Welcome to the Critchleys Conversation. Episode 2.

Mark Kingston: Hi I am Mark Kingston and welcome to the Critchleys conversation, today this is our topic, why you should all drive Tesla's to work. Before we dig into that and find our indeed what is a Tesla and why you should drive one I am delighted to be joined today by Matt Williams, one of the partners in our Business Team, Matt welcome

Matt Williams: Hi Mark, good to be here

Mark Kingston: And Matt, just to set this in context, introduce yourself to the listeners. So how long have you been with Critchleys and how long have you been in accounting?

Matt Williams: So I have been in accounting for well over 10 years, I have been with Critchleys for 10 years, I have been a partner just coming up to a year now, and I look after a lot of our business clients, so generally businesses up to about £5m turnover, but ones that want a little bit more from their accountant.

Mark Kingston: So I have heard you describe yourself as a proactive accountant.

Matt Williams: The proactive accountant.

Mark Kingston: Tell me what proactive accountancy means, does that mean just lots of extra fees?

Matt Williams: No, not at all. What it means is that we are not focused on the compliance side, so we obviously do that, we keep our business clients compliant with HMRC and Companies House,

Mark Kingston: So that's end of year accounts and returns and all that stuff

Matt Williams: Yes, but what we do is we provide them with some business intelligence so they can grow their business efficiently. We look at taking their financial data and some of their non-financial data and turning into useful dashboards and reports so that they can have some intelligence on how they drive their business forward.

Mark Kingston: So its look forwards not back

Matt Williams: Absolutely.

Mark Kingston: And that point about the numbers, I think that's really the key, because as a business owner myself, having the numbers is one thing, understanding what they mean and what you should do in light of what of they is an entirely different

Matt Williams: Indeed. We don't prepare reports and send them off to our client, to try and decipher themselves, we make sure that everyone that we send a report to, they understand those number, often if I am driving past a client I will pop in and have a cup of coffee, look at what they have got on their Xero system and talk them through their numbers.

Mark Kingston: Now we will come back to Xero cloud based accounting and business intelligence in other episodes because I know that is interesting to people, but today we are going to start our little series with you and we hope that you will come back and talk to us again, looking at something and I know a lot of people think about which is cars. If you are a business owner and you want a new car, is it best to do through the company or to do it privately. Now in order to get into this, describe to me, let's call it the old way, man and boy, how did it use to be. I remember my dad getting a new job, and it would be quoted in the newspaper as X amount of salary a year, plus benefits, plus car, you see that plus car a lot

Matt Williams: Indeed

Mark Kingston: That was how it used to be, not any more

Matt Williams: No, so fairly recently, say five to ten years ago, HMRC cottoned onto the fact that business owners that were fairly successful and had enough income coming in outside of their business were trying to lower their salaries down and take big expensive cars out of the company and have what is a private asset but paid for by the company, and so they have clamped down on that now, so this almost penal regime of tax using the benefit in kind system which is based on the CO_2 emission of the car and it was put in place in such a way that our standard answer five years ago to "should I buy a car through my business" would be no. Instead buy it privately, fund it privately and if you need the cash out of the company you would have to take it and pay some tax on the dividends or extract salary which would work cheaper

Mark Kingston: So I take money out of the business, I would buy the car myself, and then I would claim something of it back for the business miles I did

Matt Williams: Indeed, yes. And that's how it would work. Until recently...

Mark Kingston: What has changed?

Matt Williams: The government are trying to incentive or have been incentivising people buying green cars, so that it not literally green cars, that's cars with low levels of CO_2

Mark Kingston: I am glad you have clarified that for us...

Matt Williams: So, if you have a car that is either 100% electric or a petrol hybrid or even a diesel hybrid, because there is not many of those around, the rates of tax that you pay are far reduced to a convention combustion engine

Mark Kingston: Give me an example of the kind of cars you are talking

Matt Williams: Well the easiest example is to use a BMW 3 Series, so that is executive car 101, you know BMW's bestselling car, you see them all up and down the motorway with sales executors driving, and the smart sales executor is not driving the 320D that he used to... he is driving the 330E

Mark Kingston: Now the 'E' stands for electrics, so that's the hybrid

Matt Williams: It is a petrol-electric hybrid, it can do 35 miles on electric only, which is probably not really enough for these guys that are driving it all day, but what that means it is CO2 emissions are really, really low, 44g a coulometer which means the taxable rate on that is at 7% or 9% next year, compared with 22% or 24% for that diesel version, and it is exactly the same car from the outside, you wouldn't notice the difference, same amount of seats, same amount of performance, same range.

Mark Kingston: Now I have the privilege, dear listener, of seeing something you can't which is Matt has prepared a sheet of figures to calculate all these tax bits and pieces and we will include these in the show notes so you can see what I am talking about, but it seems to me Matt, from looking at this that the tax position for the business is either you are paying over £5,500 in tax for the 320D, whereas for the 330E, the electric hybrid we are talking about you would actually claim back nearly £3,000 of tax.

Matt Williams: So a net saving of 8, that is correct

Mark Kingston: Which is huge!