

higher amount of interest than that of the demand deposit account

- ◆ *Foreign currency account* – if you are receiving or sending funds from overseas
- ◆ *Loan account* – for any loans you have taken out
- ◆ *Merchant account* – allowing you to receive and make payments via credit and debit cards.

Remember that credit and debit card companies usually make charges to the merchant account. As with all charges these can vary and are negotiable.

You will find many websites that will compare different types of business accounts and the pros and cons of each.

COMPUTER SOFTWARE

When deciding which bank to use it is worth considering the online option. Most of the well known and some of the not so well known high street banks offer online business accounts. Some of these will not only offer you a 24-hour seven days a week online service, but will also offer you a high street facility as well. You may even find that the costs involved in running an online business account are less than the more traditional branch-based facility.

By using a bank that has an online facility, you may find that you have far more control over all financial aspects of your practice. This will be especially true if you run other areas of your finances through accountancy software such as the Sage range.

Sage offers a huge range of accounting software with basic single-user packages starting from little more than £100. On top of the basic accountancy functions, you will also be able to interact with your online banking facility, calculate wages, PAYE and NI and you will also have the option to manage stock, pricing and suppliers by using one of the many available add-on packages.

Consider not only your needs today but also your future needs. This is especially true when investing in information technology. For example, your requirements at this moment may not include the need to handle and view direct-debit payments from customers. However, most optical practices at some point will enter into the very lucrative and financially beneficial world of monthly contact lens schemes. You may also find that your accountant has preferred software and that



A merchant account allows you to receive and make payments via credit and debit cards

your use of it can have increased benefits and save you money when submitting information.

TAXATION AND YOU

Prior to taking on your own business, you will have been accustomed to the traditional taxes such as income tax, paying for goods that included value added tax (VAT), road tax, airport tax and you may have also experienced inheritance tax and stamp duty.

However, now as a sole trader, part of a partnership (joint venture or other) or as a limited company you will find that you are responsible to HM Revenue & Customs to a greater extent.

The main differences are the responsibility to pay the following:

Corporation tax

This is the tax on the profits made by the business and is only relevant to limited companies.

It is calculated at the end of every financial year by way of self assessment and can start at a zero rate (from £0 to £10,000)* moving to 19 per cent for small companies (from £50,001 to £300,000)* and 30 per cent for companies with a profit of £1.5 million* or more with 'marginal relief' on points between. (*Based on 2005/06 rates).

It is worth remembering that if you are involved in a joint-venture partnership that the parent company is seen to have overall control, either through the voting rights and/or shareholding, your corporation tax is based on the parent/controlling company's rate if higher.

Income tax

If you choose to be self employed, your profit will be subject to income tax and you will receive the benefits of certain allowances (such as capital allowances for business assets) as for corporation tax.

Your accountant should advise you on the best route for you.

Value added tax

VAT is a sales tax which is paid by the 'end-consumer' of the goods. It is known as an indirect tax, in that the tax is collected from someone other than the person who actually bears the cost of the tax.

Interestingly, we have the French to blame for VAT as it was invented by Maurice Laure, joint director of the French tax authority, the *Direction générale des impôts. Taxe sur la valeur ajoutée* was introduced in the 1950s and the concept was soon adopted by many other countries including the UK. Some form of VAT system is now compulsory for all EU member states.

If your business satisfies any of the following statements, you need to register for VAT:

- ◆ If your taxable turnover in the previous year exceeded £60,000*
- ◆ If your taxable turnover is expected to exceed £60,000 per year* (*As from April 1, 2005).
- ◆ If you are currently trading – or plan to trade – with suppliers in EU countries, you are also required to register for VAT within 30 days.

Most of us in the optical business will be aware of the controversy surrounding VAT within our sector.

The level of exemption and apportionment is confusing and as yet there still appears to be no clear and definitive answer to the simple question of what percentage of the cost of a pair of spectacles can be attributed to the professional service and is, therefore, exempt. My advice would be to read, investigate and understand the problem to the best of your ability and discuss this matter in detail with your accountant, ensuring that they understand the issues.

TAX MATTERS FOR OPTICIANS

(t) 020 7433 6940 (e) marcbennett@alexedlee.co.uk (w) www.alexedlee.co.uk

