

# FAQ's General



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## GENERAL FAQ's

### Q. What is a UTR number?

UTR stands for Unique Taxpayers Reference number. This reference is a unique 10 digit ID issued by HMRC and will be quoted on all correspondence from them. This number is used by HMRC to identify you and your associated tax affairs.

### Q. How long do I have before I must register with HMRC once I start trading?

You must notify HMRC within three months to avoid a £100 penalty. If you are approaching this deadline, please contact us and we will complete this form on your behalf.



### Q. Do I have to have a separate bank account?

There is no legal requirement for you to have a separate bank account and while it may be tempting to start your new business without one, regardless of whether you are a sole trader or a limited company, it is important to separate your business and personal finances. It makes it much more difficult to manage your business successfully without one.

### Q. What should I think about when starting up a business?

Starting up a new business is both an exciting and worrying time. Please see this link for our free download: -

<http://www.phaccountancy.co.uk/resource-centre.html>

**Q. When do I need to get my books and records in once my year end has passed?**

If you get your books and records into us as soon as possible after your year has passed so that we can prepare the accounts. The sooner we can prepare your accounts, the sooner we can identify any tax savings that can be made and gives you the maximum time possible to prepare for any tax that is due to be paid.



**Q. I've stopped trading now, do I still need to produce a set of accounts?**

Yes, you do. You will still be required to submit accounts for the period you have traded up to. You should therefore ensure that you provide us with all your books and records as soon as possible so that we can prepare your cessation accounts and make sure that everything is up to date and correct.

**Q. When do we receive our books back after you have completed our accounts?**

Once we have completed your accounts and you have paid your invoice, we will send your books back to you. This may not be straightaway as we hold on to them and then courier them back in bulk.

## **Q. How long do I have keep records for?**

If you are self-employed, HMRC state that you must keep your records for at least 5 years after the 31<sup>st</sup> January submission of the relevant tax year. For a limited company, HMRC say you must keep records for 6 years from the end of the last financial year that they relate to. In both cases, you might need to keep your records for longer if for example, you have filed tax returns late.

<https://www.gov.uk/self-employed-records/how-long-to-keep-your-records>

<https://www.gov.uk/running-a-limited-company/company-and-accounting-records>

## **Q. How secure is your online accountancy software?**

Our software is provided by one of the largest software houses in the UK and is similar in structure to that of large banks. Simply put, it is about as secure as it can be.

## **Q. Can I have my HMRC login references and passwords?**

No, we only have agent login details and if you want to view your HMRC account online you will need to register for your own account.

## **Q. How should I calculate a claim for use of part of my home as an office?**

First, work out the typical costs of running your home in a year, including, for example, rent or mortgage interest (do not include the capital element of repayments), utility bills, insurance, council tax and repairs and maintenance. Then apportion those costs amongst the number of habitable rooms in your home, such as reception, dining, and bedrooms. If you have a single room set aside as an office, then you may claim that room's proportion of overall household costs as an expense within your business. If your business only operates, say, three days each week then consider whether it's appropriate to reduce your claim proportionally.



**Q. I'm a self-employed sub-contractor and I've been awarded a contract which requires me to work on a site some distance from home for an extended time. Can I claim the cost of travel and subsistence getting to and from that site each day?**

Travel to-and-from a permanent place of employment is not an allowable expense. If the terms of the contract extend beyond 24 months then the site is automatically deemed to be a permanent place of employment so HM Revenue and Customs will not allow a claim for travel and subsistence. If the contract was initially for less than two years, but is at some point extended beyond 2 years, then you must cease claiming as soon as you become aware of the extension. However, the rules are complex and there is some opportunity for leeway if you trade through a limited company, so consult your accountant if you find yourself in this position.

**Q. What is capital gains tax?**

Capital gains is the tax you pay when you make a profit by way of selling assets, for example, shares or property. Your capital gains tax may be reduced by tax-free allowance and some additional reliefs.



**Q. Can I have my HMRC login references and passwords?**

No, we only have agent login details and if you want to view your HMRC account online you will need to register for your own account.

## **Q. How do I know if I am making a profit?**

A profit is the sum of all business sales less all expenditure. It is an important measure of business strength and is used to work out tax. In our opinion, a business should be looking at their profitability at least monthly to avoid any surprises come year end.



## **Q. What is a cash flow forecast?**

A cash flow forecast is an estimate of the amount of money you expect to flow in and out of your business and includes all your projected income and expenses. A forecast usually covers the next 12 months, however, it can also cover a short-term period such as a week or month. Regular review of your expenses will allow you to predict future expenditure and a full appreciation of your marketing plan and an order book will allow you to predict your sales income. A cash flow forecast will allow you to plan for large payments e.g. VAT payments, corporation tax payments or the purchase of new capital items (computers, vehicles etc.)

## **Q. What is the difference between financial accounts and management accounts?**

Financial accounts are the formal accounts produced by your accountant to present to stakeholders, HRMC, and Companies House whereas Management Accounts are reports produced more frequently and are for internal purposes only (the Management). The usual management reports include a profit and loss statement of actuals which are then compared to a budget or forecast to inform the management team if they are on track to meet forecasted goals. Also, Key Performance Indicators (KPI's) can form a management report which could include items like average sales values, debtor days, staff performance etc.

## **Q. How can I get my business valued?**

We can assist you with this by running through your accounts and analysing items which will form the basis of your company valuation. We would show you how this valuation is calculated as well as making recommendations to make it more attractive to potential buyers.



There are some online calculation services which offer something like this however, quite often these will overvalue your business so that you will use the agency who has supplied the calculation service.



## Q. What is R&D tax relief?

The R&D Tax Relief Scheme is the single biggest funding mechanism for small businesses investing in innovative projects. It rewards companies conducting self-funded R&D work, regardless of whether they are in profit or loss. HMRC statistics show that 16,160 small companies received an average £49,505 in cash payments or tax relief from this government scheme.

Typical R&D projects include in-house software development, engineering design, new product development, solving manufacturing problems and developing new processes. However, estimates indicate that 90% of eligible businesses are unaware they can claim.

To access R&D tax relief, a company needs to prove to HMRC that their technical innovation meets the current legislation and the DBIS guidelines.

The guidelines are for the purposes of Section 837A Income and Corporation Taxes Act 1988. In this context “research and development” is defined for tax purposes and given legal force in Parliamentary Regulations.

Here at PH Accountancy, we understand the details of the legislation and can compile a technical report for HMRC that explains how a company meets the criteria. We also calculate the qualifying costs and submit the relevant documentation to claim back R&D costs in cash or as tax relief.

Our service includes support if there is an enquiry from HMRC through to its successful conclusion.



## Q. What would happen during a tax enquiry?

HMRC would issue a letter to both you and your accountants to advise you that a tax enquiry has been launched. Sometimes this may be an aspect enquiry; this is where they only deal with one certain area. It could be an omission of a pension or bank interest etc.

A full enquiry is where HMRC will go through your books in more detail to ensure that your profit has been correctly declared. We would always recommend any investigation be dealt with by your accountants as they have the experience and knowledge to deal with this, to ensure there is minimal disruption to your tax affairs.



HMRC will raise certain queries which will need explanations and quite often, we will have documentary evidence. For example, if you had banked £10,000 into your private bank account, HMRC would want to see the original source of this. If it was a cash endowment then the documentation should be supplied. This highlights the importance of keeping your books and records for at least 6 years.

Once the enquiry ends, an Inspector from HMRC will write to you and advise you of the amendments which they wish to make, as well as any penalties that they wish to implement. Again, your accountants will deal with these and appeal where necessary.