Taxing Times?

Accountant Ben Korklin provides key advice that will make the end of the tax year less stressful for aesthetic practitioners

Whilst many aesthetic medical professionals and clinics will have an accountant or advisor to take care of their financial matters, it is vital that all industry individuals have a clear understanding of their finances in order to be able to effectively manage their business. As we approach the end of the tax year, I have set out some financial considerations that you should be aware of and how you can prepare accordingly.

Tax year end

When thinking about your year-end, it is important to choose the right time for your business. Consider to what extent your business is seasonal: is there a time of year when it will be more convenient to close off your accounting records, ready for your accountants?

From a tax viewpoint, the choice of a year-end early in the tax year for an unincorporated business often means that an increase in profits is more slowly reflected in an increased tax bill.

Company vehicles

While the company car remains a valuable part of the remuneration package for many, tax and national insurance costs may mean that you need to consider whether your current arrangement represents the most tax-efficient option.

The company car or van benefit is subject to a Class 1A national insurance charge of 13.8% payable by the employer. There is also a fuel benefit charge where fuel for private use is provided with the car. The rules also apply to employer-provided cars and vans.

Now may be a good time to review your company car policy, and to determine whether it could be more beneficial to pay employees for business mileage in their own vehicles, at the statutory mileage rates.

Excluded business expenses

You've heard the expression regarding what counts as 'business expenses': "Anything that relates to your business". Whilst this is generally true, there are some expenses which, although genuine business expenses, are specifically excluded from tax relief, such as:

- Business entertaining including the VAT (however input VAT on business entertaining of overseas customers is recoverable)
- Charitable subscriptions and donations, except to small local charities
- Political donations
- Costs and fines for breaking the law
- Loan capital repayments
- The withdrawing of funds from the business by the director/partner/principal

Recent changes

April 2013 saw the introduction of a new cash basis for calculating taxable income for small, unincorporated businesses. One of the measures allows any unincorporated business to choose to use flat rate expenses for the following items of business expenditure:

- Fixed allowances for business mileage
- Expenses relating to business use of the home
- Adjustment for private use of business premises

Avoid the penalties

It is vital to be aware of all relevant tax dates to ensure you prepare and send off your accounts in good time. The HMRC website will detail the deadlines by which all payments and forms must be received by the relevant authorities. Or, in the case of reclaiming tax, the date by which your application must have been received. HMRC also recently unveiled a plethora of changes to its penalties and regulations, as well as proposed increases in its powers and capabilities.

Another big change to the penalty regime is that the fines will no longer be cancelled if the taxpayer owes no money to HMRC, because there was no extra tax to pay or because it had been paid. The new penalties for filing tax returns late are as follows:

- **Day one -** Individuals will be charged an initial penalty of £100, even if they have no tax to pay or have already paid all the tax owed
- **Over three months late -** Individuals will be charged an automatic daily penalty of £10 per day, up to a maximum of £900
- **Over six months late -** Individuals will be charged further penalties, which are the greater of 5% of the tax due or £300
- **Over 12 months late -** Individuals will be charged yet more penalties, which are the greater of 5% of the tax due or £300. In serious cases people face a higher penalty of up to 100% of the tax due.

Awareness of these key considerations allows you to more closely monitor the success of your business and plan ahead for future financial years. With knowledge of appropriate tax year ends, penalties you could be subject to and attention paid to recent changes, you will be better equipped to manage your finances accordingly.

Ben Korklin qualified as a chartered certified accountant in 2008 which led to him starting his own firm in 2010, before joining Lawrence Grant as a partner in 2013. Ben's client portfolio consists of UK companies and individuals, including sole traders, partnerships and limited companies, and he specifically provides specialist tax, business and accountancy knowledge to the beauty sector.