WHEELERS
WORDS

Wheelers Chartered Accountants and Tax Consultants

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SHOW ME THE MONEY

Times are hard and for many businesses, simply getting paid by customers is a major battle. In this article, we give some key tips on how to manage your credit control.

Cashflow management is a critical part of running a business that can survive when the going gets tough. However, if your customers stop paying on time – or even stop paying at all – then your business can quickly fall into trouble.

- **Check out the Customer**
Knowledge is power: don't be afraid to tell your customer that you need to know more about them before you take their order. Do a credit check or ask for references from banks or suppliers – and follow these up.

- **Ask for Pre-Payment of First Order**
If your customer is unknown and untested, it's good to know that they have the cash to pay you up front for their first order.

- **Manage Expectations**
Make it absolutely clear when you enter into a business transaction exactly when you are expecting to get paid – and make the price conditional upon meeting that expectation. Put it in writing as part of your contract with them.

- **Provide an Incentive for Early Payment**
Give a discount on the invoice or offer a special deal/freebie on the next order if the customer pays you within seven days, for example.

- **Get the Admin Right**
Don't give your customer the opportunity to query your invoice. Take a name and/or order number when they place the order and make sure you have the right address for the person who will pay the invoice. List all the items purchased separately on the invoice so they know what has been billed and clearly breakdown any additional charges such as delivery or labour. Attach any supporting document (timesheets, schedules) to support the invoice.

- **Make Payment Easy**
Give your customers a range of payment options – cheque, credit/debit card, payment via electronic banking/BACS. But remember, there are costs involved, particularly with credit card payments. Many larger organisations levy a surcharge for credit card payments, so bear this in mind if credit card payments are likely to be taken up in any quantity (but make sure this is stated clearly at the point of sale).

- **Watch for Warning Signs**
Be on the alert for indications that your customer may be struggling. If someone who used to pay on time is starting to pay late, perhaps they have a problem. Watch out, too, for "mistakes" in payments such as unsigned cheques – these can be inadvertent, but sometimes hide a deeper problem. If you suspect that there is a problem, talk to your customer and nip it in the bud before it becomes a major issue.

- **Send Statements**
A statement at the end of the month is a simple but gentle reminder to your customer that your invoice is still unpaid.

- **Don't Be Afraid to Chase**
You should never be embarrassed to chase up a late payment. Your customer may simply have forgotten or been too busy to pay up, so a simple phone call may be all that's needed. If that doesn't work, send a formal reminder letter.

- **Be Persistent – and Firm**
If your reminders produce no effect, it's time to take a stronger line. Speak to the manager or business owner and don't allow yourself to be fobbed off. If you're dealing with a regular customer, offer to meet them to review their payment arrangements – it may be that you can agree a discount if they will commit to a regular monthly direct debit, for example.

- **Don't Compound the Problem**
If payment has become an issue, don't accept orders from customers until you've been paid .

- **The Last Resort**
If all your gentle persuasion fails, it may then be necessary to bring in the big guns and involve a debt collection agency or start legal proceedings. Make sure you tell your customer that this is what you are going to do as a last resort, as the threat may just get them to come up with the cash.

Child Benefit Tax Encourages Pension Savings

The introduction of the Child Benefit Tax on high earners has had one unexpected result: higher rate taxpayers are considering making larger contributions to their pension funds in a bid to avoid the tax.

The new tax, which comes into effect on 7 January 2013, will cut the benefit paid to families where one parent earns more than £50,000 per year and effectively will remove the benefit completely for families where one parent (or their partner) earns more than £60,000 per year.

The key point for high earners is that the earnings figure taken into account for assessment under the rules is the adjusted net income, which excludes any gross contributions paid into a pension scheme – although it should be remembered that the income figure will take account of any other taxable income such as rental income or bond gains.

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Auto-Enrolment: when must you be ready to take the stage?

We have all seen the Government's advertising about the start of its new Workplace Pensions initiative, but have you pinned down exactly what it means for your business? Wheelers can help you work out what Auto-Enrolment is all about.

From 1 October 2012, new rules came into force that every employer must have a Qualifying Workplace Pension Scheme (QWPS) for employees. The date on which the scheme must be provided is called the "staging date" and depends on the number of employees in the business.

However, most small and medium sized businesses (up to 1,250 employees) need not panic yet – their staging date will not happen until at least October 2013 and the staging dates for businesses with less than 250 employees, for example, will fall on or after 1 April 2014.

The very largest businesses were required to start the process in October and November this year and staging dates are staggered between now and 1 April 2017 for all businesses in existence at the start of the staging process in October 2012.

One key element of the new Workplace Pensions regime is that the employer must auto-enrol every "jobholder" within the business into an appropriate scheme.
The employee can then opt out, if they prefer not to be involved, but the employer must not pressurise them into doing so – there are serious penalties if any inappropriate employer conduct is proven.

Importantly, the new regime also requires the business to make employer contributions into its employees' schemes. Initially the contribution will be at least 1% of qualifying earnings. This will increase in October 2017 to 2% of qualifying earnings, but after October 2018 it will go up to at least 3% of qualifying earnings. Minimum employee contributions will start at 1% of qualifying earnings, increasing to 3% in October 2017 and again to 5% in October 2018.

Clearly the new rules bring affordability issues and, with the compulsory employer contributions, will have a significant impact on projected cashflow. We will be happy to help you build or adjust your staff benefit strategy to meet the new commitment – should you, for example, factor in the new requirement for an employer contribution when making pay offers in the interim?

If you would like to discuss the implications of auto-enrolment, please contact **Robert Booty** at **robert.booty@wheelers-accountants.co.uk** or call him on **01945 582547**.

National Minimum Wage: a reminder...

1 October 2012 saw some adjustments in National Minimum Wage levels, although the rates for workers under 21 have been frozen.

For workers aged 21 and over, the National Minimum Wage has increased by 11p to £6.19 an hour.

The increase of just 1.8% is lower than the typical rise in earnings as well as lower than the current rate of inflation and are the rates recommended to the Government by the Low Pay Commission.

For workers under 21, the hourly rates are:
Workers aged 18-20: £4.98
Workers aged 16 and 17: £3.68

Apprentices do see a small rise of 5p per hour for their minimum rate, bringing it to £2.65 per hour.

The new rates apply to the vast majority of workers in the UK, but there are a few specific exceptions. These include:

- The genuinely self employed
- Family members working in the family business
- People working and living as part of a family (eg au pairs)
- Voluntary workers

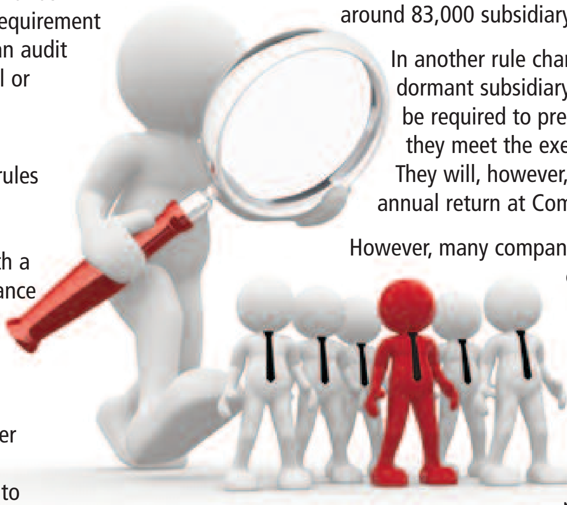
There are new **Agricultural Minimum Wage** rates that also took effect from 1 October 2012:

Minimum rates of pay for Grades 1-6

	Weekly Pay/Week	Hourly Pay/Hour	Overtime Pay/Hour
Grade 1 of Compulsory School Age	-	£3.11	£ 4.67
Grade 1 above Compulsory School Age	£242.19	£6.21	£ 9.32
Grade 2	£272.44	£6.96	£10.44
Grade 3	£298.74	£7.66	£11.49
Grade 4	£320.19	£8.21	£12.32
Grade 5	£339.30	£8.70	£13.05
Grade 6	£366.60	£9.40	£14.10

There are strict penalties for non-compliance with the rules, so if you are unsure about what you should be paying your workers, contact **Helen Garrett** at **helen.garrett@wheelers-accountants.co.uk** or call her on **01945 582547**.

Audit: more businesses exempt under new rules



The Government has removed the requirement to undertake an audit for many small or subsidiary companies.

The old audit rules allowed an exemption for businesses with a maximum balance sheet total of £3.26m and less than £6.5m turnover. Under the new rules which came into effect in October 2012, businesses are exempt if they meet two out of three criteria relating to balance sheet total, turnover and employing no more than 50 staff. Official figures suggest that an additional 36,000 businesses will benefit from this change, allowing them to choose whether or not to have an audit.

In addition, many subsidiary companies are now to be exempt from the audit requirement, provided a range of conditions is met, including a requirement that the parent company gives a statutory guarantee of all the outstanding liabilities to which the subsidiary is subject at the end of the financial year.

The subsidiary company must also be included in the consolidated accounts drawn up by the parent undertaking and the shareholders must unanimously agree to dispense with the audit for the financial year in question. The directors of the subsidiary must also file the parent's consolidated accounts at Companies House.

The Government believes that this will impact on around 83,000 subsidiary companies.

In another rule change, a further 67,000 dormant subsidiary companies will no longer be required to prepare and file accounts if they meet the exemption requirements. They will, however, still be required to file an annual return at Companies House.

However, many companies may still choose to carry out an audit of their accounts to provide them with a strong financial control framework. In addition, an audit may be requested by shareholders holding 10% of the shares or be required under company rules. An audit can play an important role in securing finance for the business and can provide reassurance at times of change – when key financial personnel leave, for example – or when financial results are not aligned with expectations.

It is possible to have an assurance report on your accounts, which is a halfway house between a full statutory audit and no audit.

If you would like to discuss whether or not your company should have an audit, please contact **Andrew Cave** at **andrew.cave@wheelers-accountants.co.uk** or call him on **01945 582547**.

Where are your **Pension Savings**

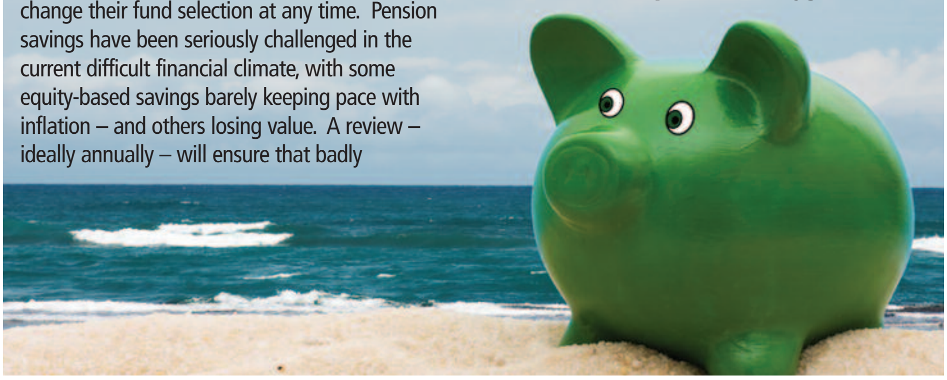
According to a new report, a worrying two in five adults have no idea where their pension savings are invested. Not only that, around 45% non-retired people in the UK have never reviewed their pension plans.

In this world of comparison websites and online reviews, we are used to shopping around for goods and services and switching to another product if a better deal is offered. However, it would seem that pension savings have dropped below the horizon for large numbers of UK adults. For some reason, many feel that pensions are untouchable, but this is far from the case.

Every individual who has a pension savings fund can choose where that fund is invested – and can change their fund selection at any time. Pension savings have been seriously challenged in the current difficult financial climate, with some equity-based savings barely keeping pace with inflation – and others losing value. A review – ideally annually – will ensure that badly performing funds are removed from your portfolio as necessary.

Our associates at Almary Green Independent Financial Advisers will provide a full review of your retirement planning and will adjust your portfolio to meet both your needs and to reflect market conditions. They can ensure, for example, that your savings are not in high risk funds as you approach retirement, giving some protection against a drop in values at the very time you wish to turn your savings into income in retirement.

To discuss your pension arrangements and arrange for a pension review, call **Jim Duvall** or one of his colleagues at **Almary Green** on **01945 429518** or email them at **enquiries@almarygreen.com**.



Child Benefit Tax Encourages Pension Savings

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Therefore, if a high earner with a gross income of over £50,000 makes a significant contribution to his or her pension fund, the tax charge on child benefit could potentially be mitigated. Not only that, the pension contribution will also attract income tax relief, adding further value to the contribution.

However, those with incomes far above the thresholds should remember that there is an upper limit on the amount that can be paid into a pension scheme in a given year and attract tax relief. The annual allowance currently stands at £50,000. In addition, there is a limit on the amount that can be accumulated in pension savings in the course of a lifetime above which a tax charge is levied. The Lifetime Allowance is currently set at £1.5 million, so is unlikely to affect the vast majority of pension savers.

Currently, families receive child benefit payments of £1,055.60 a year for the eldest child, with a further £696.80 a year for each additional child. This could mean a loss of benefits of up to £2,499.20 a year for a family with three children under 16, for example.

The new rules apply if a parent or the partner of a parent living in the same household earns in excess of the new limits – even if the high earner isn't the person claiming the benefit or isn't the parent of the children in question.

It is feared that the new tax could prove problematic in some families, particularly in households where the income of one partner far exceeds that of the other or where one partner prefers to keep their financial information secret from the other.

High earners who still find themselves with an adjusted net income over the £60,000 limit can opt either to stop claiming the benefit altogether, or to claim the benefit and have HM Revenue & Customs claw it back through the self-assessment process.

The full impact of this new tax will not be felt until the 2013/14 tax year as only the benefit entitlement after 7 January 2013 will be subject to a tax charge in 2012/13.

If you have any questions about how the Child Benefit Tax will affect your family income, please contact **Mary Plant** at **mary.plant@wheelers-accountants.co.uk** or call her on **01945 582547**.

Real Time Information

The date at which most employers must start passing live PAYE data to HM Revenue & Customs (HMRC) is fast approaching. Come to a Wheelers RTI Seminar to ensure you're ready for the big switch-on.

In the last edition of Wheelers Words, we looked at this project in detail, but in essence, from April 2013, the vast majority of employers will need to be ready to send live online information to the taxman on every payday. In order to do this, employers will need to have prepared their systems and their staff records to allow the transactions to be properly matched to HMRC records.

If you already run a computerised payroll system, once the initial record matching process has been undertaken, RTI transmission will simply mean a press of a button each payday. However, those employers with manual systems or who have a complex payroll set-up may find compliance difficult.

To help you ensure you are ready for this brave new world, we are planning two RTI Seminars on **Thursday 6 December** and **Friday 7 December 2012**. For more details of the seminars, see the flyer enclosed with this newsletter.

If you use a payroll bureau such as Wheelers, your provider should be on target to provide the data when it is needed. At Wheelers, we're ready, so if your provider isn't, come and talk to us. Contact **Helen Garrett** at **helen.garrett@wheelers-accountants.co.uk** or call **01945 582547**.

Staff News

We're delighted to welcome a new member of staff to the team: **Ann-Marie Talton** has joined as a Trainee Accountant. Ann-Marie recently left Spalding High School having achieved A Levels in Business, Maths and Product Design with excellent grades.

Partner **Robert Booty** and his wife **Emma,** who is a Corporate Manager with the firm, have recently celebrated the birth of their son, **Samuel**.

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