

dmc newsletter

SPRING 2009

WELCOME

We sense there is a mood of real anger at the handling of the economy and particularly with the banking sector, a feeling that the government has mismanaged the situation in the present climate. What would happen if we ran our businesses in the same manner?..... no-one would bail us out, no-one would continue to support us and certainly no-one would pay us a massive pension. The bottom line is that small and medium sized businesses are the life blood of the economy and we are left to fend for ourselves. At the moment every penny really counts and on this page we have included a few ideas that may aid cash flow and help to make ends meet. Over the page are some key areas that businesses should carefully review to help them weather the current economic situation.

Dmc news

Congratulations all round. We are pleased to celebrate 100% success rate in recent exams - well done to Ali, Peter and Sandra. **And** big thanks to Julie and Suzie who have been with us for 20 years (life at dmc can't be that bad!). **And** very best wishes to Sammie (now Mrs Aubrey) who was married on December 31st.

Spread the cost of tax payable

Just a reminder - if you are worried about being able to pay your tax bills on time (that's Income tax, Corporation tax, VAT and NI) then you can contact the government's Business Payment Support Service on 0845 302 1435 to discuss spreading the payment.

Beware Fraudsters

The Revenue has issued warnings to watch out for bogus letters and e-mails offering tax refunds or demanding payments. Some of our clients have received these - often the scam is so badly worded that it's obvious but they are getting better at it. In particular **never** respond to e-mails asking for personal information. For examples of the scams look on the Revenue website www.hmrc.gov.uk

Protect your Right to Claim Tax Credits

If your income levels are likely to fall in the next year it may be worth making a protective claim for child or working tax credit. Claims can only be backdated 3 months (making a claim on say 6th April 2009 will enable you to claim back to 6th January 2009). You won't know what your actual income levels are until the end of a tax year. However by registering a claim even if you are not entitled to anything now you can retrospectively receive any tax credit due if your income drops later in the year.

If you think this may be relevant then it is important to register as early as possible to maximise any period for adjustment.

Claims can be made by phone 0845 300 3900 or on-line www.hmrc.gov.uk/taxcredits.

ISA (PEP) review

Assuming a market recovery down the line - now is a very good time to review where your ISA funds are held. We recommend you obtain an independent check to see if the fund mix can be improved.

Earn Money Tax-Free

With current savings rates (3% ?) you would need an investment of around £177,000 (£236,000 for a higher rate tax payer) to earn net interest of £4,250. By letting a room in your house however you can receive rent of up to this figure **tax-free**. The main rules and conditions are listed below: -

- The house must be your main residence
- The room must be furnished and part of your house
- You can provide other services such as laundry, cleaning or food but this income has to be included within the scheme.
- If you claim this relief you cannot claim expenses as well - if your rent is more than £4,250 you need to look carefully at the figures to decide which method to use.

If you want more details - give **Estelle or Barbara** a call on **01342 824181** just to make sure that you make the best use of this generous tax relief.

Six Strategies to survive the recession

Businesses which are able to respond and adapt to the changing circumstances presented by the downturn should emerge stronger at the end of it. Small and medium sized businesses are best placed to do this and to seize the opportunities that will arise. With this in mind we have listed six areas to review in your efforts to cope with the recession. Here is our very own **ABC** guide

Appraisal of the Risks Facing your Business

- What is the effect of loss of turnover
- If borrowing becomes more difficult or expensive how will you manage
- Are you exposed to bad debts
- Are you affected by currency fluctuations
- Will you be able to maintain the confidence of your key customers and suppliers
- Will your staff be supportive of the business

Business Structure Review

- Can you make changes to your business that will help see you through the recession
- If you are making savings do look at the long term impact of the costs you intend to cut
- Consider which products or activities are most valuable to you and focus your investment and marketing on these
- Critically review whether there are activities you should cease

Cash Flow Management

- Be proactive in managing your cash flow. Keep updating your forecasts - this is even more important in difficult times
- Consider reducing stock levels and keeping overheads to a minimum to improve cash flow
- Review your credit control procedures to reduce the likelihood of bad debts, improve debtor collection times if possible
- If you do experience problems with cash flow - keep your bank and other lenders informed
- Review the spread of your customer base - are you too dependent on a few customers if so are they sound

Determine your Funding Requirements

- In these uncertain times the banks are taking a more cautious approach to lending money and renewing loan/overdraft facilities
- Make sure you are aware of any conditions attached to your borrowings and that you comply with these
- If a review of facilities is due make sure you have thoroughly prepared your cash flow predictions
- Be prepared for tough negotiations - banks may ask for more security or personal guarantees
- Have contingency plans such as sale of assets
- Look around at other lenders and sources of finance

Ensure you review Practical Planning Issues

- Can you improve sales in a poor market
- Are there any VAT savings you can make e.g. claiming VAT on bad debts, changing to cash accounting
- Are there any tax allowances you could be claiming such as Capital allowances
- Have you considered applying to the Revenue to pay your tax over time to ease cash flow problems
- Directors have a duty to consider the company's ability to carry on as a going concern

Future Strategy

- You need to look at your growth plans as well as coping with the immediate problems
- There may be opportunities to move into new markets and activities
- Look at your competitors and see how are they responding to the crisis
- Identify employees, customers and suppliers who are likely to be key to your business surviving these troubled times

If any of these matters raise issues that you want to discuss - please do give one of the partners a call (Bruce Peter or Estelle)

01342 824181

dmc partnership Chartered Accountants

Yew Tree House, Lewes Road, Forest Row, East Sussex, RH18 5AA

TEL 01342 824181 FAX 01342 825323 EMAIL info@dmcpartnership.com

This newsletter has been written for the general interests of our clients. Please seek advice on specific issues, as there may be certain errors or omissions for which we cannot be held responsible.