

Retailers



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Some Industry specific areas of advice from our experience

VAT: Is point of sale identification of zero or special rated goods the most cost effective for you or does a Retail Scheme give a better result?

Are sales made via the internet using Paypal? If so is the VAT treatment correct on the gross sale?

There can be annual tax/NI savings to be had by operating the trade from within a limited company but with the premises being owned personally.

Is the ownership of the business correctly set up such as to minimise the various taxes and maximise tax reliefs?

What are your future plans? Exit strategy or next generation involved? Plan in place to achieve this?

Sales to staff and owners, how are these dealt with and is all ok?

Wills: are they tax efficient particularly as regards the business?

Are profit shares/extraction of profits made in the most tax/Ni efficient way?

Can tax efficient wages be legitimately paid and justified to family members?

Is a 'Use of home as office' charge justifiable and claimed?

Are owners and staff arrangements on vehicles maximising tax reliefs etc?

Industry Background

In common with other business sectors, retailing has changed considerably over the last three decades.

The traditional, two parent family unit continues to give way to single parent families, single people living alone and elderly couples. At the same time, the rise in the number of working women has also impacted on consumer behaviour.

As well as responding to demographical changes independent retailers have had to face the growth of hugely powerful supermarkets, department store chains, discount stores and factory outlets both within the high street and at out of town locations and retail parks.

On the other hand, shopping has become a significant leisure activity combining with other activities at or around American style malls and this is despite the growth of purchases made via e- business sites on the internet.

There has also been a significant increase in the amount of disposable income available as well as a "fashion" or even passion for shopping across the spectrum of age groups. In the face of such competition from multiple retailers, independents may have adopted one or more of the following strategies:

- Specialism in a particular niche market or type or range of customer
- Emphasis on personal, informal and flexible customer service and support
- Online selling via interactive websites- e commerce
- Joining a buying group to obtain better terms and discounts from wholesalers and others
- Introducing a customer loyalty scheme -holding events such as special event days
- Diversification into additional lines of product



Some Industry specific areas of advice from our experience (cont'd)

Where practical, part time workers can be considerably more cost effective due to employers NI savings compared to full timers.

Is a change of accounting date a good idea?

Are controls over and reconciliation of cash sales adequate to guard against theft and rebuff challenges of completeness from HMRC?

Are any loans (both business and personal) arranged in such a way as to maximise tax relief and minimise costs?



Some independent retailers have found that their customers remain loyal and are unmoved by (or unaware of) discounts available elsewhere. These retailers may find that their interpersonal skills and the image which is projected by their outlet are more important than pricing policies.

Many retailers sell mainly to local customers. A specialism in a particular field might attract sales from a wider radius and permit selective promotion outside the area.



Financial Performance

To improve their financial performance, retailers might also consider:

- Extending the customer base
- Looking critically at the range of goods stocked. In some cases slow moving lines might be discounted, in others new lines might be introduced
- Ensuring that customer loyalty is retained by constantly looking to improve the service offered
- Testing that customers are getting what they seek – surveys and questionnaires can help to get feedback
- Making sure the shelves are fully stocked at all times
- Introducing more efficient systems to monitor stock rotation and stock control
- Re-vamping the premises and providing better facilities for customers
- Investing in IT

Use of Information Technology

How are you maintaining your books and records?

Are you reconciling cash and bank accounts regularly?

Do you know how much you owe or how much you are owed at any time?

The proper use of IT can provide you with regular and meaningful management information and save time and cost.

Would outsourcing your payroll and pension obligations be of benefit?

Would you welcome us maintaining or training you or your staff to operate a computerised accounting system, providing key financial and management information in a timely and understandable form?



Key Performance Indicators

Performance in this sector will generally be expressed in terms of the gross profit percentage rate achieved.

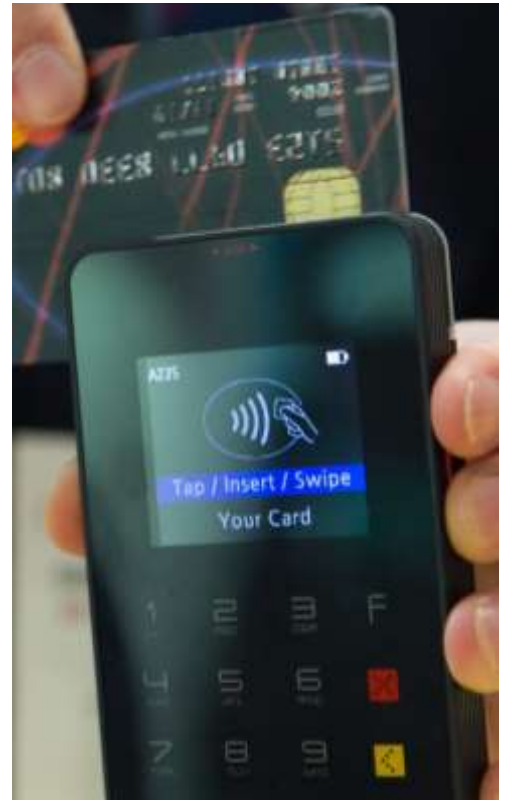
A retailer's gross profit rate will be affected by the type and mix of products sold and the relative mark-up on purchased cost.

It is an arithmetical fact that the higher the gross profit percentage that can be achieved the less turnover is needed to cover overheads and a reasonable level of profit.

Ask us how your gross profit percentage compares with the norm for your type of retailing?

Beyond the mark-up on cost of goods purchased, some useful key driver analysis information relates to the number of customers and average spend.

Ask about our own award winning "tax tools" software including "business analyst" based on key driver information.



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Tax Investigations

Approximately 10% of all investigations carried out by HM Revenue & Customs (HMRC) will be selected at random but these random selections will be targeted at trade sectors where tax is thought to be at risk. HMRC's stated aim is to spread the investigation net to cover all sectors, including retailers. Additionally, HMRC may have their own program of investigations targeted at this sector because of local knowledge, often the result of information obtained in the course of successful investigations into the same or a related type of business in the area.

When a business is selected for investigation other than at random, the most common reasons are:

- Information provided to HMRC by a third party
- Low and/or fluctuating Gross Profit Rate, or some other inconsistency in the accounts
- Low and/or fluctuating Drawings
- Unexplained introductions of cash into the business
- Technical offences, including failure or late notification of liability

Since HMRC is allowed only one enquiry into a return, added to the above reasons for selection for investigation will be an enquiry into a technical matter (e.g. the capital/revenue repairs argument).

You can pay a small premium to ensure your professional fees are covered in the event of an investigation – be VAT, PAYE or tax affairs generally.