



Business Recovery Manual

TAX PLANNING AND BUSINESS RECOVERY STRATEGIES

2021-22

Introduction

In this short booklet we have drawn together a series of updates on topics that business owners and taxpayers can use to support their efforts to re-establish their financial affairs after the dire effects of COVID disruption for the last fifteen months.

This publication was written April 2021, when we are promised a gradual easing of lockdown restrictions and yet nothing is certain.

Much of what we suggest is that you consider your options carefully and plan accordingly.

Disclaimer:

We have used reasonable care and skill in assembling the information in this booklet. However, the information presented cannot be tailored to personal circumstances or particular situations. There may also be factors relevant to you which fall outside the scope of the content of this booklet. Accordingly, the material in this booklet does not constitute personal or business advice. You should not rely solely on any material in this booklet to make (or refrain from making) any decision or take (or refrain from taking) any action.

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Chapter 1:

Staying ahead of business challenges

Based on our experience of the effects of COVID disruption in the last year, it is still too early to call that we are out of this particular “neck of the woods”.

And even if we are starting the recovery process many businesses are ill prepared to face any opportunities if, as predicted, the UK economy starts to regain some of its past losses.

Restoring business fitness 2021-22

There are very few businesses that have emerged unscathed by the disruption created by the pandemic and the measures – lockdowns – that government has been required to introduce to protect limited NHS resources since the virus first impacted our lives early 2020.

Many businesses have been required to abandon planning and management of their businesses in order to cope with the often challenging effects of lockdowns and reduced demand for their products and services.

What to do?

Key areas of concern

Financially, there are a vast number of issues that will need your attention in the coming months. They will range from recreating sales, establishing a supply chain for goods and service you will need, controlling costs, and investing in services and equipment to drive the process forwards.

In particular, you will need to manage:

- Cash flow
- Servicing debt
- Maintaining solvency
- Rebuilding reserves

How do we monitor progress?

Progress has a variety of faces:

- Businesses that have fared badly will be happy to re-establish some semblance of financial security,
- Those that have marked time during COVID challenges will want to plan to expand, and
- Those that have achieved growth against all odds will want to consolidate their gains.

To monitor progress there are certain building blocks it would be good to have in place. For example:

- Effective accounting systems and responsive bookkeeping software.
- A comprehensive business plan that can be flexed as circumstances change.
- A set of key indicators.
- The ability to produce management reports that compare actual trading results with your budget. This will direct change to plug adverse variances before they become a big problem.

Last, but very definitely not least, you must set up a formal process to review the above.

Key benefits of review

There is a well-known parable – the tortoise and the hare – where the hare gets so far ahead in a race with his slower challenger, he decides to take a nap. The nap becomes a deep sleep, and the remorseless tortoise slowly ambles past and wins the race.

This tale has relevance for UK businesses in 2021-22. We cannot afford to take our eye off the ball if we want to achieve our goals – win our race.

And the best way to stay conscious of developments, changes and challenges is to actively review progress on a regular basis.

How frequently should we review progress?

- **After your year end** – the least attractive option. This will likely leave you – like the hare – waking at your year end to find that you have lost out to your competitors.
- **Before your year end** – an improvement on the first option, but any trends that emerged during the pre-review period may escape much needed remedial action.
- **Quarterly** – a realistic option for businesses that start 2021-22 on a reasonably sound footing.
- **Monthly** – the best option for businesses that need to be ultra-cautious, perhaps building from an exhausted financial base. A monthly review will also benefit firms that have set an aggressive agenda and are keen to invest in the review

process to capitalise on any opportunities that open up.

Reviews ensure you cover all bases. That you deal with challenges and take advantage of opportunities. Without reviews, you may, like the hare, suffer the inevitable consequences of unconsciousness...

We can help

There is no one-size-fits-all approach to staying ahead of business challenges.

The collection of financial data offers almost unlimited scope to represent that data in formats that will be of value to your business. The real skill is not designing the required reports, it's identifying the original problems and results you want to achieve.

We help many of our business clients by being an active partner in creating goals and reviewing progress on a regular basis. Call now so we can discuss your options. Pick up the phone; there is no charge for an initial discussion.



Chapter 2:

Why tax planning is a sound investment

Most of us would rather avoid the word “tax” and yet tax planning offers a unique opportunity to reduce the amount of tax that you pay and make a positive contribution to your efforts to outpace the current economic downturn and emerge financially more secure.

The rest of this fact sheet does sketch out some of the opportunities for individuals and businesses to save tax, more importantly, it also sets out the case for investing in an appropriate level of tax planning; for you or your business.

What our tax planning services do not offer

We are all entitled to use the present tax legislation to minimise our tax payments. What we are not entitled to do is evade tax by adopting strategies that stretch the credibility of laws set by parliament beyond those originally intended.

Penalties for engaging in tax schemes that would be challenged by HMRC as tax evasion can be punitive and in some cases are treated as fraud.

What does tax planning achieve?

Tax planning achieves two major outcomes:

- It reveals one-off tax saving opportunities, but it also reveals ongoing tax savings; savings that you will reap for many years with no further investment in professional advice required.
- Without straying into tax evasion, tax planning will also ensure you pay the minimum tax applicable to your circumstances, and no more...

HMRC are tax collectors. They are obliged to publish details of the tax savings options open to you, but under no obligation to tell you. A review of your personal and business circumstances is required in order to do this and this is what tax planning advice will provide.

In the following three sections we outline some of the areas that we could cover as part of an annual tax planning review. But these are just the tip of the tax planning iceberg.

Personal tax planning objectives

- Take advantage of all allowances and reliefs to which you are entitled.
- Direct your income into tax-free forms – for example, tax-free benefits in kind.
- Advising on the tax benefits of certain investment opportunities; the Enterprise Investment Scheme for example.
- Consider pension payments as a way to reduce taxes, particularly higher rates of income tax.
- Share income producing assets with family members.
- Consider use of companies to shelter income from higher rates of income tax.

Company tax planning objectives

- Choosing the best tax structure for your company if incorporating a self-employed business.
- Maximise tax relief for investment in new or used vehicles, plant or other equipment.
- Formulating the best mix of profit extraction choices: salary, dividends, pension contributions, rents or interest.
- Choosing the best tax strategy when you dispose of your business.

VAT

- Deciding when to register or deregister.
- Choosing the most beneficial special scheme if available.
- Dealing with complications if your part of your business turnover is partially exempt.

There is no one-scheme-fits-all approach

Every person and company, to some extent, is unique. Good advice for one would be bad advice for another. This is why listening to banter shared in your local may not be the best place to pick up advice.

There is no substitute for discussing tax planning options with a qualified tax practitioner.

How much does tax planning cost?

Cost may not be the most appropriate word to use. This fact sheet proclaims that tax planning is a sound investment. Accordingly, we will always strive to ensure that you secure a return on your investment. This will not always result in the tax savings we achieve exceeding the cost of our services.

For example, changes in legislation may require changes in the way you organise your financial affairs for the current tax year and in future tax years. In which case it is necessary to consider the long-term tax savings with any short-term fees payable in order to make a true comparison.

One thing is clear. We will always determine the positive benefits of our advice whether this be a reduction in taxes payable or the avoidance of penalties and interest charges that may

arise if no advice is taken. We will also provide you with a quote for our fees before undertaking any planning work on your behalf.

When should you seek advice?

Change is the motivating factor; has tax legislation or your personal or business circumstances changed?

Ideally, we should discuss these changes – whenever possible – BEFORE the change occurs.

Waiting until after the event, for example, after your business year end, may be too late to take appropriate action.

Tax planning is not a formulaic exercise, at its best, it is reshaping existing strategy in order to minimise the tax effects of change on existing planning.

And so, the quick answer to this question is talk to us. If you are going to buy or sell a property, experience a change in your personal circumstance, want to buy or sell a business or consider any other options that impact your personal finances or business affairs, pick up the phone.

If your personal or business financial affairs warrant a periodic review, we would suggest that this is considered annually to ring-fence any changes in legislation or any other circumstances. Call now so we discuss your options.

One thing is clear, being informed and taking appropriate action has never been more necessary. As the events of the last year have demonstrated.



Chapter 3:

New business
challenges in the
post-COVID
economy

Setting up a new business is not a project for the faint of heart. In this fact sheet we have set out a few of the road-blocks you are likely to encounter on your journey and a few ideas that will help you stay on-track.

What do you need to think about before taking the plunge?

Most people who set up their own business will tell you it was more of a challenge than they expected and that it took longer to achieve business success than they anticipated. Here are some of the personal issues you might like to consider.

- Personal sacrifice. Starting a business is a life-changing event and will require hard work and long hours, especially in the early stages.
- Financial insecurity. We all hope that our efforts will be financially rewarding, but what if they are not in the early days of your new business?
- Loss of employment rights. You will need to take care of yourself as you may no longer receive sick pay or be paid when you are on holiday – indeed you may not have time for holidays.
- Pressure on close relationships
- Do you have the necessary skills? Are you an engineer with a yen to open a restaurant?

Planning - a must do before you start

A commercial business plan is the key to making a success of your new business. You will need to show it to anyone who you ask to invest in your business. You will also need to show it to your bank or other institution who you ask to lend you money. They will all want to know that your ideas have been thought through and that there is a good

chance of getting their money back in due course.

Your plan should include an explanation of how your business will start, build and develop. You also need to know who you are competing with and what will enable you to be successful. The plan should describe the business, product or service, your marketplace, mode of operation, capital requirements and projected financial results.

It's your business and your ideas but we can help you craft a credible business plan.

COVID economy considerations

The exceptional disruption to the UK and global economy during the present pandemic has created havoc with what we have assumed is "normal" in terms of business activity.

Since March 2020, the entertainment, hospitality and travel sector have suffered more than most from repeated lockdown restrictions. Now may not be the best time to consider starting a business in one of these sectors.

If you need to raise capital in order to fund the launch of your business, lenders may not be that enthusiastic about financing the purchase of a hotel or public house.

Online trading during lockdown

If your new business intends to trade in goods rather than services you may want to plan to have an online sales platform especially if you are selling direct to consumers.

Many existing businesses that have adapted in this way have been far more successful in weathering COVID