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NEWSLETTER

**CHORLEY
& SOUTH
RIBBLE
BUSINESS
CLUB**

July 2004

JUST for Laughs

Relocating in Northern England is good for business; lots of the starving unemployed eager to work for a pittance of pay and daring not to complain or they'll be out on the street with their dozens of screaming bairns, and their benefits cut for six months.

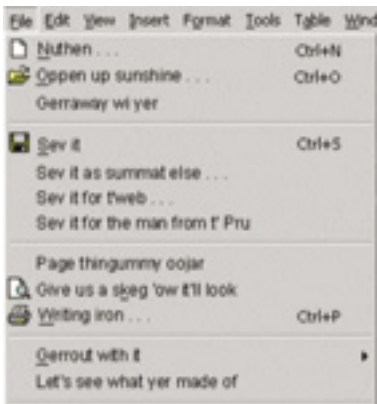
- But are you really getting the most from them?
- Are they 'as much use as a chocolate teapot' when it comes to the complexities of modern technology?

Research has shown that Northerners aren't as thick as they make out. They just can't grasp the meaning of modern English.

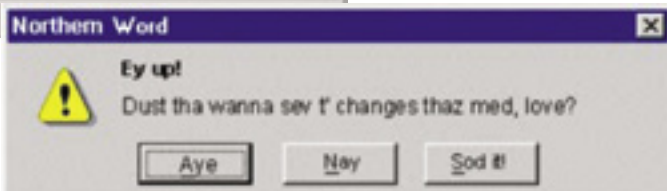
That's why you need our new software package . . .

Word for Northerners!

All the usual Word menu option are there, but in a language your Northern England employees can understand.



Even the warning messages have changed
So what are you waiting for? Me to go to the foot of our stair?!
Tha'd 'ave t'be soff in t'head not to say "Aye, champion!"



The chairman writes



Summer in Brinscall as the rain beats down, nothing unusual there. I hope that you are all going to find the time and money to go to warmer climes for a while to recharge your batteries. Summer at the Chorley and South Ribble Business Club means our annual Mini Exhibition on 6th July at Lancashire College and no meeting in August. I do hope as many of you as possible can come to the exhibition evening to see what the membership does, to network and chat generally. It is an evening that I look forward to every year. If you are exhibiting, please don't forget your fee, a raffle prize.

To replace the August meeting we have our annual powerboat competition and social evening at the Anderton Centre on Lower Rivington Reservoir on Wednesday 11th August from 6.00pm. The weather can't be any worse than it was last year, can it? Thanks are due to the Royal Yachting Association for supplying the trophies and allowing us the use of the boats, the Anderton Centre for allowing us the use of the reservoir and the loan of one of their powerboat instructors for the evening and to the sponsors of the Honda RYA Youth RIB Championship, Honda and Avon Inflatables for supporting our event. Please come along for a beer on the evening even if you aren't competing. If you are competing, please stay off the beer until after you have been on the water!

I will soon be emailing those that have said they would like a go with final details. Be aware that there are children staying in the centre and drive very carefully down the drive and into the car park. My thanks go to Mags Ball for her presentation at the June meeting about Young Enterprise and how we as small businesses can be involved in helping young people develop their business skills. Thanks also to David Kevill for his impromptu talk on the involvement he has had with the scheme over a number of years. As usual the after meeting included a lot of networking and chatting. Plans are afoot for the de site. Lisa is planning to de informative and interactive think we will all be proud of. Look out for future updates in the newsletter



THE NEXT MEETING

TUESDAY 7.45 for 8pm
6th July

Our annual members exhibition. Come on, set out your stall if you have one, if you have not then contact Mark at Pourquoi Pas Tel: 01257 793500 for last minute space. Or you can just come along, have a chat, enter the prize draw and maybe do some business.

Ltd or not Ltd - That is the Question.

Many small businesses are wondering whether they should incorporate their business.

Company Taxation

The most obvious benefit is the Corporation tax rate on company profits, nil up to £10,000, a sliding scale up to 19% on profits up to £50,000 and 19% on all profits from £50,000 to £300,000. Very attractive when compared to personal tax rates of 22% to 40%. Bear in mind, however, that the higher rates of tax may apply to dividends drawn out of the retained profits.

Personal Taxation

Not such good news here; directors are treated as employees and so they, and the company, suffer the much higher national insurance rates applicable to employees, up to 21.8% of gross wages compared to a self employed maximum of 7%. (These rates increase by 1% next year). This may be mitigated, for directors who are also shareholders, by restricting salaries to a modest level and extracting further sums as dividends. These are free of national insurance (for now) but are subject to the higher rates of tax. Even then, the extra national insurance cost may exceed the tax savings.

Company cars are also a thorny issue. Tax and national insurance liabilities on the provision of company cars are quite hefty and are only going to become more so. A tax efficient alternative is to run your own car and charge the company a tax free mileage allowance. There are, however, one or two drawbacks. A proper mileage log is required to back up the mileage allowances claimed, it can be expensive if there is a low business mileage or an expensive car, and some commercially beneficial car finance packages are only available to business buyers not private buyers.

Finally, there are some slightly cumbersome administrative procedures to follow if a tax liability is to be avoided on such items as business use of home accommodation, home telephone bills and expenses reclaimed.

IR 35 - A note of caution. Regulations were introduced in the 2000 budget (commonly referred to as IR 35 after the number of the press releases outlining them). They broadly apply where the company supplies the services of its director or directors to clients where those services are analogous to those supplied by employees. It particularly applies in IT, engineering and consultancy and has the effect of obliging the company to pay the vast majority of its income out again as salaries under PAYE and prevents the national insurance savings provided by using dividends.

Shareholders and directors

A company has owners (the shareholders), and executives (the directors) who need not be the same people as the shareholders. Directors are rewarded with salaries, and possibly perks, whereas shareholders receive dividends. This structure provides ample opportunities for different people to have different roles in, and percentages of, the business and is well suited to businesses involving non-family members and family companies wishing to share the value of the business with other family members who are not directly involved in the running of it. This can be particularly valuable when looking at inheritance tax planning.

Pension Schemes

The pension schemes that can be adopted by companies for their directors are much more flexible than those for partners or sole traders. Higher contributions are possible and in certain schemes part of the funds can be loaned back to the company or used to buy the trading premises, neither of which is possible with personal pension schemes. (Bear in mind, though, that dividends do not count as remuneration for pension purposes).

Administrative Costs

There are statutory requirements for the layout of, and disclosures in, company accounts and they are, therefore, more costly to prepare. If turnover exceeds £1 million annually an audit is required and costs are even higher. There may also be additional costs for running the company payroll, if there is not one already.

Image & Liability

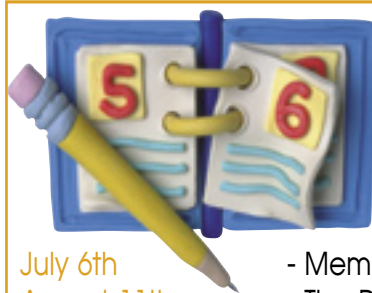
For whatever reason, a company seems to have a greater credibility with customers, suppliers, banks and other financial institutions. This sometimes seems strange when the proprietors are more sheltered from personal liability to their creditors than are sole traders or partners.

The protection from personal liability is often one of the stronger motivators for incorporation, but some creditors, particularly banks, will often insist on personal guarantees from the directors. (The directors may also become personally liable for other creditors in certain circumstances).

Accounts must be filed annually at Companies House, although the content is very limited in the case of small companies.

No two businesses are the same and the business structure adopted must reflect their particular needs.

We can illustrate the tax savings that may result from changing over to a limited company and help you decide whether the corporate life is the life for you. If you would like to discuss it in more detail please contact John Brown at Brown & Lonsdale Chartered Accountants Tel: 01772 621140.



Dates for your diary

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| July 6th | - Members' Mini Exhibition |
| August 11th | - The Return of the Power Boat Challenge |
| September 7th | - Life Coaching Workshop with Awaken Life Coaching |
| October 5th | - Broomstick Marketing |
| November 2nd | - The Annual Wine Tasting Evening With Chordale Wine Merchants |
| December 7th | - Members' Presentations |

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