

## SPRING CLEANING YOUR SMALL BUSINESS

With the new tax year just around the corner, it can be a stressful time of year for small business owners, especially if you're a little out of control with your books and records.

**2020/21**  
**Tax year begins**  
**6 April 2020**

One way to make things less stressful, is by getting into good habits at the turn of the new tax year, and taking some inspiration from the spring cleaning season to freshen up your systems and processes.

### **Accounts Receivable**

Look at overdue debtors to see who owes you money and take action to collect it. It may be as simple as a phone call or it may take further action. Don't hesitate to ask for payment, especially on those accounts that are well overdue. Be persistent, don't be afraid to get stern with the more unreliable debtors.

### **Accounts Payable**

Cash flow issues can slow down a small company's ability to stay current with payables. Clear up overdue invoices before the warnings come in. Falling behind with payments could make its mark on your credit report and could make it difficult to secure finance if you need it in the future. Keep the lines of communication open with your suppliers and ask for more time to pay if you need it.

### **Credit**

Getting and keeping credit can be a tricky for the small business, but if you need it be sure payments are made on time. Set up an automatic monthly payment for your anticipated minimum. By doing so, you eliminate the risk of ever paying another late fee. If you are just starting out, build a credit history credit by opening a business credit card and pay it in full and on time every month for six months to set a strong initial track record.

### **Inventories**

If you hold inventory, now is a good time to take stock. Review stock quantities and reorder levels, ensure you have enough stock to meet demand, and review inventories for obsolete items. Having too much stock affects your working capital, tying up money you could use elsewhere, and increasing storage costs.

### **Payroll and HR**

If you employ anyone, ensure you are compliant with your legal obligations. The National Living Wage and the National Minimum Wage increases from 1 April 2020. PAYE and National Insurance allowances increase from 6 April 2020, as do minimum contributions for workplace pensions.

Close your payroll and submit your annual reporting. You must give your employees a P60 by 31 May 2020, and (if you provide benefits to your employees) you must complete a P11D for each employee by 6 July 2020, but the sooner you send them, the sooner your employees can assess their tax year too.

Review the information you hold about your employees, current and previous, and any personal information you have on file. Ensure you are compliant with Data Protection Regulations and use this chance to update, archive or destroy any old information.

## Processes

Take advantage of tools that are designed to increase efficiency. Review how your business uses technology and ask how it can use it better. If you haven't already, consider the transition to cloud accounting, which should make the bookkeeping process much easier to manage. Banking and bookkeeping can be linked through file exports to simplify daily and monthly reconciliations, and give you more real-time insight into your business' financial performance.

Clear your digital clutter – go through the files on your computer, delete any files that you no longer need, organise files into folders that are easy to use and navigate. Ensure your data is backed up so you don't risk losing any critical files.

Clear your physical clutter – look at your desk space, organise the paperwork you've been planning to tackle, and throw away anything you don't need.



Separate your personal and business transactions – bookkeeping can get messy when personal and business transactions cross over with one another. If you haven't already, separate the two from one another, and set up a dedicated bank account for your business. If you pay employee expenses, ensure you only reimburse business related expenditure, or treat any private bills as a benefit in kind.

## Closing the year 2019/20



If you plan to file a paper tax return, this should be submitted to HMRC by **31 October 2020**.  
Digital tax returns should be submitted by **31 January 2021**.

It can be tempting to put off completing your tax return until the last minute, but submitting your tax return promptly after the tax year end gives you time to assess your tax liability and plan when and how your payments will be made.

If you submit your online return by 30 December 2020 (or 31 October 2020 for paper returns), subject to eligibility, HMRC may be able to collect any tax you owe through your PAYE tax code, allowing you to split the bill over the remainder of the 2020/21 tax year.

Should you be due a refund, submitting your tax return early will mean that you get your money back sooner rather than later.

## Planning for the future

Once your records are up to date, and tax return submitted, you can assess how profitable your company has been during the past year. It is an excellent opportunity to revisit your business plan and evaluate how your business is doing.

Consider where you need to grow for improved performance. Maybe it's an inventory expansion so you can fill orders more quickly. Perhaps it's additional staffing so you have more time to focus on what you do best. Maybe it is time for a larger warehouse or a bigger office lease. Consider the need for funding and book an appointment with your bank manager if necessary.

## How can we help?

Spring cleaning your business doesn't just happen. It takes a conscious effort, and commitment. So, set aside some time, and think, then act, to create a cleaner business environment. It will be worth the effort.

We are here to help, whether you want to outsource your bookkeeping altogether, or require help and advice on personal and business taxes, payroll or more, get in touch to discuss your requirements.

## Contact us:

### DSP Accountancy Services

Email: [info@dspaccountancyservices.co.uk](mailto:info@dspaccountancyservices.co.uk)