

BUSINESS FINANCE & ACCOUNTING FREQUENTLY ASKED QUESTIONS.



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1. HOW DO I KNOW IF I SHOULD REGISTER MY BUSINESS?

If you are able to answer yes to any of the points below then it's probably time to register your business.

1. You have earned or plan to earn more than £1,000.

Please note: You are able to earn up to £1,000 without having to register with HMRC as self-employed.

2. You are regularly engaged in sales for the sake of profit.

If you are in the business of making pure profit you should ideally be registered.

3. You are providing services or earning a commission for promoting someone else's products or services.

4. If you need to be able to prove to banks and other institutions how you make your income. For example, if you want to obtain a business loan, you need to show the lender how you make money.

2. WHICH COMPANY REGISTRATION IS BEST FOR ME?

a) Self Employed/Sole Trader:

What is it?

An individual working for themselves entitled to all the profits and income of the company.

Advantages

- The individual is entitled to ALL the profits of the business after expenses and tax.
- There is only one organisation to report to - HMRC for self-assessment and tax.
- Generally cheaper to run/manage from an administrative perspective.

Disadvantages

- The Companies finances and liabilities are NOT separate from the owner.
- You can/will be personally affected if your company is sued/taken to court or any negative thing happens.
- You CANNOT be an employee in your company or take a "salary" therefore it cannot be an expense.
- You CANNOT claim VAT Exemptions

WHICH COMPANY REGISTRATION IS BEST FOR ME? *(cont.)*

b) Limited Company:

What is it?

A company owned and managed by one or more Directors, who each hold/own one or more shares in the company.

Advantages

- The Companies finances and liabilities are separate from the owners.
- The company can have one or more directors to share the responsibilities.
- Can be eligible for VAT Exemptions
- Can appear more professional
- Can allow you to pass on assets to family members via shares.
- May give you access to more grants and other funding.

Disadvantages

- Higher administrative burden reporting to HMRC & Companies House.
- The profits of the company are subject to tax AS WELL as directors earnings.
- Generally more expensive to manage.
- The money/profits of the business belong to the company not you as an individual therefore must be formally "withdrawn" if you are to spend from it.

3. WHEN DOES YOUR BUSINESS NEED AN ACCOUNTANT?

1. If you DO NOT know how to register your business.
2. You are UNABLE to calculate the businesses income & expenses.
3. You are unfamiliar with the HMRC tax return submission system.
- 4, You are UNABLE to or DON'T understand how to complete your tax returns.
5. You need to complete your business's year-end financial reports (Income statement & Balance sheet) for submission to companies house.
6. To help you with other (non-legal) financial calculations and submissions. For example, if you need to produce a financial history or forecast report as part of your business plan, or to apply for funding.
- 7.You are ready to delegate and need to give yourself more time.

4. DO I NEED TO REGISTER AND OR COMPLETE A SELF-ASSESSMENT?

Those required to register for Self Assessment include:

1. Limited company directors
2. Limited company shareholders
3. Self-employed individuals and sole traders earning more than £1,000 per annum
4. Members of limited liability partnerships
5. Partners in a business partnership
6. Anyone who receives income from:
 - a) land for property in the UK
 - b) tips and commission
 - c) dividends, investment, or savings
 - d) non-UK sources
7. Persons earning more than £100,000 p.a.
8. Individuals who wish to claim certain Income Tax Reliefs.
9. Anyone who has to pay Capital Gain Tax

5. WHAT EXPENSES I CAN/CANNOT CLAIM AS A SELF EMPLOYED PERSON?

a) Self-employed people can claim the following business expenses:

1. Accountancy Fees
2. Accommodation expenses whilst on business travel
3. Bank charges, credit card costs and financial charges
4. Business Insurance policies
5. Business mileage

WHAT EXPENSES I CAN/CANNOT CLAIM AS A SELF EMPLOYED PERSON? (*cont.*)

a) Self-employed people can claim the following business expenses:

6. Business rent, rates and security
7. Employee expenses (but not your salary as the company owner)
8. Eyesight tests
9. Fixed assets - e.g. equipment and office furnishings
10. General office costs and business purchases
11. Legal and other professional fees
12. Marketing, advertising and public relations
13. Professional fees and subscriptions
14. Telephone, mobile & broadband expenses
15. The use of your home office.
16. Training expenses - (must be directly related to the income which is currently being generated by your business)
17. Travel and subsistence
18. Work uniform and/or protective clothing

However, in the case of all of these expenses, they must be incurred '**wholly and exclusively**' for the cause of your business.

If any of the expenses have a personal and business element (dual purpose) you can only claim for the %/£amount that equates to how much of it was used for the need of the business. In such a case there would need to be clear evidence of this.

If you do not have receipts and/or accurate records you may be able to claim standard flat rates for some of these expenses via the **Simplified Expenses** system set up by the HMRC

WHAT EXPENSES I CAN/CANNOT CLAIM AS A SELF EMPLOYED PERSON? (*cont.*)

Business losses from previous years.

You can bring forward losses from the previous financial years* which will offset against your profits for the current financial year.

This could potentially decrease the tax you may need to pay in a year. Please disclose this to your accountant as part of the information you provide in your self-assessment.

**Receipts and evidence of payments from previous years will need to be retained.*

6. WHAT I CAN/CANNOT CLAIM VIA MY LIMITED COMPANY BUSINESS?

a) Expenses you CAN claim:

1. Accountancy Fees
2. Accommodation costs and expenses for business travel
3. Advertising, marketing and PR expenses
4. Bank credit card and other financial charges - (for accounts in the name of the business only)
5. Business Insurance
6. Business mileage, Car, Van and Travel expenses - for getting to a **temporary** place of work not for 'ordinary commuting'.

WHAT I CAN/CANNOT CLAIM VIA MY LIMITED COMPANY BUSINESS? (*cont.*)

These will include:

- a) vehicle insurance
- b) *repairs and servicing*
- c) *fuel*
- d) *parking*
- e) *hire charges*
- f) *vehicle licence fees*
- g) *breakdown cover*
- h) *train, bus, air and taxi fares*
- i) *hotel rooms*
- J) *meals on overnight business trips*

7. Charitable Donations

8. Annual staff event - (£150 per head)

9. Employee salary costs & expenses

10. Equipment expenses

11. Annual healthcare check-ups and Eye tests

12. Fees and expenses of forming your limited company

13. Fixed assets; purchase and disposal

14. Other office costs and purchases

15. Gifts and trivial benefits - That meet the following criteria

- a) cost less than £50
- b) is not cash or a cash voucher
- c) is not a reward for work/performance
- d) is not included in their contract.

WHAT I CAN/CANNOT CLAIM VIA MY LIMITED COMPANY BUSINESS? (*cont.*)

16. Legal and other professional fees.
17. Mobile phone, landline and broadband expenses
18. Pensions (annual limit of £40,000 applies)
19. Professional fees and subscriptions
20. Training costs - that improve on existing skills not for MBA's or courses that offer new skills and knowledge
21. Travel and subsistence
22. Use of your home as an office - (£6p/w or £312per year)
23. Work uniform and/or protective clothing

In the case of all of these expenses, they must be incurred 'wholly and exclusively' for the cause of your business.

With relevant records kept were necessary.

b) Expenses you CANNOT claim:

1. Childcare costs and expenses (there are other government schemes for this)
2. Entertainment expenses

Business losses from the previous years.

Any previous year losses will automatically be brought forward as part of your company accounts production.

You do not need to take any further action.

YOU MADE IT THIS FAR!

I do hope you found the document useful in helping to answer your questions and provide clarity regarding your business finance and accounting needs.

Are you ready to work with Benedicta and the BeniRatio Finance Team?
Click the button below

SCHEDULE A CALL!

