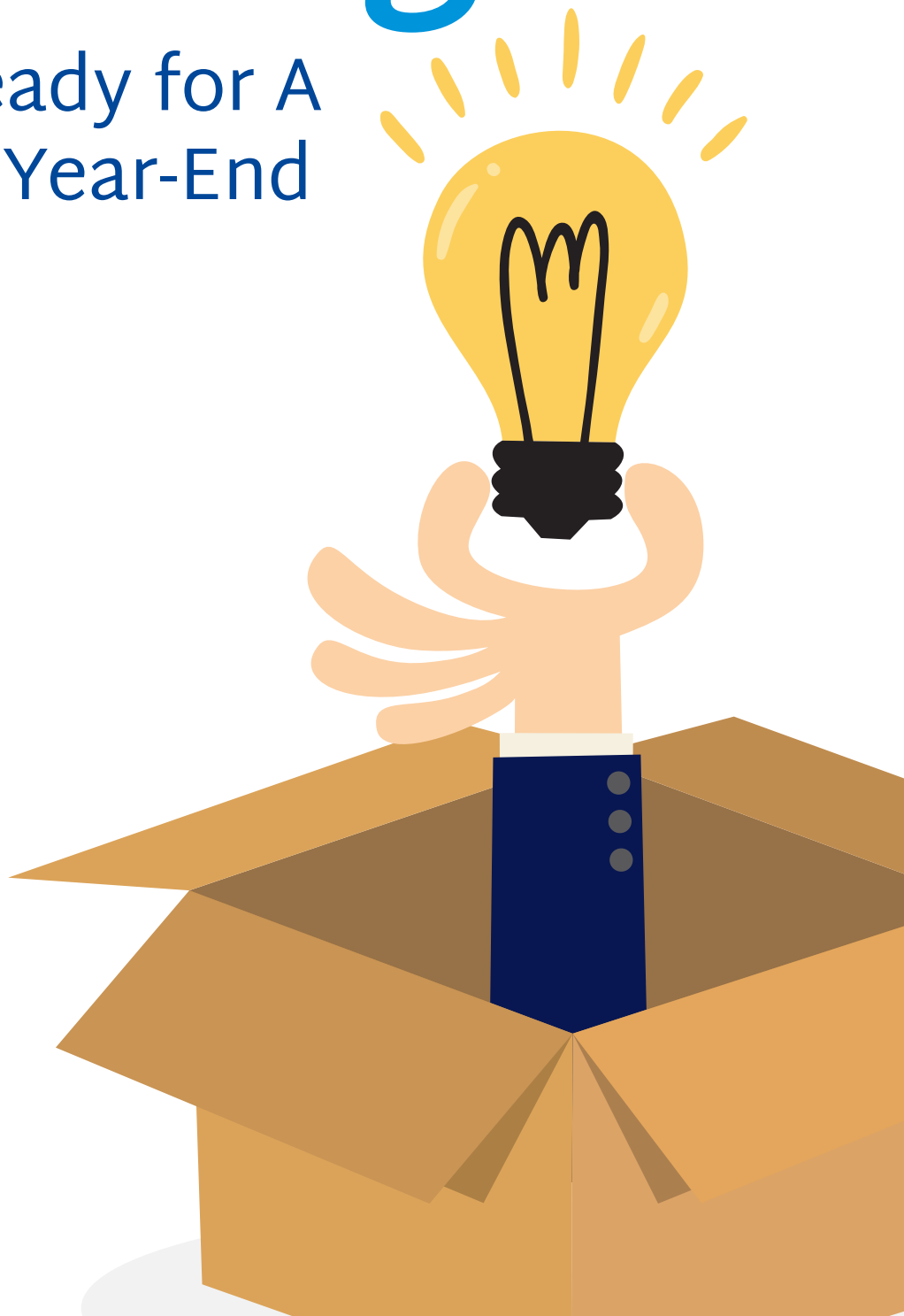


Proactive Business Planning

Getting Ready for A
Profitable Year-End



Your year-end date is just a few months away and we're here to help you get your company in the best possible shape.

Please do not delay. There are important areas you need to address now to ensure you're ready for your year-end date.

Your filed accounts will be a window into your company for lenders, suppliers and potential partners. They must see your business in the best possible light – the key to achieving that is in proactive planning.

This workbook takes a holistic approach to planning, factoring in all aspects of your business and goals. We will walk you through the key areas you need to review ahead of your year-end to ensure your business:

- Has maximum cash reserves
- Reduces liabilities
- Minimises tax bills
- Claims all available allowances
- Delivers the remuneration package you need, tax-efficiently
- Gets you ready for another successful trading year

In each section we have suggested some actions and made space available for you to note your own, taking into account your personal circumstances.

Our client managers are here to support you. Call us on **01923 800444** or email your client manager directly.



1. Your Bank Balance

The bank balance displayed on your year-end accounts should reflect a healthy, well-managed business. Chasing those stubborn debtors, being conservative on stock purchases and taking a balanced view on capital asset purchases are just a few ways to improve your bank balance quickly.

Action List	Assigned To	Due Date	✓
Get a list of debtors.			
Call each one (or delegate this task) • Be sure to ask if there are any reasons the invoice has not been settled. • Ask for payment to be made by return. • Explain your late payment policy.			
Review your list and agree on next steps of any persistent late payers.			
Agree with your team purchases for the next 3 months. Be as lean as possible.			
Make a list of planned capital asset purchases. Agree with your team if these can wait. *Be sure to share this list with us in good time – we can advise if it's more prudent to purchase pre or post year-end, balancing your tax liabilities with your business goals and aspirations.			

Your Notes

2. Bad Debt Provision

By chasing your debtors early, you will know which are likely to turn into bad debts. Acting early and consistently will ensure that bad debtors do not go unchecked – and end up costing you more. You will reduce your Corporation Tax liability by identifying bad debts before filing your accounts.

Action List	Assigned To	Due Date	✓
Review your persistent debtors.			
What further action could you take to recover the debt?			
If any are likely to become (or already are) bad debts list them below.			

Bad Debtors List

Company Name	Total Owed (excl. VAT)

Your Notes

3. Current Assets and Liabilities

Compare your current assets and liabilities with last year – have they improved? Start thinking early about ways you can further enhance this. Taking proactive steps to improve your credit rating will make you a low-risk prospect to lenders and more attractive to suppliers, helping you to secure better terms.

Action List	Assigned To	Due Date	✓
Review your balance sheet and compare your current figures with last year.			
Agree on action steps.			

Your Notes



4. Stock Levels

An annual physical stock check is essential, more frequently for some businesses. If you are losing stock to pilferage you need to tighten up security – it is no different to someone taking money out of your wallet. If you are carrying more stock than you need, you are locking up cash in physical goods – and then paying to insure them! Streamlining your stock control will improve the health of your business.

Action List	Assigned To	Due Date	✓
Perform a complete stock check.			
Agree where you are over-stocked and adjust your planned purchasing.			
If your stock is low, consider when you will need more and if you can reduce the volume of each order – this means less cash is locked up in stock.			
If you're losing stock to pilferage, damage or for other reasons consider security, processes and procedures to reduce this.			

Your Notes

5. Estimate Corporation Tax

Your Corporation Tax is accounted for on your year-end date. While the monies are not due for 9-months if you have not provisioned for the payment your balance sheet will look weaker than it otherwise might. This would reflect very poorly in the eyes of investors, lenders and suppliers. Consider this early and plan out how to put funds in place.

Action List	Assigned To	Due Date	✓
To quickly estimate your Corporation Tax run the profit and loss report in Xero. 20% of the Profit after Taxation number is your approximate Corporation Tax liability.			
Do you have these funds available in your business?			
If yes, great. If not, then consider ways to bolster your cash reserves before your year-end.			

Your Notes

6. Reserves and Retained Profit

A factor in calculating your credit rating will be your reserves and retained profit. Compare your numbers to the previous year – do you expect to see an improvement or a decline in your credit rating as a result? Doing this early allows you to take action to ensure you are always maintaining or improving your score.

Action List	Assigned To	Due Date	✓
Review your balance sheet and compare your current figures with last year.			
Agree on action steps.			

Your Notes



7. Fixed Assets and Opportunities to Make Use of Annual Investment Allowances

Should you invest in fixed assets before your year-end to reduce your tax liability? Consider the impact this will have on your balance sheet. This is a strategic decision and should not be based solely on the calculation of tax. Never let the tax tail wag the dog.

Action List	Assigned To	Due Date	✓
Decide on your primary objective for your year-end, e.g. • Healthy, cash-rich business which is attractive to lenders. • Extra-lean, tax-efficient business. • Other?			
Make a list of your planned capital purchases (or use the one created in section 1)			
Decide if the purchase should occur pre or post year-end.			
Work out the best way to finance any proposed purchases and if you're not sure contact your client manager."			
Identify which purchases will qualify for the Annual Investment Allowance and which will qualify for Writing Down Allowances instead.			

Your Notes

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8. Investing in Tax Efficient Electric Cars

Electric cars will see zero, or very low, Benefit in Kind (BIK) tax in 2020. This changes the advice we have given in previous years for tax efficiency, where BIK negated the tax efficiency of purchasing your car through your business but be aware that electric vehicles are not cheap, and range can be an issue so analyse the options strategically.

Action List	Assigned To	Due Date	✓
Decide if you will upgrade your car this financial year.			
Consider if an electric car is suitable for your needs, consider the vehicle's range (distance), availability of charging points, the cost of exiting existing lease arrangements, insurance costs and the purchase price.			
Consider the models available that are to your taste and within your budget.			
Discuss the BIK implications with your client manager.			

Your Notes

9. Leasing Commitments

If you have leasing commitments that are due to renew, consider the impact of an improved (or worsened) credit rating in your negotiations. If you expect an improvement in your credit rating, it could serve you well to wait, if possible, to secure your new contract. Regular reviews of your leasing commitments should be done throughout the year, with the associated costs updated in your budget.

Action List	Assigned To	Due Date	✓
Make a list of all leasing commitments and the date they are to be renewed.			
Contact vendors to check if renewals can be agreed early.			
Research alternatives to get comparable quotes in advance.			

Your Notes

10. Revaluation of Owned Properties

If you own your property, you can strengthen your balance sheet with a re-valuation. Reflecting the current market value of your building will increase the value of the fixed assets on your balance sheet and look good to anyone viewing the financial strength of your business.

Action List	Assigned To	Due Date	✓
Make a list of your properties and when they were last valued.			
Arrange for a market appraisal from at least two reputable local agents.			

Your Notes

11. R&D Claim Eligibility

If you can claim for research and development, start early.

The process generally includes evidence of staff costs, i.e. the percentage of their time invested in R&D, as well as other documentation to support your claim. The best time to collate this information is at the time of the project.

Action List	Assigned To	Due Date	✓
Make a list of all research projects you have conducted (or plan to conduct) in the current financial year.			
Calculate all associated costs – don't forget an allowance for staff time invested in the project.			
Collate supporting documentation for your claim.			
Start the claim process early so you are ready for your year-end.			
If you're not sure how to do any of this, contact your client manager for assistance.			

Your Notes

12. Your Director's Loan Account Balance

You will face additional tax liabilities and National Insurance contributions if your Director's Loan Account is overdrawn. If you are in credit, you can consider making a withdrawal.

Action List	Assigned To	Due Date	✓
Check the balance of your Director's Loan account.			
If your account is overdrawn, consider depositing personal funds to cover the shortfall.			
If your account is in credit discuss the most tax efficient way to draw funds from the business with your client manager.			

Your Notes

13. Mileage and Personal Expenses Not Yet Claimed

Small purchases are often overlooked and forgotten. Having a system in place to claim for personal expenses and mileage throughout the year is the most efficient way to ensure you reclaim everything you are entitled to. If you have overlooked this, start now and get your claims up to date.

Action List	Assigned To	Due Date	✓
Raid your desk, car, drawers – wherever those receipts could be hiding and get them processed.			
Review your calendar – are there external meetings you should have claimed mileage for?			
Put a system in place to ensure future expenses are claimed regularly, or better still, paid for by the company in the first place.			

Your Notes

14. Deferred Income

This is when your business has received money but isn't yet delivering on the service – i.e. it's a payment in advance. You are therefore able to defer the income and treat it as being received in a later accounting period.

This does impact your profitability and your Corporation Tax bill.

A good example would be an event management business. Events are planned months or even years in advance. Payments are received prior to a year-end that may not relate to the actual event for several more months. Those figures will be recognised in the correct period for which they relate to, i.e. the period in which the event takes place, and other associated costs are incurred.

This helps to report your profitability accurately, and you will only pay Corporation Tax on the income that you need to.

Action List	Assigned To	Due Date	✓
Identify all payments received that relate to future work or events			

Your Notes

15. Prepayment and Accruals

Prepayments and accruals impact your profitability, tax liabilities and reserves you will have in the business. Both affect the way you plan your business finances for the year ahead.

Insurance is a good example of where a prepayment is required. For example, in month 9 of your financial year, you pay Public Liability and Professional Indemnity insurance, in full, for the year ahead. Only 25% (3 months) of the cost should be considered in your current financial year. A prepayment will be used to show the remaining 75% (9 months) of the cost falling into the subsequent financial year. This impacts your net profit, and therefore your Corporation Tax liability.

Accruals are used for purchases relating to the current tax year, which will not be paid until after your year-end. A good example is your accountancy fees and Corporation Tax.

Action List	Assigned To	Due Date	✓
Make a list of all anticipated prepayments (a good place to start is your previous accounts)			
Make a list of all anticipated accruals			
Check insurance policies – have any new policies been purchased this year?			
Put a system in place to flag any future purchases where a full year is paid mid-way through your financial year			

An important note:

If you are not currently a Meades Group client, do you think your accountant should be doing this for you? If you do, you're right. Unlike most accountancy practices, we price our services based on the quality of the accounting records presented, so if our clients complete this information for us our fees are reduced. If your accountant doesn't do this – let's talk, call the team on **01923 800444**.

Your Notes

16. Work in Progress (WIP)

In preparation for your year-end, you need to apply a value to work you are currently undertaking, where the income from and/or the execution of that work will span more than one accounting period (financial year).

Not all businesses have work in progress (WIP). WIP is most relevant for companies where work is project-based, where projects run over long periods. A good example is the construction industry.

The business is required to apply a value to work they have completed up to the end of the current financial year, which is reported in their annual accounts. This figure is used in the calculation of profits for the year and therefore has an impact on the Corporation Tax due.

Action List	Assigned To	Due Date	✓
Review all current projects			
Identify those that will span two or more financial periods			
Review the income from those projects and calculate a value for the work completed to date			

Your Notes

17. Scope for Additional Pension Premiums

Pension contributions are one of the most tax-efficient ways to extract money from your business, for your benefit. If you have surplus funds that are not required to fulfil your personal financial goals or commitments, we recommend additional pension premiums. Calculating this in advance will give you time to compare different options, from the perspectives of tax-efficiency, having cash available to you and growing your pension fund.

Action List	Assigned To	Due Date	✓
If your earnings are likely to exceed £50k consider a pension contribution			
Check when your pensions were last reviewed and book an appointment with your IFA if required. We will be happy to refer you to a trusted IFA if you do not already have one.			

Your Notes

18. Using your Home as an office

You might overlook this as it is just £18 per month per business, but it is tax-free. We make sure you claim for everything you legally can.

Action List	Assigned To	Due Date	✓
Are you using your home as an office?			
How many businesses do you run?			
Could you setup a monthly standing order to mark this as done next year?			

Your Notes



19. Director's Remuneration

Will your previous years' remuneration be enough to meet your expectations, commitments and aspirations for the year ahead? Will you be impacted by changing tax rates? Do you need to increase your remuneration to meet the demands of school fees, mortgages or other personal costs? Can your business support additional remuneration or do you need to adjust?

Action List	Assigned To	Due Date	✓
Make a list of personal commitments in the year ahead (use the space below).			
Will your previous year's remuneration be sufficient? ☐ YES ☐ NO			
Discuss with your client manager how you can increase your remuneration tax-efficiently, if needed.			
What will be your personal tax bills on next years income and when will the tax bills be payable?			

Personal commitment	Funds required (£)	Needed by (date)

Your Notes

20. Staff Bonuses

Paying bonuses before your year-end will give you the benefit of a reduction in Corporation Tax. However, it could also negatively impact your balance sheet. You might need to consider paying bonuses later to protect your credit rating.

Action List	YES / NO	Due Date	✓
Are staff bonuses scheduled ahead of your year-end			
If yes, could they be paid after your year-end?			
If no, could they be paid before your year-end?			
Do staff bonuses motivate your team, or would time be a more motivating factor? Have you asked them?			

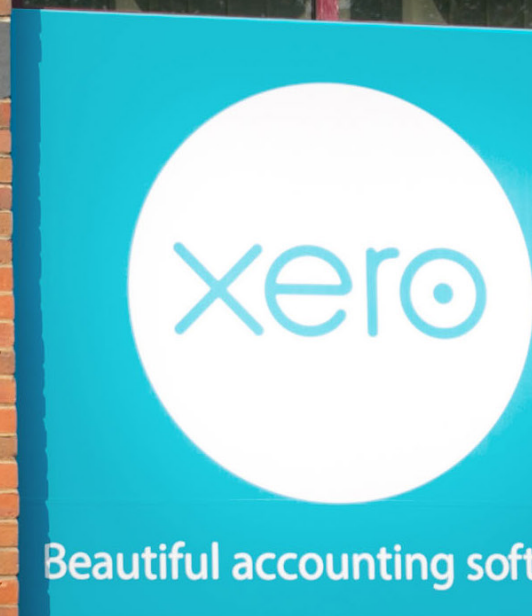
Your Notes

21. Budget for Next Trading Year

Creating your agenda for the next 12 months of trading is one of the most powerful ways you can set about reaching your business goals. We recommend sharing some of this with your team, so they know what they are accountable for and how their contribution impacts the whole organisation and what the rewards will be.

Action List	Assigned To	Due Date	✓
Export your current financial year from Xero and use this as a basis to plan for the year ahead. If you're unsure how to do this, you can see Paul's explanation here: http://bit.ly/37MTjZE			
Import your budget into Xero.			
Share relevant parts of your budget and plan with your team.			
Update your budget for the latest numbers you know about.			
Review and flex your budget every month so that you can see if your business is on the up (time to celebrate) or on the way down (time to take action).			

Your Notes



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