Insider

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Fuel duty will 'hamper' smaller firms

Small businesses could find themselves laying off workers and cutting down on investment if fuel duty continues to rise, a leading business group has warned.

The Federation of Small Businesses (FSB) has said that a snap poll of 400 small firms found that 89 per cent believed that the increase in fuel duty will add, on average, an extra £2,000 to their costs over the next six months.

To cope with the rise in expenses, almost a third (62 per cent) said they would need to raise prices to offset the costs if fuel prices continue to climb, while a quarter anticipated freezing wages. Worse still, one in ten reported they would to consider reducing the size of their workforce. A third claimed that spiralling costs would have an adverse impact on business investment, and 78 per cent forecast a dent in profits as a result.

The FSB has been calling for the Government to introduce a fuel duty stabiliser, a mechanism to ensure an automatic freeze on fuel duty increases and a reduction in duty to match any increases in VAT revenues from higher pump prices. The FSB also wants all future fuel increases to be scrapped until a stabiliser is put in place.

At present the government has not reversed the planned increase in duty of 1p in April – some commentators are suggesting that the actual increase will be more like 3-4 pence per litre.

John Walker, the FSB's national chairman, said: "The Government has said it is looking to the private sector to put the economy on a firm footing, but the hike in fuel duty is doing the opposite and hampering small business growth. With future fuel duty rises looking likely, small firms are just going to be left trying to survive."

If you feel your business would like expert help on managing its finances, please don't hesitate to give us a call.

Savers continue to be hit by inflation

The rising cost of living remains a problem for savers.

The latest measure of inflation by the Consumer Prices Index now stands at 3.7 per cent. Once inflation and tax are taken into account, basic rate taxpayers would need an account that delivers an interest rate of 4.625 per cent for a return on their money. For higher rate taxpayers, that figure climbs to 6.17 per cent.

Andrew Hagger of the comparison website Moneynet.com said: "There seems little prospect of inflation easing in the near future on the back of soaring fuel costs, and at this rate CPI will soon be double the government's inflation target of 2 per cent.

"Savers have been hammered by the government's low interest rate strategy, whilst some mortgage customers have enjoyed far lower demands on their budgets. With swap rates starting to rise, and with it some fixed mortgage rates, perhaps the tide is starting to turn."

We're ready to pay for simpler taxes, claim businesses

Small business owners have said they would be willing to dip into their own bank accounts in order to bring about a fairer and less complex tax system.

A poll carried out by the Forum of Private Business (FPB) found that, of those business owners questioned, over a half (57 per cent) would be prepared to pay more for a streamlined tax regime so long as it was easier to understand and delivered genuine rewards.

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Some 45 per cent would tolerate higher tax bills if there were an accompanying reduction in the amount of administrative bureaucracy and red tape involved in complying with the rules.

Elsewhere in the survey, a majority of employers (78 per cent) felt that the complexity of payroll taxes and increases in national insurance contributions deterred firms from taking on more staff. A further 45 per cent said the tax system hinders financial planning and 41 per cent believed that it impedes prompt payment.

A number said they would like to see taxation rates for employees and the self-employed more closely aligned in any reform of the IR35.

Commenting on the findings of the survey, Phil Orford, the FPB's chief executive, said: "The cost of complying with Britain's hugely complex tax system is such that, if simplification and profitability result, most businesses believe a little more tax would be a price worth paying. Clearly, if the Government is serious about stimulating small business growth, streamlining tax administration must be a priority."

The tax system is set to undergo a series of reforms, which means that now may be a good time to look at your own business tax planning. Remember: we are here to help make sure that you both comply with the rules and pay no more tax than you should be paying.

The importance of keeping books in good order

Smaller businesses are being urged to maintain up-to-date and accurate financial records.

HM Revenue and Customs (HMRC) has plans to clamp down on significant record keeping failures this year. HMRC could be looking at as many as 50,000 firms each year to make sure that their records are in good order. 'Inadequate' or 'inaccurate' records could result in a fine as heavy as £3,000.

Under the law, firms must retain records that date back at least six years. The documentation needs to include invoices, bank statements, receipts, cheque stubs, accounts books and detailed analysis.

We appreciate that bookkeeping can be a real burden for some smaller firms. You can, of course, save valuable business time by outsourcing some of your administration work. We'd be more than happy to talk to you about how we could help.

Employees could be working for longer

The Government has confirmed that the default retirement age (DRA) of 65 is to be phased out between 6 April and 1 October 2011.

As a consequence, employers will no longer be able to let employees go simply because they have reached the male state retirement age.

The change means that from 6 April 2011, employers cannot issue any notifications for compulsory retirement using the DRA procedure. Between 6 April and 1 October, only people who were notified before 6 April, and whose retirement date is before 1 October, can be compulsorily retired using the DRA. While after 1 October, employers will not be able to use the DRA to compulsorily retire employees.

Commenting on the announcement, Ed Davey, the employment relations minister, said that firms could still dismiss workers if it was felt they were no longer capable of performing their duties.

The minister commented: "As of now, you are still able under the Employment Rights Act 1996 to fairly dismiss someone if you go though the proper processes - and one of the reasons you can dismiss someone fairly includes capability."

Employers will continue to be allowed to run with a compulsory retirement age for employees provided there is an objective business justification for doing so.

The Government has promised help for employers in dealing with the move. It has pledged to ease the admin burden of statutory retirement procedures. With the DRA dropped, it said, there is no reason to keep employees 'right to request' working beyond retirement or for employers to give them a minimum of six months notice of retirement.

Planning for the day that any of us stop working is important, especially if you are a business owner. For some good, practical guidance on how best to look forward to a comfortable retirement, why not give us a call?

Corporation tax changes on the horizon

HM Revenue and Customs (HMRC) has issued a reminder about important changes that will be affecting corporation tax this April.

Under the changes, all company tax returns sent in from April 2011 must be filed online for accounting periods ending after 31 March 2010. What's more, returns will need to be submitted in a data format known as Inline XBRL or iXBRL. Corporation tax payments must likewise be made electronically from April 2011.

The changes are not confined to limited companies. The new rules will apply to other organisations that pay corporation tax, including clubs, societies, associations, co-operatives, charities and other unincorporated bodies.

Companies can file online using either commercial software or HMRC's own filing software. The latter is specifically aimed at companies with less complex tax affairs. There is already a wide range of commercial software available, with more coming onto the market in the near future.

For any advice on dealing with the new system, we are only a call or email away.