



MAKESWORTH ACCOUNTANTS
HELPING YOU GROW



Year-End tax planning checklist

Makesworth Accountants- Helping You Grow

Accountancy Taxation & Advisory Services

At Makesworth, our dedicated team of accountants and tax advisors work hard to ensure that all our clients are able to utilize all relevant allowances available for them before the financial year end.

Below is a handpicked list of allowances and tax reliefs which we believe can be helpful for you. However this is a summary and may not be equally applicable for everyone. We would recommend to book a free consultation with our expert team so that we can give you a advice on the basis of your personal circumstances.



Personal Tax

Marriage Allowance: Married Couple can transfer 10% of Income tax personal allowance to another partner if their allowance is not used up which could potentially save a minimum of £230.00

If your family members are contributing to your business and they are able to carry out business duties, their personal allowance can be utilised by paying wages.

Pension Contribution: You could consider exchanging part of your salary for payments into an approved share scheme or additional pension contribution which could take you below annual income of £100000 so that you could get full personal allowance for income tax

Saving Income Allowance: Basic rate taxpayers are entitled to £1000 of tax free saving income and higher rate tax payers are entitled to £500 tax free saving income. Have you planned your savings to utilise this entitlements?

Dividend and Bonuses: If you are extracting funds from your company you could either pay the dividend before 5th of April or you can defer the dividend payment for next year based on your income level. This could potentially mitigate your tax liability.

Dividend allowance is reduced to £2000 from April 2018. Have you considered payment of salaries to the owner manager at tax efficient levels?

Notes: Above the allowance of £2000, dividend incomes are taxed at 7.5%, 32.5% or 38.1%. You need to consider Corporate tax to get the overall tax implication. The overall tax cost of extracting dividend could be up to 26% for Basic rate tax payer, 46% for higher rate taxpayer and 50.05% for additional rate taxpayer. If you are planning to extract dividend, you may wish to take our advice so that we could have a best tax planning for you.

Capital Gain Tax

Have you utilised your annual allowances for 2017/18 of £11,300.00

You can maximise Capital Gains through exempt transfer between spouses as each person will have a CGT allowance of £11300.

Entrepreneur's Relief: Business owners are provided substantial tax relief on the disposal of business and business assets if they are ceasing. Such tax reliefs are also available if they are selling shares of unquoted trading companies in certain circumstances. There is a lifetime allowance of £10m. Have you made most of it?

Working From Home Allowance

Government offers significant tax savings for business that operate from home. Self-employed business owners can claim a proportion of certain costs such as council tax, mortgage interest, utilities from HM revenue.

Incorporation

As the corporate tax are to be reduced to 18% from April 2020, have you considered incorporating a business? The lower tax rates on offer and various ways of taking profits may be worthwhile to trade through a limited company rather than as sole trader

Business Taxes

Corporate tax: Rate of corporate tax is currently 19% which is set to reduce to 18% from April 2020. You may wish to take tax advice to check how this reduction impacts you and your business.

Capital Allowances: Have you purchased any assets before the year end to ensure these allowances are available for a year earlier. This could be significant for cash flow of your business.

Accounting Dates: You could take advantage of tax benefits of overlap relief on incorporation if you could change the accounting date. Have you considered changing accounting dates of your company? This could be helpful to boost your cash flow.

Research and Development Credits: HMRC allows up to extra 130% of identified costs to be written off against taxable profits. Have you claimed for all your eligible expenses on R&D projects?

Inheritance Tax

Have you used a maximum gift allowances for the year?

Switch your assets: Certain assets including business and agricultural as well as share in unquoted trading companies qualify for 100% relief from IHT. Apart from these and any estates above Nil Rate Band would be subject of IHT.

Resident Nil Rate Band: Additional Nil rate band allowance has been introduced when a residence is passed on death to a direct descendant. It is being introduced in stages -£100,000 in the current tax year rising to £175000 in 2020. In 2020 you could have a NRB of £500000.

Charitable and Personal Gifts: If you leave a minimum of 10% of your net estate to a charity, a reduced rate of 36% will apply and your family could save some tax. On the other hand, gifts to spouses can be made now to use up his/her NRB and could help you to reduce the value of the part of your estate above NRB.

Inheritance Tax (continued)

There may be several other gift and allowances for IHT, please seek advice in advance.

Pensions

Protecting a large pension: The Lifetime pension allowance of £1.5 million was reduced to £1.25m in 2014 and further reduced to £1m from April 2017. There could be several ways of protecting your funds, please seek for advice if this affects you.

Stakeholder Pensions: all UK residents can make annual pension contribution of £2800 (Gross £3600) regardless of whether they have relevant earning or not. There are ways of using these payments to keep your income below £50000 so that you do not have to pay child benefit tax charge.

Pension drawdown: Even if you are still working and you are 55 years old or over, you may be able to start to draw your pensions benefits from a personal pension such as SIPP. You may take up to 25% of amount from your pension pot tax-free with the rest being taxed at your marginal rate. Please seek advice if you are entitled to flexible drawdown and you are planning retiring overseas.

Carry forward pension allowances: You can carry forward your pension allowance for 3 years if you are a member of such pension scheme. Have you used such all your allowances? Have you claimed your higher or additional tax reliefs?

Pension Contributions are tax free benefits: Pension contributions made to your employees are deductible expenses for your business and they are tax free benefit for your employees. If they exchange some of their salary in return for a larger pension contribution made by the employer, both parties can save on national insurance contributions.

Investment Ideas To Save Tax

ISAs: Have you used ISA allowance of £20,000 (2017/18 & 2018/19)

Junior ISAs/ Child trust Fund: You can invest £4128 for any children under the age of 18. The interest are tax free. However, the fund will be locked until your child turns 18. Government has automatically opened Child trust fund for children born between 01.09.2002-02.01.2011. Since April 2015, these can be converted into junior ISAs. The money is locked until the child is 18 year old.

Help-to-buy ISAs: If you have adult child, it is worth considering gifting funds so that they can invest in help-to-buy ISA -available to first time buyers who are over 16 years. Government will provide a 25% tax-free bonus on a monthly savings up to £200. Total cash back they can receive is £3000 on a maximum saving of £12000.

Lifetime ISAs (Save for later Life): From April 2017, Government has introduced yet another ISA for any UK residents aged 18-40. It is Called LISA. Government will provide a bonus of 25% on the money you invest up to maximum of £1000 per year. You can save up to £4000. a year and can continue to pay until you reach 50. LISA limit of £4000 will count towards your annual ISA Limit i.e. £20,000 for 2017/18 and 2018/19.

Share Schemes: Some employers offer share schemes for employees such as Share Incentive Plan (SIP) or Share save (SAYE) there are usually price discounts and tax incentives for taking part in such share schemes.

EIS/SEIS Investment: You can get 30% tax relief and possible capital Gain Tax deferral if you invest in an EIS and you can get 50% tax reliefs and on reliefs and no Capital gain Tax if you meet certain criteria.

Venture Capital Trust Investment: You can receive income tax a relief on subscription of up to £200,000 and tax free dividends and capital gain tax reliefs. Have you considered Venture Capital Trust Investments?

There are several other investment schemes, you could save tax by subscribing such schemes. Please seek advice for detailed information.