



# INSIDER APRIL 2015

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## SMEs in profit at 2007 levels

**The number of small businesses that reported profits over the last 12 months has returned to 2007 levels, according to the government's Small Business Survey.**

The annual survey conducted by the Department for Business, Innovation and Skills showed that 78% of businesses reported making a profit or surplus this year, with 40% saying their turnover is greater now than 12 months ago.

This is the highest level of profitable firms since the financial crisis hit in 2007. Almost a fifth of firms sought external finance to bolster working capital or cashflow in 2014, down from 24% in 2012. A third of employers expect to increase their staff in the next year.

## Extracting your company profits

There are a number of strategies available for businesses that want to efficiently extract their company profits:

### Directors' salaries and bonuses

Paying yourself less than £8,060 (for 2015/16) will ensure that you avoid 13.8% employer national insurance contributions (NICs), while paying more than £5,965 will allow you to qualify for the state pension. Taking a salary between these figures will also ensure that you remain within your personal allowance.

## Dividends

A dividend is a payment that can be made to a company's shareholders in order to distribute a proportion of the profits. NICs are not payable on dividends which can save a company a large expense. They do however attract corporation tax and negate your personal allowance.

## Reinvesting

Choosing to reinvest your profits back into the company can be used to reduce your corporation tax bill. Reinvesting the proceeds of any asset sale and using the 'rollover relief' can also reduce capital gains.



*Get in touch today to discuss extracting profit from your business.*

## Boosting small business productivity

**Small businesses in the UK continue to be less productive compared to other countries, according to a report by the All Parliamentary Small Business Group.**

The group's findings complement recent research by the Federation of Small Businesses that shows that UK productivity levels are 17% lower than the average across the G7.

The parliamentary group has recommended 7 measures to help boost small business productivity levels:

- ⦿ simplifying the business tax system and incentivising investment
- ⦿ increasing access to high quality, affordable broadband
- ⦿ investing in regional growth to connect regions
- ⦿ supporting the knowledge transfer between higher education and the private sector
- ⦿ increasing apprenticeships and funding for workplace training
- ⦿ encouraging more businesses to bid for public sector contracts
- ⦿ helping more businesses to export through targeted finance.

Anne Marie Morris MP, chair of the All Party Parliamentary Small Business Group, said:

"We have a lot of catching up to do in order to keep pace with other leading economies.

"Solving the UK productivity puzzle is critical to helping employers increase wages and boosting the long-term wealth and prosperity of the nation."

### Closing the gap

Making a business more productive involves bringing together a lot of different elements, including leadership, creativity, drive and efficiency. Our business advisory services are aimed at doing just that. These include:

- ⦿ benchmarking
- ⦿ forecasts
- ⦿ strategic planning.

*Contact us today to discuss our business advisory services.*

## Making use of equity finance

**Equity investment in small businesses has more than doubled in the last 3 years, a report by the British Business Bank has found.**

Figures show that more small businesses are choosing to sell ownership interests in their business to raise capital. The number of equity deals completed in the first 3 quarters of 2014 was up by 170% on the same period in 2011.

### Tips for attracting investors

Selling a stake in your business can help you raise funds without getting into debt. To get your planning started, here are some tips for attracting investors:

- ⦿ making sure that your business plan is solid will help convince potential investors that your business is sustainable
- ⦿ value your business realistically so that investors can get a feel for your operation and its potential
- ⦿ give your investors a workable exit plan that sets out how and when investors would be able to get their money back
- ⦿ always remember that the main motivation of an investor is to make a good return on their investment, so make sure your plans enable them to do so.

*We can help you raise finance. Contact us for more information.*

## YOUR MONEY

### Pension reforms explained

**It's been over a year since the Chancellor first announced reforms to how people can access their pension savings. We look at what you need to know about the changes:**

#### Flexibility in retirement

From this April, people aged over 55 will be able to take their defined contribution pension funds in multiple cash lump sums. The first 25% of your pension will remain tax-free and the rest will be taxed at your marginal rate. No tax will be charged if you withdraw less than the annual personal allowance.

#### Independent guidance

Retirement savers will be able to access free and impartial guidance from The Pensions Advisory Service and Citizens

Advice, under the guise of Pension Wise, from April 2015. Guidance will be available online, via telephone or at face-to-face meetings.

#### Inherited pensions

The 55% tax charge on inherited pensions will be abolished from April 2015. Instead, individuals will be able to transfer defined contribution pension pots tax-free to a chosen beneficiary when they die. Whether or not the beneficiary will pay tax will depend upon the owner's time of death:

- ⦿ **if they die before 75:** the funds will be transferred tax-free and the beneficiary will pay no tax
- ⦿ **if they die after 75:** the beneficiary will pay income tax at their marginal rate. Lump sum payments before 6 April 2016 will be taxed at 45%.

*Talk to us about your retirement options.*