

Challenges for 2021-22

The new tax year started on 6 April - what are the challenges we will need to tackle in the coming year?

COVID-19

A rather obvious one really, as we all still try to steer clear of COVID-19 and its variants. Unfortunately, to achieve this we will likely need to abide by government restrictions for most if not all of 2021-22.

The easing of lockdown restrictions will reduce the impact on many sectors - particularly on leisure, entertainment and hospitality trades - but it is unlikely that we will be free of social distancing rules and regulations for some time. Those trades adversely affected by this disruption will need to plan accordingly.

Working from home

Many new jobs are now being advertised with two or three days a week working from home rather than the office. The pandemic has steered working practices to become far more flexible and so home-working is now the 'new norm' in many cases. This means that employers will need to rethink their human resource services in order to support staff achieving the same levels of productivity when working away from their employers' office. From a business cost point of view, does this change offer an opportunity to reduce office space (and therefore overheads) by desk-sharing?

Retaining profits and reserves

Financially, business owners will need to keep an eye on the following indicators if they are to keep their heads above water.

Apart from any capital introduced by business owners, the major source of value in most businesses is profits retained in the business after all taxes have been paid. In the last year, many firms will have used any opening reserves to fund losses during the worst periods of lockdown. As a result, it is possible that businesses have either reduced or exhausted cash reserves and had to borrow - most using the government-backed loan schemes - to maintain liquidity.

Which all means.....

Planning is vital. If you have not yet created an integrated budget for 2021-22, now would be a good time to make a start.



Will you encounter any cashflow challenges? If yes, how will you plug these cashflow gaps? Do you need to approach your bank now? How difficult will it be to re-establish and maintain profitability? Are you under or over-staffed? Has Brexit affected your supply lines?

Until you sit down and work through your options you are vulnerable. And if the past year has taught us anything, it is that we can no longer take anything for granted. We must expect the unexpected. Your accountant should be able to offer you advice and help you plan for the 2021-22 tax year.

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