



Business Growth Accountants

Strategy ~ Accountancy ~ Tax



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Accountant warns SMEs to start planning now for next year

A leading North West accountant is issuing a rallying cry to business owners, including manufacturers, to start planning now for the new raft of tax hikes effective from April 2010 - including the controversial 50 per cent top rate of income tax.

Merseyside based Woods Squared director Alan Woods said entrepreneurs are viewing the tax increases with 'a sense of dread' but advised careful planning could stop the tax pain for both the individual and the business.

"Small firms must grow to survive," he said. "These tax hikes are a threat to that principle. Our strong advice to directors of small firms is to take expert accountancy planning advice now. The business must be focused on growth and being tax efficient is fundamental to this. However it is not always straight forward for smaller businesses to achieve tax efficiency as often they are not finance experts. And as many traditional accountants tend to be more reactive than proactive it is easy to get stung.

"There are a number of solutions to reducing the tax take. For example, tax on dividends is going up 10pc to 42-and-a-half per cent. So we can look at alternative forms of payment to the salary and dividend approach. Simple measures like this can go a long way to saving business owners a huge amount of tax."

Woods warned business owners that it is not just those earning above the headline rate who will be hit with tax hikes.

"The Government is withdrawing tax free allowances for anyone earning over £100k meaning those earning between £100k and £113k pay an effective tax rate of 60 pc," he said. "Higher rate pension relief will also disappear from 2011. So for business owners looking to make pension contributions it is worth planning to put more money into the pension pot now while the higher rate relief is still there.

"The key to success with business finance is proactive planning. And that is what we do. Woods Squared acts as a virtual finance director and business growth specialist for small businesses. That means planning finances and understanding how the tax game works."