assistance, such as working family tax credits. Similarly as a director of an owner managed company, if your salary and dividends have to be reduced.

Talk to people

Keep in touch with your accountant and your bank. At Baker Chapman & Bussey we take an objective view and give you perspective on your situation. We are here to help solve problems or to discuss worries at an early stage - always the preferred approach. Remember we also have the expertise to prepare cashflows and make positive suggestions.

Don't bury your head in the sand!

Cutting Carbon & Costs



Whether we believe the scientists and whether we agree with government policies, actions aimed at reducing “carbon footprints” are becoming a way of life.

Having had a period of being a disposable society the situation is gradually being addressed. The government has done a certain amount to encourage this be it by incentives to follow one course of action or disincentives by way of fines, taxes etc to follow another course. In other aspects as the economy hits a downward trend, it is a case that reducing costs has the bi-product of reducing waste etc.

This article looks at some of the ways that all businesses can do their bit.

Travel

- The cost of running vehicles appears to be permanently going up with a combination of oil price and tax increases. Here are a number of ways to encourage less or more eco-friendly car use.
- Work from home
- Stagger work hours (avoiding travelling at peak times, reduces carbon emissions as well as takes less time).
- Replace high emission company cars with ones with lower emissions or hybrids. For example the VW Polo BlueMotion basic emits 99 CO₂, does 70mpg and the road fund licence is free.
- Encourage use of public transport and cycling.
- Encourage car sharing (travel clubs, higher mileage rates for business use).

- Use video conferencing and Skype to conduct meetings without travel.

Resource efficiency

- Councils tend to encourage private households by offering recycling facilities for paper, plastic, glass etc. For businesses this tends to come at a cost. Not disposing of certain products (electronic equipment, batteries, bulbs, toners etc) properly carries penalties therefore businesses often have to pay for such disposals. Fly tipping is becoming an increasing problem in such a regime.
- Office paper – do not print unless necessary, use double-sided paper, store paper properly to avoid paper jams

(keep flat and avoid humidity), register with mail and fax preference services to cut down on junk mail), use discarded sheets for telephone messages.

- Electricity- don't leave compliances unnecessarily on stand by, switch off fans when not required, 19°C is considered a reasonable office temperature (allow jumpers to be worn in the winter etc).
- Other supplies – have stationery amnesties, where unused stationery is returned to the cupboard, use re-writeable CDs and DVDs, purchase recycled products, discourage the use of plastic (cups etc).
- Segregate and recycle wherever possible.
- Create an office policy for resource efficiency.

Renewable energy

Grants available to households for installing renewable energy systems are not available to businesses. However they can claim Enhanced Capital Allowances (ECAs) thereby getting tax relief at rates of 21% and 28% (higher if profits are taxed at marginal rates). Furthermore, certain ECA created losses that cannot be immediately utilised can be surrendered in return for a cash payment from the Government of 19% of the loss surrendered.

Expenditure on heating and lighting systems which are part of a “green business plan” using energy efficient equipment may be able to get capital allowances which were previously unavailable.

Suggested sites for further information:

www.envirowise.gov.uk
www.eca.gov.uk
(Enhanced Capital Allowances)
www.businesslink.gov.uk
(general and specific business advice).
www.hmrc.gov.uk (VAT exemptions)
www.carbontrust.co.uk
www.netregs.gov.uk

See your own trade press for specifics on certain industries.

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Find out more at www.bakerchapman.co.uk Your data is held only by Baker Chapman & Bussey, and you can de-register at any time.

DID YOU KNOW? Recent changes to tax and business law

PAYE – In year online filing

From 6th April 2009 all employers with more than 50 staff must file in year PAYE forms (P45, P46 etc) online. All employers will have to do so after 6th April 2011. The Revenue calculates from their records as of 30th November every year whether you have 50 or more employees.

Holiday entitlement

From 1 April 2009 the minimum statutory holiday entitlement will rise from 24 days to 28 days per annum, inclusive of bank holidays.

VAT errors

For VAT periods starting after 1st July 2008, businesses can now correct errors up to the greater of £10,000 or 10% of annual VAT turnover, up to a maximum of £50,000, on VAT returns rather than making a voluntary disclosure of errors report. The previous limit was £2000.

Company Law update reminder

From 1st February 2009 Companies House late filing penalties will be increasing, for private companies they will be as follows:

	Current	New
Not more than 1 month late	£100	£150
More than 1 month, less than 3	£100	£375
More than 3 months, less than 6	£250	£750
More than 6 months	£1000	£1500

In addition if a previous year was filed late the penalty will be doubled for accounting periods starting after 6th April 2008. Don't forget that the filing deadlines are also reducing by one month.

Fake HMRC emails

HMRC have issued several warnings that e-mails are being sent out inviting taxpayers to complete an online form and reclaim the tax rebate. The advice is not to visit the website contained in the e-mail or disclose any personal or payment information.

Further information on these items and more can be found on our website at www.bakerchapman.co.uk by following the links to 'Latest News for Business'

Discount on Sage Products

Baker Chapman & Bussey is part of the Sage Accountants' Club. That means that you can buy Sage software, upgrades and stationery through us and we will pass on the discount that we receive as a member.



Award for Charity & Partner

Congratulations to Baker Chapman & Bussey partner, Jackie Frost, who won the 'Everybody Counts' award in the member in practice category for her involvement with YES, a charity that provides confidential counselling for young people between 11 and 25 years of age in Colchester.

The awards were presented by Richard Dyson, President of the Institute of Chartered Accountants at the Presidential Dinner to recognise and reward contributions made by members of the Institute who give their time freely to social and charitable causes. The award meant that YES received £2,000 as the charity to which Jackie has been donating her time.

Jackie has been involved with YES since 2003 in roles as Treasurer, Company Secretary, and currently as a Director.

The fully trained volunteer counsellors at YES provide free confidential counselling for problems such as depression, exam stress, family conflict, homelessness, drug addiction and pregnancy. The charity operates from offices in Crouch Street, Colchester.

Baker Chapman & Bussey

3 North Hill, Colchester, Essex CO1 1DZ Tel: 01206 715000 Fax: 01206 715010
Braintree House, 18 Bocking End, Braintree, Essex CM7 9AA Tel: 01376 559000 Fax: 01376 559005
mail@bakerchapman.co.uk www.bakerchapman.co.uk

We are always pleased to receive your comments or questions about 'Balancing Business' or any of the items mentioned in its editorial. If your mailing details are incorrect, if you have received duplicate copies, or you would like your name added to or removed from our mailing list, please contact Jackie Frost on 01206 715000 or by email: jackie@bakerchapman.co.uk

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