



Choosing a bank

Ten points to consider

Selecting a bank is one of the key decisions a business has to make, and its importance can often be overlooked. It's easy to pick a bank where you have a personal banking relationship, but this may not be the best option for your business.

- 1 Always get comparisons from other banks.
- 2 Consider the complete package offered by a bank, as certain items may be more valuable or important than price alone, such as a bank with an overseas network in countries where your business may look to expand in the future.
- 3 Select a bank that is long established in the UK and of reasonable size to ensure it provides stability, status and security to your business.
- 4 If you want to trade internationally, make sure your bank is recognised by your trading partners and established overseas.
- 5 Consider what services you require for your business: Do you need to use the bank's counter to pay in? Paying in at other banks, particularly cash, can be an expensive exercise, so ensure your chosen bank has a large branch network across the UK.
- 6 If physical cash is not a priority, does direct banking suit you more? What facilities does the bank offer for this: pre-paid envelopes for deposits? 24-hour online access? Payment services, such as direct debit and standing orders? (Note: some of the building societies that offer banking services are still not able to process regular payments.)
- 7 The bank should be able to allocate your business an account manager and support staff, because access to and regular contact with bank personnel are essential for a productive relationship.
- 8 Continuity is important. There is nothing worse than having to explain the business and build a relationship with a new account manager every year to 18 months. Ask existing customers about the bank and the account manager and their efficiency and reliability.
- 9 Is your business in a niche market – a professional practice such as a doctor or dentist, or operating as a franchise? Select the bank which deals with your specialist area and can offer informed advice and competitive deals for your sector.
- 10 Bank charges and interest rates: ensure a clear and transparent charging structure is available. There are many free banking deals available for start-ups, but what happens in year 2?

Essential tip

If you have a complaint about your bank, first complain to the bank. In the event of dissatisfaction, you can seek free help from www.financial-ombudsman.org.uk

See the list of banks on page 52 for more information.

Paying yourself

Roger Browning of Victor Boorman & Co, Chartered Accountants, explains how different ways of structuring your business affect the amount of tax you have to pay.

There are two primary business structures:

1 Sole Trader/Partnership

A **Sole Trader** is taxed on the profits generated by their business (calculated in accordance with recognised accounting standards). The tax liability is calculated not on the amount actually drawn from the business, but the actual profit itself. This is liable to Income Tax, Class 2 and Class 4 National Insurance Contributions.

In a **Partnership**, each partner is taxed in the same way as a Sole Trader on their share of partnership profits.

2 Limited Company

A **Limited Company** is a separate legal entity which is owned by its shareholders and employs directors to run the business. The shareholders and directors may well be the same people.

A director of a company is therefore an employee of that company. Their remuneration is taxed under PAYE and the company will have

an employer's National Insurance liability in respect of that remuneration.

However, dividends paid to shareholders are treated as investment income and are not subject to National Insurance contributions. This can prove a tax-efficient route to extracting profit.

Dividends are also deemed to be paid net of a notional 10% tax which satisfies the basic rate tax liability of that shareholder. This effectively means that the underlying tax rate of dividend income up to the basic rate Income Tax band is the corporation tax rate of the company – currently 19% on profits up to £300,000 for companies which have no other associates. Anti-avoidance tax legislation must be borne in mind, and there are additional compliance costs in operating a Limited Company, but it can often prove beneficial from a tax point of view to do so.

This brief synopsis can only be a general overview. Expert advice should be sought for each individual circumstance.

Tax Calendar

If year-end is 31st December (dates may vary with other year-ends)

This is a summary of important tax dates for a corporation, these can also apply to sole traders and partnerships

ANNUAL EVENTS

Date	Return
19th May	Submission of P35 & P14
6th July	Submission of P11D
19th July	Payment of Class 1A NIC
30th September	Payment of corporation tax (9 months after end of accounting period)
Nov/Dec	Year-end tax planning
31st Dec	Submission of corporation tax return

QUARTERLY EVENTS

Date	Return
14th April	
14th July	Submit forms CT61 – tax on interest payments
14th Oct	
14th Jan	
Quarterly	VAT returns (can also be done monthly)

MONTHLY EVENTS

Date	Return
19th Month	Payment of payroll taxes