

Does a Business Need an Accountant?

A bank or building society lending money will always want the accounts to have been prepared by a qualified, independent accountant who does not work for the business.

Many lenders may ask for copies of tax returns if the businessman is a sole trader or partnership as their tax returns show the accounts figures, provided the tax returns have been prepared by qualified accountants.

HM Revenue & Customs expect profits of a business to be calculated using current accepted accountancy principles. If a business can familiarise itself with all of these and all the tax rules, then in theory a business does not need an accountant. However, HMRC are more likely to challenge a tax return received from a business without an accountant because it is more likely to be wrong.

Tax rules are complicated and a business may be able to reduce its tax bill by being advised by a suitably qualified accountant. Equally a business may be paying too little tax because of ignorance and should HMRC discover this, they will raise extra tax bills going back up to 6 years AND charge interest and penalties. In some cases they will go back 20 years!

HMRC can charge penalties even though errors may be innocent because they expect businesses to take reasonable care in completing their tax returns. They may not regard the business as having taken reasonable care if it did not use the services of a suitably qualified accountant.

If the business did not use an accountant, HMRC would expect it to seek professional advice on any potential tax issues. It would not be enough for the business to say that it was not aware that it had any!

Very large businesses need to have their accounts audited. Their business records and accounts have to be checked by an independent accountant qualified to carry out audits. The auditor will say whether he feels that the accounts and other financial statements accurately and fairly represent the business's financial position. Accounts for small and medium businesses do not need to be audited.

Beware



HMRC do not accept ignorance as an excuse.