

# Business Survival in Tough Times

*Times are tough and they are likely to remain challenging for many businesses. It's always been the case that only when things are difficult does genuine quality rise to the surface.*

So what do businesses have to do to ensure that they succeed in the economic environment of the next few years?

The prospect for the next few years is one in which the economy will be less dependent on government, with spending to be cut aggressively and with one recent forecast predicting a decade of weakness in consumer spending. Exports and investment in new and innovative products and services have to be the engines of recovery.

The changing nature of the economy presents a whole series of questions for any business:

- ▶ How can it manage its workforce through the peaks and troughs of activity?
- ▶ What finance will it need, short term and to invest?
- ▶ What are the challenges of entering and maintaining export and / or new markets?

- ▶ How does it develop new and innovative income streams?

There is no 'one size fits all' answer to these questions. Different businesses will have different requirements but here are a few tips from quality businesses that have succeeded in past tough times:

### Put Your Customers First

For the next few years, arguably more than ever, companies need to understand their customers, be able to respond to their needs and the pressures they are facing. Household income has been squeezed, which some experts predict will continue to be the case until 2013. For most consumer-facing businesses, that means offering value for the customer. The key here is to invest time in understanding your customer spending patterns and their needs.

Take some time out to research these needs; look at how you satisfy these currently and what you could do to improve your offering. Think of ways you can change the delivery of your product or service:

Simple things like discussing your offering with the customer before providing it, letting

them know how things are progressing, calling them up to make sure everything went OK after delivery.

Constant communication with your customers before, during and after the sale is a key factor for successful business in tough times. Ask yourself what you could do to improve this in your business.

Also take time to seek out new revenue streams. Consider rebranding some of your offerings and selling abroad or on the internet. What new income streams are available to you and how can you take advantage of them?

### Control your Costs

Keeping the cash coming is fundamental but so is controlling the rate at which the cash flows out.

Take some time to think about your costs and what you could do to improve the way you manage your business. Regular review of targets to actual costs on a monthly basis is paramount to good control of your business.

Look at the way you do things - are there alternatives? Consider alternative suppliers, alternative

payment schedules, better use of electronic point of sale, stock management and quality control.

Sit down with your accountant and discuss your strategy for controlling costs and the management of these. Brainstorm how you can do things more quickly and more efficiently and formulate a strategy for the next year.

### Manage your Employees

One of the biggest costs for firms is the cost of employment. Taking on new staff is expensive, equivalent to fresh investment in the business. Many successful businesses are reviewing the value they get from their employees and are taking time to discuss how they can be more customer focused and efficient in their roles.

Look at alternatives to salary rises, the use of performance related pay and a bonus structure that rewards both good service to customers and increases in sales. Get all employees involved in how the business can improve and do this regularly.

### The Blueprint for Success?

There is no single answer but there are some general principles. Be flexible, but also be alert to the dangers. The successful businesses of the future will be fast on their feet but also aware of the risks. They will be lean and efficient. They will be the ones who spot and take advantage of the opportunities that are there.



Let us help you review your business strategy & plan for the future.



# The Firm

**Congratulations to** John Taggart from Clover Technical Services Ltd. the winner of our 'Win an iPad' competition.

From 1st February, enter our new website competition to win a meal for two at The Lawns Restaurant at Thornton Hall Hotel, Thornton Hough, Wirral. The winner will be able to enjoy the delights of the restaurants 'Taster Menu'.

The Award winning restaurant has 3 AA Rosettes for 2011/2012 and offers an exquisite dining experience to the value of £55 per person.

To enter, simply visit our website [www.mcwallace.co.uk](http://www.mcwallace.co.uk) and click on the competition link. The winner will be drawn at the beginning of May – good luck!!

## Welcome

The firm would like to welcome Lisa Samuels to McEwan Wallace Payroll Bureau and Jill Salisbury to the Tax team.

# UK VAT Defaulters

If you know of any trader who should be VAT registered but is not for some reason, please do both them and us a favour by suggesting they meet us for an informal chat. That is not meant to sound ominous – the point is that HMRC have just launched a campaign to target what they reckon is 40,000 businesses whose turnover exceeds the annual VAT threshold of £73,000.

We can help anyone in that position by making a disclosure before HMRC come knocking on their door, and that should mean a substantial reduction in the penalty level normally charged. Unusually in this form of tax amnesty, HMRC have not said what the reduced penalty level is, but we would always fight hard to get this set at the bare minimum to reflect the particular circumstances of the case.



## Managing Deliberate Defaulters

- This factsheet explains:
- what is a deliberate defaulter
  - what we do when we find a deliberate defaulter
  - why we monitor deliberate defaulters
  - who we will monitor
  - what we will monitor
  - how a defaulter will know if we are monitoring them
  - what happens if the monitoring requirements are not met or we find something wrong
  - how long the monitoring will last
  - your principal rights and obligations.

### How you can find more information

You can find more information about Managing Deliberate Defaulters, by going to [www.hmrc.gov.uk/managingdefaulters](http://www.hmrc.gov.uk/managingdefaulters)

### Customers with particular needs

If you need extra help to deal with this matter, please tell the officer that wrote to you. For example, if:

- English is not your first language you would like us to use a certain format to communicate with you, for example, Braille or Text Relay.
- If you use Text Relay by telephone dial 18001 + number, by textphone dial 18002 + number
- you would like us to visit you at home because it is difficult for you to get to one of our offices.

### If you need help

If you have any questions about monitoring, please contact the person that wrote to you.

### What if you are unhappy with our service

If you are unhappy with our service, please contact the person or office that wrote to you. They will try to put things right. If you are still unhappy, they will tell you how to complain. Our factsheet [C/Fs Complaints](#) also tells you how to make a complaint. You can get a copy of this from our website. Go to [www.hmrc.gov.uk/factsheets/complaints-factsheet.pdf](http://www.hmrc.gov.uk/factsheets/complaints-factsheet.pdf)

You can also go to our website and under [Quick links](#) select [Complaints & appeals](#).

If you prefer, you can write to: [Complaints Central Clearing Team Manager](#)  
Ground Floor  
1 Munroe Court  
White Rose Office Park  
Leeds  
LS11 0EA

You will need to tell us the reference number and the address of the office that last wrote to you. Say exactly what you think has gone wrong and what you think we should do to put it right.

### What is a deliberate defaulter

Most people pay the right amount of tax and claim the right amount of reliefs. Some people try to get things right, but still make mistakes. Where an individual, company or partnership deliberately pays the wrong amount of tax or no tax at all, or claims the wrong amount of reliefs, we call this deliberate evasion. We call those who deliberately evade tax 'deliberate defaulters'.

### What we do when we find a deliberate defaulter

We may place deliberate defaulters into our enhanced monitoring programme, where we closely monitor their tax affairs. This programme is called Managing Deliberate Defaulters (MDD).

### Why we monitor deliberate defaulters

Deliberate defaulters represent a high risk to us. Once we have identified a deliberate defaulter, we need to be sure that they have corrected their behaviour and are paying the right amount of tax. We may place deliberate defaulters into our MDD programme. In this way, we can closely monitor all aspects of their tax affairs to ensure that they are complying with all their tax obligations and that they have permanently changed their behaviour. This will also help us to identify, and take speedy action to address, those who continue not to comply. This will deter them from evading tax in the future. It will also reassure honest customers that tax evaders will be penalised and their tax affairs closely monitored.

### Who we will monitor

We may monitor any individual or business who has deliberately evaded tax. If a business is a partnership or a company, the individual partners, directors or officers of the company who were found to have evaded tax may be placed into the MDD programme and monitored. If the deliberate defaulter is not specifically one or more of the partners, directors or officers of the company, then we may place the partnership or the company into the programme. Sometimes it may be necessary to place the partnership or company as well as individual partners, directors or officers of the company into the programme.

If a deliberate defaulter controls, or has a controlling interest in any other businesses, we may also monitor those businesses by placing them into the MDD programme.

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# HMRC - New single compliance process for tax enquiries

*There seems to be a never ending stream of initiatives from HMRC relating to how they handle tax enquiries where (rightly or wrongly) they consider that something needs explaining. The last thing we want to do is worry you unnecessarily, as we will always try to minimise the chances of an enquiry into any aspect of your tax affairs, but we can bring you some comforting news in that HMRC's procedures are being streamlined with the aim of reducing the time an enquiry takes.*

Specifically there will now be 4 levels of enquiry under the Single Compliance Process (SCP):

**LEVEL 1** This is where there is no need for a face to face meeting. Maximum time estimated to work the enquiry is 1.5 days.

**LEVEL 2** A simplified and faster route for those cases where a lower intensity face to face intervention is required. 2 days estimated.

**LEVEL 3** Cases requiring a greater amount of time because the depth and breadth of the enquiry is more involved. 4 days estimated.

**LEVEL 4** The most demanding cases such as those indicating tax evasion characteristics or those highly complex in nature. 8 days estimated.

Clearly this is a resource driven initiative, being sold to us on the basis that it will reduce the time, costs and hassle experienced by you and us. We will ensure on your behalf that if you are ever unfortunately selected for an enquiry, the adoption of the SCP approach will not see any of the following happen:

- 1 HMRC unfairly seeks to obtain agreement to additional taxable profits arising, by encouraging you to settle because you want HMRC to make a speedy exit. We will not allow HMRC to rush things along if we consider it to be detrimental to you.
- 2 HMRC use SCP but wrongly identify what they consider to be risk areas – perhaps as a result of only a superficial consideration of what they regard as facts but which in reality are nothing of the sort. That may well be derived from a check-list review which we feel shows a basic lack of understanding of how your business operates.
- 3 HMRC attempts to apply a higher level to the enquiry than we consider is justified.
- 4 HMRC use the new 4 levels approach to insist on a meeting with you whereas we consider that all can be settled without that.
- 5 A tax enquiry becomes drawn-out and HMRC seemingly refuses to apply this initiative when it is adopted nationwide (planned to be from January 2012).

*Remember to contact us IMMEDIATELY if you receive any correspondence from HMRC and we will be happy to discuss this with you.*

## Dual SIM Phones Becoming More Popular!

A dual SIM mobile phone is one which holds two SIM cards. Initially, dual-SIM adapters were made available to use in regular mobile phones to allow them to contain two SIMs, and to switch from one to the other as required. This combination is called a standby dual-SIM phone.

More recently, some phones have been produced that can natively work with two SIMs, both of which may be active at the same time. These are active dual-SIM phones - there are even triple SIM phones now available in China!

Dual-SIM operation allows the use of two services without the need to carry two phones at the same time.

For example, the same handset can be used for business and private use with separate numbers and bills; or for travel, with an additional SIM for the country visited. Using multiple SIM cards allows the user to take advantage of different pricing plans for calls and text messages to certain destinations as well as mobile data usage. These phones seem to be getting more popular with the major phone manufacturers seeing the trend. So if you currently



carry two phones, you may want to consider one of these new dual SIM phones, generally around £50 - £200 in price, depending on how "Smart" you want your phone!



## Workplace Pensions are changing from 2012

The government estimates that around seven million people are not saving enough to meet their retirement aspirations and the government is making changes to the pension system.

To encourage more people to save in a private pension the government has introduced workplace pension reforms from 2012.

From 2012 employers will be required to automatically enrol all eligible job holders into a qualifying workplace pension and to make minimum contributions into it. Don't panic though, these changes are being phased in with larger employers needing to comply before small firms.

If you employ less than 50 employees you will have until **1 March, 2014** to comply.

See [www.dwp.gov.uk](http://www.dwp.gov.uk) for more details or please talk to us about putting the best scheme in place for your business.  
Authorised and regulated by the Financial Services Authority.

## Merseyside Innovation Awards: the search is on!

Sponsored by Merseyside's business community, the highly popular Merseyside Innovation Awards are opening their doors once again to find this year's champion!

The Awards recognise and reward the use of innovation as a means of boosting growth and profitability on Merseyside.

Any Merseyside based individual or company with less than 50 employees with an innovative product or service is eligible to apply.

Each month a winner will benefit from free local PR and the chance to compete in the grand final in July, when three shortlisted contestants will present to a distinguished panel of judges from across the commercial spectrum.

The lucky winner can win £10,000 cash and £4000 worth of business support.

So, if you think your business or idea has the X Factor, apply today!

[www.merseysideinnovationawards.co.uk](http://www.merseysideinnovationawards.co.uk)  
Register online before 27 April 2012

## Noises in Westminster – Pensions tax relief

Reductions in public spending targets have recently been reviewed and are not meeting government targets. This means that Westminster will still be looking at other areas that savings can be made. It is well known that the cost of pensions tax relief to the exchequer is over £36 billion per year and that about 80% of the benefit is enjoyed by about 10% of the population.

There has been a significant increase in the number of questions being asked in the House – for example Mr David Laws on 12th Dec 2011 asking what the benefit would be to the Treasury if tax relief were reduced to 20% on incomes over £100,000, to which Mr Gauke, Exchequer Secretary to the Treasury replied that it would yield £3.6 billion.

The Treasury has numerous options that they could consider to reduce the burden of pensions tax relief upon the public purse, many of which could be introduced very quickly. We have no idea whether the coalition will introduce these changes and we can only report that there has been a significant increase in activity in this area. We would strongly suggest that if you are considering making pension contributions, make sure that it is completed by 20th March 2012. The Budget is announced on 21 March. If nothing changes, you will receive the relief that is due; if changes are made, you have the greatest chance of enjoying the current regime.