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SME Newsletter

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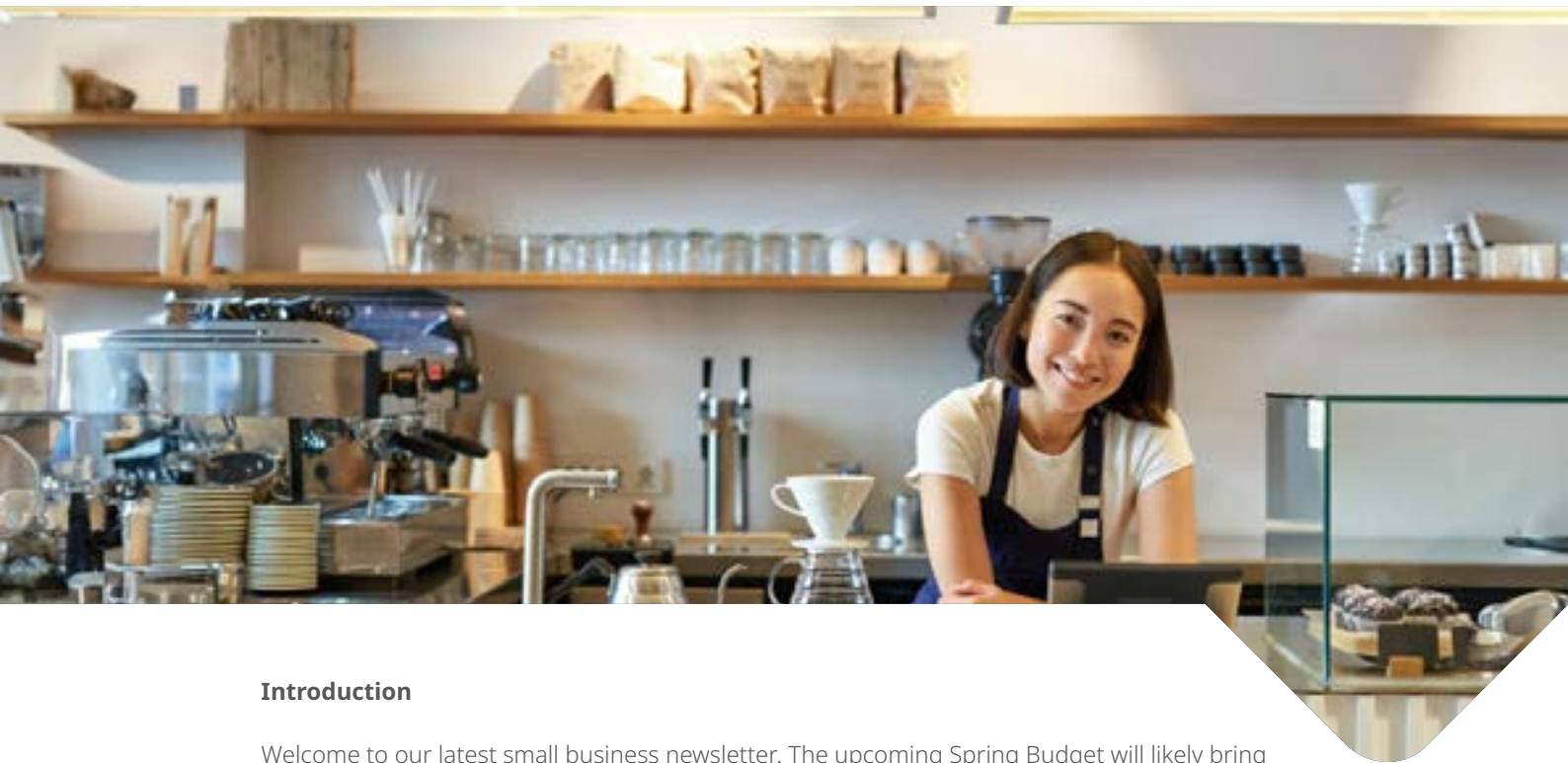


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Paul Wormald Partner



Introduction

Welcome to our latest small business newsletter. The upcoming Spring Budget will likely bring some tax changes that will have an effect on small businesses across the UK. As always we will be circulating our Spring Budget summary shortly after the announcement so please look out for this.

In this edition of the newsletter we discuss:

- Streamlining Success: The Role of Accounting Software for Small Businesses
- Mandatory payrolling of employment benefits from 2026
- When is the 2024 Spring Budget?
- Tax return tips for self-employed business owners

As always we hope you enjoy the contents of this newsletter and as ever please do not hesitate to contact one of our experts if you have any questions about any of these articles.

Paul Wormald
Partner



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Streamlining Success: The Role of Accounting Software for Small Businesses

In the dynamic landscape of small business management, effective financial management is the key to sustained success. Accounting plays a pivotal role in this process, and thanks to the development of technology, accounting software has become a powerful tool for small businesses. This article delves into the importance of accounting software for small businesses, highlighting its benefits, key features, and considerations for choosing the correct accounting software for your business.

Benefits of Accounting Software for Small Business

Time Efficiency

Small business owners often wear multiple hats, and time is a precious commodity. Accounting software automates repetitive tasks such as data entry, reconciliation, and report generation, saving valuable time that can be redirected toward core business activities.

Accuracy and Error Reduction

Manual bookkeeping is prone to human errors, which can have significant consequences for a small business. Accounting software automates calculations and minimises the risk of errors, ensuring accurate financial records and compliance with tax regulations.

Financial Visibility

Real-time access to financial data is crucial for informed

decision-making. Accounting software provides a clear and up-to-date view of the business's financial health, enabling owners to make strategic decisions based on accurate information.

Cost Savings

Traditional accounting methods may involve hiring external accountants or spending hours on tedious manual tasks. Accounting software eliminates the need for extensive manpower and reduces the associated costs, making it a cost-effective solution for small businesses.

Accessibility

Online accounting software (cloud-based software) can be accessed securely across the globe on any digital device with internet access. Therefore, you can access your accounting software from almost anywhere on your mobile device, removing the need to be at your desk to access your accounting records. Furthermore, your accounting software can be accessed by multiple users enabling business owners to provide key employees access to this software.

Continued overleaf



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Streamlining Success: The Role of Accounting Software for Small Businesses (Continued)

Key Features of Accounting Software for Small Businesses

Invoicing

Accounting software streamlines the invoicing process, allowing businesses to create and send professional invoices efficiently. Some platforms even offer automatic invoice reminders, ensuring timely payments.

Income and Expense Tracking

Small businesses can easily track and categorise income and expenses, helping them manage cash flow effectively. Receipt scanning features further simplified expense management.

Bank Reconciliation

Connecting bank accounts to accounting software facilitates automatic reconciliation, ensuring that financial records align with actual bank transactions.

Financial Reporting

Robust reporting features provide insights into key financial metrics. Small business owners can generate reports on profit and loss, balance sheets, and cash flow, aiding in strategic planning and performance analysis.

Tax Compliance

Many accounting software solutions offer features to assist in tax compliance. They help in accurately calculating taxes, generating necessary reports, and ensuring businesses meet their tax obligations.

Payroll software

Calculating your payroll every month can be a time-consuming task as you will need to calculate, overtime, benefits, pay scales as well as taxes and national insurance. However, integrating payroll management software into your accounting software can automate these payroll calculations for you, saving you time on administrative duties.

Integration

Some accounting software enables you to integrate other applications into it which can be a valuable feature. This feature will enable the cloud accounting software to automatically transfer data between applications removing the need to transfer data manually regularly. This also reduces the probability of data entry being transferred incorrectly.

Continued overleaf



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Streamlining Success: The Role of Accounting Software for Small Businesses (Continued)

Inventory management

Some accounting software offers inventory management. This enables small business owners access to real-time stock data, manage stock and pricing as well as setting up warnings when you are running low on stock and setting minimum re-order levels.

Considerations for Choosing Accounting Software

To ensure that you choose the best accounting software for your business needs, you must consider the following aspects:

Scalability

Opt for software that can grow with your business. Scalable solutions accommodate increasing transaction volumes and additional features as your business expands.

User-Friendly Interface

Choose software that is easy to use, even for those without a strong financial background. An intuitive interface ensures that business owners and employees can navigate the system with minimal training.

Integration Capabilities

Look for software that integrates seamlessly with other tools your business uses, such as payment processors,

e-commerce platforms, or customer relationship management (CRM) systems.

Security

Protecting sensitive financial data is paramount. Ensure that the chosen accounting software employs robust security measures, including data encryption and secure access controls.

Conclusion

In the realm of small business management, accounting software serves as a catalyst for efficiency and growth. By automating financial processes, reducing errors, and providing real-time insights, these tools empower small business owners to focus on what matters most – the success of their ventures. As technology continues to advance, embracing accounting software becomes not just a convenience, but a strategic imperative for small businesses looking to thrive in a competitive market.



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Mandatory payrolling of employment benefits from 2026

HMRC have announced that from April 2026, the reporting and payment of income tax and Class 1A National Insurance Contributions (NIC) on benefits in kind will be required to be made through payroll software. This is a significant development and will affect all employers currently using the traditional method of providing benefits in kind separately via the traditional P11D forms.

Why has HMRC decided to make this a requirement?

HMRC is planning to become a digital-first tax authority. However, a deadline of just over two years away is very tight to complete the required software development, testing and implementation – and will also have to deal with concerns over variable benefits in kind such as director loan account balances, etc. which are not fixed for the tax year.

Reducing administrative burden

HMRC has stated that by enforcing the use of payroll software when it comes to the reporting and payment of income tax and Class 1A NIC on benefits in kind will simplify administrative procedures for employers. This is because digitising this process will remove the need for companies to submit separate end-of-year returns.

Challenges to consider

Enforced payrolling of benefits in kind will create some challenges that need to be considered. Firstly, a deadline of just over two years does not leave HMRC or software providers long for software development and testing before implementation. During this period they also need to draft legislation and guidance, which will need to be available in advance of April 2026, for companies to review and ensure of compliance.

Secondly, some companies will need time to evaluate their current payroll software to ensure that it has the capability to report the payment of income tax and Class 1A NIC on benefits in kind. If not, it may become a challenge for them to implement payroll software that can before the April 2026 deadline.

Conclusion

To conclude, whilst this may reduce the administrative burden for companies and HMRC in the longer term, there will be significant initial challenges for HMRC and companies across the UK to overcome to ensure that they are prepared and ready for this change.

When is the 2024 Spring Budget?

Chancellor Jeremy Hunt will deliver his 2024 Spring Budget on Wednesday 6 March 2024.

What time is the Budget?

The Budget is expected to take place at about 12:30 pm, straight after PMQs.

The first part of the statement typically begins with a review of the nation's finances and economic situation. The statement then moves on to proposals for taxation.

The Chancellor's Budget speech usually lasts about an hour.

Expert commentary

Our tax specialists will be watching the Budget on 6 March and will provide relevant announcements on our website and social media shortly after the Budget is announced, to make sure you are fully up to date. To pick up on our commentary, follow us on Twitter (@Hawsons) or LinkedIn.



Tax return tips for self-employed business owners

As a self-employed business owner, you may find it hard to keep on top of tracking accounting records, taxes and expense claims when submitting your self-assessment tax return. Hiring an accountant could benefit you with the following points.

There are many different types of tax you may have to pay, depending on the type of business you are operating. Keep an eye out for these taxes:

- VAT;
- Corporation tax;
- National insurance;
- Income tax;
- Capital gains tax

What taxes do self-employed individuals and sole traders have to pay?

Sole traders must pay:

- National insurance contributions (NICs);
- Income tax on taxable profits they make from their business.

These are paid via Self-Assessment.

Limited companies must pay:

- Up to 25% corporation tax on profits (unless they are below the £50,000 threshold);
- National insurance contributions (NICs) on employee salaries and benefits.

If your business turnover is less than £85,000, you do not need to be VAT registered with HMRC.

What expenses can be claimed back?

As a self-employed individual you can claim tax relief on a various expenses, such as office equipment, business travel expenses, stationery, goods for sale, etc. There are also a number of others which may be claimable, depending on your circumstances:

- Advertising and marketing costs, involving maintenance of the business website;
- Required uniform, as well as the laundry costs;
- Vehicle expenses, i.e. insurance, petrol and any repairs;
- Business trip expenses, such as accommodation;
- Where applicable, working from home expenses taking into account heating and electricity, council tax, phone bills and mortgage interest payments.

Why should I use an accountant for my tax return?

You must keep track of your expenses to ensure that you have accurate records from which to submit your tax return. If this is a challenge for you, or you simply do not have the time, it could be worthwhile hiring an accountant to manage your expenses and submit your returns for you.



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Our SME experts

Hawsons has a dedicated team of small business accountants in Sheffield, Doncaster, and Northampton. Our Small Business Services Department is dedicated to helping smaller businesses, providing a range of tax and accountancy services to small and growing businesses. We generally help sole traders, partnerships, and limited companies.

Starting up a new business is a challenging process and there are many aspects a small business owner must consider. We have a proven track record in helping new and small businesses get off the ground and continue to grow. Our small business accountants can help in all aspects of setting up and running your business.



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