

National by her  
majesty's revenue  
and customs



**ASSIGN  
BUSTER**

National factors or political factors are factors that can affect products, policies, people and profit. Factors that affect businesses include new legislation such as the national minimum wage and setting tax rates e.

g. VAT or Corporation Tax. The current national minimum wage is £7.50, this is the largest it has been in 7 years. This is a massive plus for employees but it is a drawback for business owners such as myself since, it will cause us to pay more money to staff which gives 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 our profit or we would have to take action make staff redundant. Taxation: The main taxes that affect businesses and collected by Her Majesty's Revenue and Customs (HMRC) include:

- Income tax - paid by employees on a PAYE (Pay As You Earn) basis
- National Insurance - Paid by both employers and employees
- Value added tax (VAT) - Added to many sales transactions. VAT-registered businesses can reclaim the VAT they pay on most transactions
- Corporation tax - Paid by limited companies and based upon the profit made
- Income tax does affect our staff, this means we must pay them quite a substantial amount so they have enough money to live well.

Obviously, this causes the business to lose money, however we understand you must spend money to make money and that this is a good use of our capital. A way to make sure we don't overspend in this area will be, we will monitor the price of income tax and calculate the wages for our staff off this 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 my personal allowance. However since we're only a small business currently, it is unlikely I will be go over my personal allowance.

National Insurance affects us all, employees making above £157 a week and employers making a profit of £6,025 or more a year. This means the business itself doesn'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 the government decides to raise the national insurance.

Value added 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 prices to at least make a decent amount, however obviously customers don't enjoy buying 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. Corporation Tax can be very crippling for start up businesses, such as my own. If we don't keep our expenditure in check and under control, once we pay corporation tax we could have a real shortage of capital meaning we would need to undertake a loan or potentially abandon ship, shut down the business.

However, since we are a small company, our tax is not at the main rate (30%), instead it is at the small profits rate (19%). Inflation: Inflation is the increase of the price level of goods and services in an economy over time. 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 11 months which is absolutely preposterous! Inflation has the potential to be a real problem for all businesses' especially start up organisations such as my own. This is because it causes the prices to be raised on the materials needed to make our products, therefore we are caused to raise our prices of raw materials and product to equal the same profit we were previously making. This is bad since customers could be less reluctant to buy our items and services causing them to go to competitors for a lower price. Inflation can be a good thing, the first reason is inflation causes consumers to expect a price to keep on rising. When prices are increasing, people will buy now rather than pay more at a later date. This causes an increase in demand in the short term. Because of this, stores sell more and factories produce more now.

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