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Is there Any Good News?

Terry Griffin, Director

With the Chancellor's Autumn Statement predicting more borrowing and less growth, the Eurozone crisis dragging on and talk of a "double dip" recession, one starts to wonder: "where is the good news?".

Our most successful business clients have one trait in common: they understand that they cannot control global economic events, they can only control events local and relevant to them. But how do you remain successful locally?

Firstly, it takes time for global economic events to filter down to local markets. When an event happens there is always a certain amount of time to alter your business strategy. If you have not set targets then you can get carried along like a paper cup on the ocean, which can lead to you as a business owner feeling out of control. This is what happens without targets and a strategy for long term survival, so please talk to us about your goals for the future.

Secondly, successful business people understand the need to be flexible with the way they deal with suppliers, employees and customers. Brainstorm with your team about how you can be more efficient in your daily operations and consider how you can deal with your customers' needs more effectively. Then set an action plan for change. Our most successful clients do this regularly and are prepared to change their methodologies. In essence, they are flexible in the way they operate. Remember to focus on what you can change and do not worry about what you cannot!

There is a well known principle called the "Parato Principle" which is also known as the 80:20 rule:

- 80% of sales come from 20% of customers;
- 80% of complaints come from 20% of customers;
- 80% of your profit comes from 20% of the time you spend;
- 80% of your sales come from 20% of your products;
- 80% of your sales are made by 20% of your sales staff.

Therefore focus on the most effective areas and eliminate, ignore, automate, delegate or retrain the rest. Set targets, focus on what you can change, ignore the rest and you will create your own good news!

Terry Griffin, terry@kennethmorris.co.uk.

The Autumn Statement

George Osborne stood up in the House of Commons recently to update MPs on the government's plans based on the latest forecast for the UK economy from the Office for Budget Responsibility (OBR).

The OBR report, published twice a year, is its assessment of the UK economy's likely performance over the next five years.

It reports on the state of the public finances and assesses whether the Government is likely to achieve its goal of balancing the UK's budget within five years ("balancing the budget" is where spending matches the amount received from taxes etc).

Autumn Statement: The Key Economic and Business Points

- Economic Growth. 2011 forecast revised down to 0.9% from 1.7%, 2012 forecast revised down to 0.7% from 2.5%, in 2013, 2014 and 2015, forecast growth will be 2.1%, 2.7% and 3%.
- Government Borrowing. Borrowing forecast to be £127 billion in 2011-2012, falling to £120 billion, £100 billion, £79 billion and £53 billion in following years, an extra £111 billion in total than previously predicted. Debt to GDP ratio to peak at 78% in 2014-2015, falling afterwards.
- Transport Costs. The average rise in regulated rail fares to be capped at 6%, 1% above inflation, in January rather than the 8% cap expected. The planned 3p fuel duty rise in January to be scrapped but duty will go up by 3p in August.
- Jobs and Business Support. OBR forecast of total public sector job losses up from 400,000 to 710,000.

The Chancellor announced a credit easing programme to underwrite up to £40 billion in low interest loans to small and medium sized firms, a £1 billion business finance partnership to raise money for medium sized firms and a Regional Growth regeneration fund to get £1 billion in extra funding. The Bank levy will be increased from January.

Carolyn Taylor, carolyn@kennethmorris.co.uk

Breaking News: HMRC now target electricians

HMRC is continuing its target campaigns into tradespeople with vigour with the announcement of the Electricians Tax Safe Plan (ETSP).

The ETSP will begin in February 2012 and builds on HMRC's plumbers campaign and gives an opportunity for electricians to come forward and declare unpaid tax. Considering that the Tax Safe Plan has so far generated an addition £1.98 million, with more expected once the final disclosures are made, it is no surprise that HMRC are utilising similar tactics for their latest campaigns. The HMRC website defines an electrician or electrical fitter quite widely as "anyone who installs, maintains and tests electrical systems, equipment and appliances under stringent safety regulations".

We will continue to monitor developments and we will update our clients with new information as it becomes available. However, if you would like to discuss this latest development please do not hesitate to contact one of our tax team.

Mark Withington, mark@kennethmorris.co.uk

Stop Press ……

HMRC has announced that they will conduct 20,000 business records checks over the next three years. This is a continuation of the ever increasing scope of reviews of company's tax affairs by the tax office with the primary aim of increasing the tax take for the Government as it struggles to balance it's books.

In response to this, and to ensure our clients are fully protected, we have arranged an improvement to our tax investigation insurance to extend the cover for these new types of enquiries and will shortly be announcing further details of our enhanced tax investigation service in view of these changes by HMRC.

This is specialist cover and we continue to be on the front foot. The renewal letters will be coming out to you very shortly.

Linda Hulme, linda@kennethmorris.co.uk

Business Records Checks

HMRC has moved to beef up its approach to Business Records Checks (BRC), as the latest round of visits begins. This article provides a guide to how the process works.

What questions do the BRC officers typically ask? The officers ask general questions about the nature of the business including (amongst others) the type of work done, how the work is obtained and billed, what payment forms are accepted, where the payments are banked, who handles the banking and an estimate of the average monthly turnover.

BRC officers ask about what business records and supporting documents are kept, the type of work carried out by the members of staff and how much and how often they are paid. VAT questions can centre on how VAT is charged and recorded and what separate VAT records are maintained.

- **What records do the BRC officers expect to see?** In terms of income the officers want to see sales invoices, bank account statements and paying in books. For expenditure typical documents include original expense receipt vouchers, business chequebook stubs, business credit card statements and PAYE and VAT records.

- **What checks do the BRC officers then do?** The officers can ask for the business records and split them between income and expenditure. They will follow the audit trail of money being billed and received, alongside money being charged and paid out.

Income: The BRC officers pick a selection of the sales invoices and check they are numbered consecutively, give a description of the work done and clearly show the VAT registration number. Payment of selected sales invoices are then matched to the paying in book (if paid by cheque/cash) and the relevant business bank account statement.

Expenditure: This includes looking in particular at dual purpose expenditure such as mileage and telephone costs. The BRC officers look at mileage logs and then the business journeys listed. They can even review petrol receipts to ensure they match where business is being done at the time by referring to the corresponding sales invoice.

- **Top Tips.** The BRC officers check online information including client's website and LinkedIn profile.

  The BRC officers normally expect to see business records covering the three months prior to the date of their visit including the last VAT return.

  Make sure enough time is allowed for the BRC visit to take place. The visits typically take two hours at a bare minimum, but can last up to five hours.

  Make sure you only answer the questions asked of you. Wait for the question, answer it and stop. Do not give any more detail than requested and potentially open up further areas for HMRC to target.

Following the visit, if the BRC officers are happy, a letter will be issued confirming the business records are adequate. If the BRC officers are unhappy, a letter will be issued confirming the business records are inadequate together with a list of recommended improvements. Those businesses deemed to have inadequate records can expect a revisit from the BRC officers, usually three months after the initial visit. During the revisit, the BRC officers will check to see that the recommended improvements have been made in the intervening period.

Overview. There is little doubt that some of the questions and actions taken by the BRC officers during their visits could be interpreted as overstepping into enquiry work. Business owners need to tread carefully and consider how much detail to provide in response to some questions. Our team will continue to monitor the current activity and will provide further updates in due course but if you would like to speak to us about the current activity please contact Richard Waller or Teresa Ford.

Teresa Ford, teresa@kennethmorris.co.uk

SPOTLIGHT ON: JW HILL PRECISION ENGINEERING LTD

JW Hill Precision Engineering Limited has been a client of KM for eight years. The business was founded in 1936, originally based in Birmingham. In the Second World War it relocated to Worcester where it has remained ever since.

Paul and Linda Coxall have owned the business for the last 15 years after Paul bought out his previous business Partner, although Paul has been involved for 35 years. The last 15 years have been their most successful.

Employing twelve very highly skilled staff, the business manufactures precision components mainly used by the packaging industry. They take great pride in their long serving reliable team and although the workforce is relatively small a large amount of investment has taken place in machinery to increase productivity. The business's key to success is the commitment and integrity of the workforce along with teamwork and flexibility. Paul and Linda are aided by their "right hand man" Works Manager, Geoff Lloyd, who helps them promote and encourage team spirit and morale.

Paul and Linda tell us that "we have benefitted greatly from the common sense approach and good sound financial advice provided by Terry Griffin and his team".

We are delighted to award Paul and Linda (and their team) our client award as they are excellent clients to deal with who take on board and value the business and tax planning advice that we give them.

If you would like to know more about JW Hill Precision Engineering Limited, please feel free to contact Paul or Linda Coxall on e-mail linda@jwhill.co.uk or by telephone on: 01905 356712.

IMPORTANT ANNOUNCEMENT: BUDGET 2012

A date for the diary: HM Treasury has announced that the 2012 Budget will take place on Wednesday 21 March 2012.

KM BUSINESS CLUB: ECONOMIC UPDATE

A final reminder about the next KM Business Club event which is due to take place on Tuesday 13 March 2012. Graeme Chaplin, Regional Agent to the Bank of England will be our guest speaker.

If you would like to come along and have an opportunity to hear the latest news on the economy and have a chance to speak to Graeme, please contact Sue to book your place on 01527 872888 .

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