



BECKLEY SMALL BUSINESS NEWSLETTER

OUR COMPANY:

Beckley Consulting is in business to stimulate the emergence of effectively managed Micro, Small and Medium Enterprises and provide them with professional support services in Finance and Accounting, Taxation, Human Resources and Legal Services so that they can focus on their core businesses and mandate. We are a one-stop shop for professionals set up to meet her various needs of small businesses.

We believe in mindset change for the typical entrepreneur through training/workshop and information sharing, to imbibe the discipline and commitment required to own and manage a small business successfully, including keeping appropriate accounting records.

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FINANCE ACT 2020: TAX IMPLICATIONS FOR SMALL BUSINESSES

There is good news for you, if you are a small business owner. The Finance Act 2020 attempts to reduce the tax burden of small business owners through income tax and value added tax exemptions. Over the years, several surveys on the problems of Micro, Small and Medium Enterprises (MSMEs) have identified tax burden as one of the major challenges of small business owners in Nigeria. It is expected that with one of the burdens removed, small businesses should thrive better in terms of growth and sustainability.

Income Tax

With effect from February 1, 2020, if your company's annual turnover/sales/revenue is less than N25m, then you are exempted from paying income tax on its profit. This does not remove the need to keep proper and adequate accounting records. You are still to file annual tax returns with the tax authority, accompanied by audited financial statements, but income tax payable will be at zero percent.

If your company's turnover is between N25m and N100m, then it is regarded as a medium company and income tax rate is 20%, instead of 30% before the Act. Companies with turnover above N100m are large companies and will continue to pay company income tax at the rate of 30%.

Withholding tax, being an advance income tax, may not be deducted from your invoices by suppliers since you are exempted from paying income tax. However, if suppliers deduct withholding tax from your invoices when your turnover is less than

N25m, then you can note and document it and ask for refund subsequently from the Federal Internal Revenue Service (FIRS).

Value Added Tax (VAT)

If your company's annual turnover is less than N25m, then you will not register as VAT Agent, and will therefore, not add VAT to your invoices effective February 1, 2020. The implication of this is that without adding VAT, prices of your goods and services will become cheaper and affordable by many more people, and this will lead to more sales and eventually more profit. Though implementation details and guidelines are not yet out, it is likely that a taxpayer that registered for VAT when turnover was more than N25m can be deregistered if turnover falls below the threshold.

The most popular provision of the Act seems to be the increase of VAT rate from 5% to 7.5%. This increase affects everybody who consumes vatable goods and services.

Tax identification number (TIN) is compulsory for individuals and companies – small or large. The requirement not to register for VAT for companies with turnover less than N25m does not apply to acquisition of TIN. In addition, whether you are registered for VAT or not, you pay VAT when you consume vatable goods and services. But because you are exempted from VAT registration based on your turnover being less than N25m, the VAT paid will be expensed because you cannot offset it. Exemption from VAT payment is for some goods and services and not for persons or companies.

Going Forward

Quote of the Month:

"I believe that through knowledge and discipline, financial peace is possible for all of us." - Dave Ramsey

I WROTE DOWN A BUSINESS PLAN AND THAT WAS KEY—EZE CHIJOKE

This is an interview with the MD/CEO GooDday Paper Mills Ltd. During this interview, the young Nigerian entrepreneur shared with Next Naija Entrepreneur how he started, some of the challenges he faced, habits that kept him at the top and what he has to say to other young aspiring Nigerian Entrepreneurs about how to start a business.

How did you become an entrepreneur?

The beginning was not easy, although nothing comes easy because the world is not a bed of roses. I started GoodDay Paper Mills Ltd in July 2010. I started with nothing. After my Youth Service in February 2009, I was able to save only N18,000. I had some money in the stock market because while I was in school, I borrowed money from my mother to buy some stocks. When the market crashed my stocks, stock became almost useless and I lost a lot of money. But I never wanted to look for a job; in my heart I'm an entrepreneur. At the time, people thought I was crazy. How could someone graduate from school and say he's not going to look for a job? I mean, why did we send you to school in the first place? So, when I wanted to start my business, I had no money. I knew I could raise money from farming so in 2009, my amazing sister encouraged me and gave me 200,000.

Now I had some money but there was another problem: land. I went to Awka and met the then Commissioner for Youths and Sports, Mrs Chinwe Anowai. She took me to a director in the Ministry of Agriculture and asked them to make sure I got the land I wanted for my farming enterprise. The director called the people at RTEP (Roots and Tubers Extension Program) at Igbariam. It was a federal government program. Long story short, they leased out 3 hectares of land to me. That solved my problem; I had money and

land. Then I used that money to plant maize and cassava.

What habits do you have that increased your productivity?

I'm very ambitious. I'm also a realist. I look at successful people and motivate myself to be like them. I set my goals and targets. I never lose sight of them. I sleep on them, wake up on them, eat on them, whatever I do, my goals and targets are always in my mind. I work towards my goals and I always achieve them. Before I started, I took out time and studied the market. Then I wrote down a business plan. And that

was key because after 3 years, I went back to my plan and what we had achieved was exactly what was in the plan. That is why I say that it's difficult but at the same time it's very simple.

What's your advice for a young Nigerian entrepreneur and our unemployed people?

It's unfortunate that we lack good mentoring in Nigeria. That was one of the major problems I had. I lost over 10 million Naira due to business mistakes as a result of lack of mentoring. But don't be afraid to start something. You will get better with time.

Some people have made up their mind to be employees and work. Everybody must not be entrepreneurs. But instead of staying at home and waiting for a job, there must be something they can do in the meantime because it's difficult to get a good job these days. Develop yourself. Read books. Study great companies and learn how they started. Fear is good because it is wisdom that makes us fear. But fear should not limit us. It should not stop you from acting. Go ahead and start a business. There's no better time.

What were your major challenges and what did you do to overcome them?

Our major challenge was electricity. At times we would not get up to 4 hours of electricity in a day. But because power always came on at night.



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FINANCIAL STEPS TO AVOID IN YOUR 30s

ARE you in your thirties or probably in the twilight years of your twenties? Then this article is for you. For some of us who are in the twilight years of the thirties it's easy to look back and wish there were things that we did that we probably should have done better or things that we perhaps shouldn't have done. There are also things we should have done that we did not do. These are financial steps that younger people must avoid taking. I have picked out some.

Avoid depending on one source of income

Whether you are an entrepreneur or employee, an alternative source of income is always a welcome financial buffer.

This because even more important in your thirties, when the demand of bills and other financial commitments bite harder. In your thirties, you have age on your side, experience and wisdom to take on other jobs, investments or businesses that can help augment your cash flow.

Avoid not having an emergency fund

An emergency fund is a dedicated savings account that caters for any emergency that may arise periodically. It could be a health problem or an accident or you suddenly lose a job or presented with a deal you can't refuse.

An emergency fund is there for you to rely on when such needs arise. Not having an emergency fund can be catastrophic.

Avoid not having any insurance

You can't be in your thirties and don't have either of a life insurance, car insurance or health insurance. A life insurance ensures your loved ones are catered for in the event of death or that you are taken care of in the event of a physical injury. Health Insurance on the other hand ensures you and your dependents can be catered for whenever anyone falls ill, without having to pay anything extra. Insurance should be an important element of your financial life cycle and shouldn't be avoided.

Avoid being jobless

Being in your thirties involves taking up a lot of responsibilities and it's a period where you begin to establish a legacy for yourself. You can't achieve this without a job. You can be self-employed or working for someone else or an organization.

Bottom line is that you need to have a job that provides you with a decent level of economic security. It's easier to be without a job

in your twenties than in your thirties as getting a job gets more difficult the older you get.

Avoid easy money-making investment

People get more vulnerable when they attain a certain level of financial security. In your thirties you probably may have worked between five to ten years and may have qualified for perks and allowances that give you bulk money.

You soon get bombarded with all sorts of investment outlets that promise you quick returns on your money. What follows next of course is tears and sorrow. You don't want to be caught up in that.

Avoid owing too many loans –

As you climb up the social ladder there comes a period when taking out a loan or a mortgage becomes inevitable.

However, your ability to make sure that doesn't take you to financial ruin depends on the type of loans you take, and the opportunity cost it presents. There is every likelihood that in your thirties, you

want to buy a house or live in a bigger house, drive a nice car or even get married. All these things are important, but you need not borrow to have them all in your thirties except of course you have the cash.

Avoid investing foolishly

Most people advice that you start investing very early in life even if it means taking huge bets. Bets are good but there comes a time when you have to apply wisdom and common sense to investing. This is the age that requires you selecting the right investments for yourself and family.

Your portfolio allocation must be optimized to include a mixture of shares, real estate, bonds, mutual funds etc. You should also explore the possibility of increasing your pension fund contribution as well. This is no time to mess around with speculative investments.

Avoid being a "cheerful" giver

Helping others in times of need is a critical part of human nature. However, excessive financial magnanimity is a sure part to financial ruin.

You can't give more than you have; What you have shouldn't be more than your disposable income, which is what you are left with after you have kept money aside for your bills, investments, feeding, family upkeep, liabilities and savings.

Whatever you give out as a gift should be weighed against your disposable income rather than your total in-



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