

## **SHOULD YOU USE CASH ACCOUNTING?**

Cash accounting was introduced as a measure to make it simpler for small businesses to prepare their accounts for tax purposes. It previously only applied to businesses with turnover up to £300,000 but, from 2024, will be the default method for sole traders and partnerships. It will not apply to partnerships with corporate members or limited liability partnerships.

Businesses affected will be able to opt out of cash accounting and prepare their accounts in accordance with Generally Accepted Accounting Practice (GAAP), which means making adjustments for accruals, prepayments and other differences. It will also be possible to subsequently opt back into cash accounting. There are transitional rules to ensure that income and expenses are not included twice or omitted.

Please contact us to discuss the impact that this change may have on your taxable profits.