

# [National by her majesty’s revenue and customs](https://assignbuster.com/national-by-her-majestys-revenue-and-customs/)

Nationalfactors or political factors are factors that can affect products, polices, people and profit. Factors that affect businesses include new legislation suchas the national minimum wage and setting tax rates e.

g. VAT or CooprarationTax. Thecurrent national minimum wage is £7. 50, this is the largest it has been in 7years. This is a massive plus for employees but it is a draw back for businessowners such as myself since, it will cause us to pay more money to staff whichgives us less money to spend on things such as advertisement or even product.

This could lead us to either miss out on potential customers limiting ourprofit or we would have to take action make staff redundant. Taxation: The main taxes that affectbusinesses and collected by Her Majesty’s Revenue and Customs (HMRC) include:•Income tax –paid by employees on a PAYE  (Pay As YouEarn) basis•National Insurance –Paid by both employers and employees•Value added tax (VAT)–Added to many sales transactions. VAT-registered businesses can reclaim theVAT they pay on most transactions•Corporation tax –Paid by limited companies and based upon the profit made•Income tax does affect our staff, thismeans we must pay them quite a substantial amount so they have enough money tolive well. Obviously, this causes the business to lose money, however weunderstand you must spend money to make money and that this is a good use ofour capital. A way to make sure we don’t overspend in this area will be, wewill monitor the price of income tax and calculate the wages for our staff offthis also we will make sure we don’t employ any more staff than is needed. Employers such as myself do need to pay income tax if my income is more than mypersonal allowance. However since we’re only a small business currently, it isunlikely I will be go over my personal allowance.

NationalInsurance effects us all, employees making above £157 a week and employersmaking a profit of £6, 025 or more a year. This means the business itselfdoesn’t get effected directly by this, however all staff and owners are, however Ks Tailoring can be forced to pay more out to employees if thegovernment decides to raise the national insurance. Valueadded tax is quite bad for business everywhere, but it is even worse for startup business like ours.

Why? Because it causes us to need to increase our pricesto at least make a decent amount, however obviously customers don’t enjoybuying expensive/higher price items so it could turn potential buyers away. This is especially bad for start ups since we aren’t as well known in the area, plus we don’t have that many repeat customers yet. CooperationTax can be very crippling for start up businesses, such as my own. If we don’tkeep our expenditure in check and under control, once we pay cooperation tax wecould have a real shortage of capital meaning we would need to under take aloan or potentially abandon ship, shut down the business.

However, since we area small company, our tax is not at the main rate (30%), instead it is at thesmall profits rate (19%). Inflation: Inflationis the increase of the price level of goods and services in an economy overtime. In layman terms, it is the cost of living for example, food, Netflix, broadband and innumerable more. Currently the price of inflation is at 3. 1%(November 2017). In January 2017 it was 1.

8, that is a 2. 3 increase over 11months which is absolutely preposterous! Inflationhas the potential to be a real problem for all business’ especially start uporganisations such as my own. This is because it causes the prices to be raisedon the materials needed to make our products, therefore we are caused to raiseour prices of raw materials and product to equal the same profit we werepreviously making. This is bad since customers could be less reluctant to buyour items and services causing them to go to competitors for a lower price. Inflation can be good thing, the first reason is inflation causers consumers toexpect a prices to keep on rising. When prices are increasing, people will buynow rather than pay more at a later date. This causes an increase in demand inthe short term. Because of this, stores sell more and factories produce morenow.

To meet this demand, stores are likely to hire new employees to try andmeet demand. This creates a cycle, boosting economic growth.