**ACCOUNTS AND TAXATION CENTRE **

**Fees & Services:**

Retail Shops £800.00 £200.00 per quarter

Petrol Station £1200.00 £100 per month

Takeaway (cafe) £600.00 per annum

Taxi Driver £250.00 per annum

Plumber/Builder £350.00 per annum

Hair Dresser (Small Businesses) £350.00 per annum

Law Firms £2500.00 per annum

Medical Professional (Ltd Company) £1000.00 per annum

IT Contractors (Ltd Company) £1000.00 per annum

Limited Companies £1000.00 per annum

Rental Property Income £200.00 + £50.00 additional

Company Formation £130.00

**Accountancy & Tax Services for Business**

**What our service covers:-**

* Registration of your business with HMRC
* VAT registration, including registration on the Flat Rate VAT scheme
* Opening a business bank account
* PAYE registration
* Advice on how much income you can draw from the business
* Quarterly VAT Returns
* Prepare Annual Accounts
* Prepare your Personal Tax Returns/ Partnership Tax Return
* Regular News Updates emailed direct to you
* Telephone Helpline
* NO spreadsheets to complete!
* Monthly/Quarterly calculation of PAYE/NIC payments
* Annual PAYE Returns (P35, P14 & P60’s)
* Annual P11d preparation
* Book Keeping

**Limited Company-**

* PAYE registration
* VAT registration, including registration on the Flat Rate VAT scheme
* Opening a company bank account
* Monthly profit calculation so you can decide on withdrawals
* Monthly/Quarterly calculation of PAYE/NIC payments
* Quarterly VAT Returns
* Annual PAYE Returns (P35, P14 & P60’s)
* Annual P11d preparation
* Prepare and review Companies House Annual Return
* Prepare Annual Accounts
* Calculate and prepare CT600 (Company Tax Return)
* Personal Tax Return
* Regular News Updates emailed direct to you
* Telephone Helpline
* NO spreadsheets to complete
* Book Keeping

**Company Formation-**

* Certificate of Incorporation
* Memorandum and Articles of Association
* Share Certificate
* Companies House filing fee
* HSBC Business Account with Free Banking
* Free Business Advice

**Business Structures**

First of all we congratulate you to decision to be your own boss, this is very crucial moment for you to decide the best structure for your company. The most suitable structure for you will depend on your personal situation and future plans.

The possible options you have are as follows.

**Sole trader**

If for one person only, (i.e. yourself) it could be, you should decide to become a “Sole Trader”. This is the simplest way of trading. There are only a few formalities to trading this way, the most important of which is informing HMRC within 3months from day you start trading. You are required to keep business records in order to calculate profits each year, and they will form the basis of how you pay your tax, and national insurance. Any profits generated in this manner are automatically yours. The business of a sole trader is not separated from the proprietor’s (that is your own) personal affairs so that if there are any debts, and or liabilities, you are legally liable to pay those debts down to your last worldly possession.

**Tax liability 20%**

**Personal Allowance £7,475 per annum 2012**

**NI Class 4 9% (Band between £7,225 and £43,875) plus 2%on all profit above**

**NI Class 2 £2.50 per week above £5,315**

**Partnership**

If two or more people come together and decided to trade. They can trade under a partnership basis.

A partnership is an extension of being a sole trader. The partners will agree to share the joint profits, and all the costs, in pre-determined percentages. It is advisable to draw up a Partnership Agreement which sets the rules of how the partners will work together. Partners are taxed in the same way as sole traders, but only on their own share of the partnership profits. As with sole traders, the partners are legally liable to pay the debts of the business.  Each partner is ‘jointly and severally’ liable for the partnership debts, so that if certain partners are unable to pay their share of the partnership debts then those debts can fall on the other partners.

**Limited company**

If you have decided to form a limited company. First of all you have to decide how many Directors, who is going to be Company Secretary and how many share holders. Minimum requirement to form a limited company is one Director, and one Company Secretary. A limited company is a separate legal entity from its owners. It can trade, own assets, and incur liabilities in its own right. Your ownership of the company is recognised by owning shares in that company. If you also work for the company, you are both the owner (shareholder) and an employee of that company. When a company generates profits, they are the company’s property. Should you wish to extract money from the company, you must either pay a dividend to the shareholders, or a salary as an employee. The advantage to you is that you can have a balance of these two to minimise your overall tax and national insurance liability. Companies themselves pay corporation tax on their profits after paying your salary, but before any dividend distribution. Effective tax planning requires profits, salary, and dividends to be considered together. A big advantage of owning a limited company is that your personal liability is limited to the nominal share capital you have invested.

Soon after your company has been formed at Companies House, HMRC will issue a form “CT41G”. By completing this form HMRC will register your company for Corporation Tax; this is charged at 20% for the year 2011-12 payable on the company profit. The rate of Corporation tax normally changes each year, and is fixed in the budget presented to Parliament by the Chancellor of the Exchequer.

**Corporation Tax rate with small profit 20% up to £300,000**

**All Companies 26% above £1.5M**

**Marginal Relief Profit between £300K to £1.5M- Fraction apply 3/200**

**Director Salary**

The level of salary to pay is something you will need to decide. Assuming that the IR35 rules do not apply to you contract/business, the two main options are whether to pay at the level of the tax & NIC free allowance (£7,072 for 2011/12).

**Dividends**

Dividends are a portion of post tax profits paid to the shareholders, the owners of a Limited Company. Dividends are always declared and paid net of national tax at a rate of 10%. The 10% tax credit is not actually paid by the shareholder or the company- it is treated by HMRC as a deemed payment of tax. Before declaring a dividends the company should ensure that there are profit available to support the dividends payment. Once this has been satisfied the company holds a board meeting to declare the dividend.

There are no limit to how many dividends that a company can declare; however in reality once a month is usually sufficient.

**Taxation of Dividends**

Provided that the recipient of the dividend is not a higher rate tax payer then no further tax will be due on the dividends. The dividend received would be treated as tax paid.

Higher rate tax payer will be liable for an additional charge on any dividends that exceeds the higher rate threshold.

**Example**

Net Dividend £900 90%

Tax Credit £100 10%

Gross Dividend £1,000 100%

Basic rate and non-tax payer will receive £900 with tax fully paid- there is no further liability.

**Higher Rate Taxpayers will be liable for additional tax as follow:**

Gross Dividend £1000

Tax @ 32.5% £325

Less Tax Credit £100

Net Additional Tax Due £225

(=25% of net dividend)

Net Dividend after tax £675

(=75% of net dividend)

**Bank Accounts**

One of the first actions required after deciding and registration is to open company bank accounts.

**PAYE/NIC**

If you intend to pay or be paid a salary, then you will need to set up a PAYE (Pay As You Earn) scheme with HMRC.

**VAT**

You must register for VAT if the annual turnover of the company will exceed £73,000 (2011/12). You can register for VAT before you reach this figure; if you do not collect VAT it makes your Company look very small.

**Insurance**

Generally there are three types of insurance that you need to consider.

* Employer Liability Insurance
* Public Liability Insurance
* Professional Indemnity Insurance

**Record to keep/Expenses to claim**

1: Sale Invoices (till receipts, cash books)

2: Purchase Invoices

3: Expenses (Fuel, rent, rate, electricity, gas)

4: Employee record (Copy of ID, start date, number of hours working, rate apply)

5: Capital Expenses

6: National Insurance Contribution (Employer’s)

7: Employer pension Contributions

8: Business travel

9: Accommodation whilst away from home on business

10: Subsistence whilst working away from home

11: Accountancy fees

12: Mobile/telephone costs

13: Postage and stationary

14: Home office cost

15: Business computer equipment and software

16: Internet connection

17: Technical books and publications

18: Business entertaining

19: Subscriptions to approved professional bodies

20: Bank charges/Interest

It’s a director/Proprietor responsibility to keep all the record for 6 years.

**VAT**

VAT is a tax that s normally added to the value of your fees, currently the rate is set at 20%. So, if the invoice for your services is £2,000 you would add £400, making the total invoice £2,400.

You must be registering VAT if the annual turnover of the company will exceed £73,000(2011/12).

There are different VAT scheme which are suitable for different trade, they can save money and time. They are as follows

1: Annual Accounting Scheme  
2: Cash Accounting Scheme  
3: Flat Rate Scheme- We would recommend this scheme, in most cases will save money.  
4: VAT Schemes for Retailers  
5: Marginal Scheme for second hand goods, art, antiques, collectibles  
6: Tour Operators’ Marginal Scheme

There are several VAT responsibilities you have as a director/proprietor, the main ones are

1: Complete Vat Return every 3 months- online VAT return

2: The VAT is due at the end of the month, following the return period. So, if the return is up to 31st January, the return is due by 31st February.

3: Pay any VAT due at the same time as the VAT return, so you have at least 4 weeks after the return period to make the payment.