

Tax Tips For Improved Cash-Flow

In partnership with the Joint Taxation Committee for Construction (JCT), ACE presents a selection of useful tips to improve your cash-flow during the current recession.

TAX PAYMENT HELPLINE

Always know the deadlines for paying tax. If you think you can not pay on time phone HMRC Business Payment Support Service Helpline on 0845 302 1435 and arrange a payment plan. This will mean that you will not be penalised and there will be no 'blots' on your record for CIS purposes. HMRC can discuss staging the payment of PAYE, CIS, Corporation Tax, Income Tax, VAT and NIC. They can be surprisingly reasonable when they are talking to a taxpayer who is planning ahead. If contacted in advance they can waive late payment surcharges although interest will apply from the due date.

CONSIDER CASH ACCOUNTING

You can use the cash accounting scheme if your turnover is likely to be less than £1.35 million in the next tax year. It allows you to only account for VAT when you are paid and to only recover VAT when you pay. This leaves you more in control of your VAT liabilities.

CONSIDER THE FLAT RATE SCHEME

If your turnover is £150,000 or less and the value of your VAT purchases is less than 10% talk to your accountant about whether the flat rate scheme would give you an advantage. You would collect VAT at 15% from customers but would only pay probably 8.5% to HMRC (7.5% in the first year you were in the scheme).

You would not recover any VAT on your purchases. The scheme simplifies accounting for VAT so there are less hours struggling with a VAT return and can pay dividends for small traders whose contractors provide the substantial materials

STAGED OR INTERIM PAYMENTS

If you work on contracts that provide for interim or staged payments make quite sure that you are only applying for these payments and not issuing a full VAT invoice. If you invoice you must account for the VAT whether or not you are paid. If you simply apply for payment you are allowed to account for VAT when the money is received and not before.

TALK TO YOUR ACCOUNTANT ABOUT THE VALUE OF ASSETS

Many firms show values for land and buildings that are entirely out of date. They also overvalue closing stocks of materials, equipment ,and tools . A recession is a suitable time to give the values of assets some thought. Similarly you may find that your work in progress will need careful scrutiny – it is likely to be less valuable than it was.

REVIEW OLD RETENTIONS

Many firms draw up accounts which show retentions to be released in the future. They then do not review the figures – and collect them –or write them off. Many main contractors hold large reserves of unclaimed retentions. You might have retentions that you could pursue.

POLISH YOUR CIS GROSS PAYMENT STATUS

If you are gross paid for CIS purposes make sure that you keep your status. Check that your CIS returns are going in on time and that all tax is paid on time. If you cannot pay any amount of tax at the right time, phone the Helpline in (1). If HMRC stages the payment for you they will not remove your gross payment status.

DISCOUNTS FOR FAST PAYMENT

If you offer discounts for fast payments, do you reduce your VAT charged on the invoice so that you only charge VAT on the discounted amount. This is the correct treatment –and the VAT does not go up even if the customer does not pay within the time frame. This can help with VAT when dealing with the public.

TAX PAYMENTS BY BACS or CHAPS

HMRC allow a longer period for payment if you pay by electronic means – this can be a definite cash flow advantage. A cheque in the post must arrive by the 19th; an electronic payment has until 22nd to reach HMRC – three more days twelve months a year. Worth Having!