Year End Planning

Tax planning is about knowing the personal and business taxes you are liable to pay, and acting to minimise them. It is also about maximising your net income, and creating opportunities to invest and save tax-efficiently, for the current and future needs of your business, your family and yourself.

While there is no doubt that the tax system is complex, you should not let complexity deter you from a simple goal: keeping your taxes as low as possible. That's where we can help.

How we can help

This guide is designed to highlight a range of planning opportunities, some of which expire at the tax year end on 5 April 2020. In particular, contact us to discuss:

- making the most of tax-free opportunities
- keeping tax rates as low as possible across the family
- developing a plan for tax-efficient profit extraction
- keeping business taxes to a minimum
- minimising the tax on the sale of your business
- tax-efficient remuneration packages
- reducing national insurance costs
- reducing the cost of company cars
- tax-efficient savings
- reducing the tax on your estate
- minimising tax on gifts
- inheritance tax (IHT) reduction
- planning to reduce capital gains tax
- planning to minimise VAT liabilities.

A word on couples

Married couples have, for many years, attracted some tax breaks and have also been the target of some anti-avoidance legislation, neither of which have applied to unmarried people. Civil partners are, for most tax purposes, treated the same as married couples.

Saving taxes on income

Income tax

- **Reconsider your company car and fuel options**

Consider the tax liability on your company car and fuel provided for private travel, the emissions of your next car, and the current rules for company vans, as well as the possibility of running your own car and claiming business mileage. The right decision could save a considerable amount of tax.

- **Do not delay in sending us your business and personal records**

Unless we receive your records in good time, we may not be able to ensure that the right claims are made in time.

- **Keep income below the levels at which allowances are reduced**

If 'adjusted net income' is expected to be over £100,000, the personal allowance is withdrawn by £1 for every £2 of income above this figure. You may be able to reduce your income by making pension contributions or gifts to charities.

Similarly, if you or your spouse or partner (these rules are based upon household income) are receiving child benefit and either of your incomes are expected to be between £50,000 and £60,000, then some of your child benefit will be clawed back via the High Income Child Benefit Charge unless income is reduced.

- **Maximise allowances**

In addition to the personal allowance, each individual has a 0% rate band for dividends (£2,000 for 2019/20) and for interest (£1,000 for basic rate, £500 for higher rate, but no allowance is available for additional rate taxpayers). Reviewing the salary/dividend withdrawals from a company, along with possible loans to your own company, can maximise the level of tax-free drawings.

- **Invest in pensions**

Are you investing in a pension policy or pension scheme, and if so, should you maximise the amounts you and your employer invest?

Business taxes

- **Take a dividend instead of a bonus from your company**

Thus saving both employer and employee national insurance contributions (NICs).

- **Ensure that borrowings will attract tax relief**

Funds borrowed for business purposes obtain full tax relief.

Saving taxes on capital

Capital gains tax (CGT)

- **Ensuring reliefs are in place for future business sales**

Gains which qualify for Entrepreneurs' Relief can attract a CGT rate of just 10%. If a business sale or withdrawal is being planned, some actions may need to be taken to secure the relief.

- **Claim a CGT loss for assets which have become of negligible value**

This can be offset against current year gains or carried forward if you have no gains in 2019/20.

- **Use business losses against capital gains**

If you have business losses and assets which have accumulated a lot of gains, you might realise the gains now, offsetting your business losses to minimise your tax liability.

- **Make a main residence election for your second home**

Subject to time limits, an election to have your second home treated for tax purposes as your main residence for as little as two weeks can add valuable CGT reliefs when you come to sell it, at a cost of what should be a very small loss of relief on your first home. Once the initial election has been made, it is possible to change it at any time to reflect the tax situation at the time.

- **Realise capital losses to offset current year gains**

Avoid matching problems by re-purchasing through an ISA.

Gifts and estate planning

- **Ensure that charitable gifts are covered by Gift Aid**

And then record them so that we can include your claim for higher rate tax relief (if applicable) in your Tax Return.

- **Review your estate plan and Will**

Following the introduction of the residence nil-rate band, now may be the ideal time to review your estate plan. A review is also due if there has been: a birth or a death; a marriage or a divorce; a move abroad; a significant change in the value of your estate; a new business or the disposal of a previous business; or a retirement. We can help you to work through changes to keep your estate plan up-to-date.

These are just some of the ways we can help you plan to minimise your tax liabilities. We are always pleased to discuss matters with you personally. Contact us today.

Savings and saving tax

Saving for retirement

Tax reliefs encourage savings through pension plans, with tax relief at up to 45% on your own savings or a tax deduction for your employer. Tax relief may be even more than this for those whose 'adjusted net income' is above £100,000. However, be aware that contributions to tax-advantaged plans are limited, and that: 2019/20 savings need to be invested by 5 April 2020; and the amount you can receive tax relief for investing in a pension in 2019/20 is the greater of £3,600 or total UK relevant earnings. The investment limit is subject to an annual allowance.

The annual allowance is currently £40,000 for most people. However, those with adjusted income (including the value of any pension contributions) above £150,000 may have their annual allowance tapered away to a minimum of £10,000. Where premiums paid in the pension input periods ending in the preceding three years are less than the annual allowance for those years, unused relief may be carried forward.

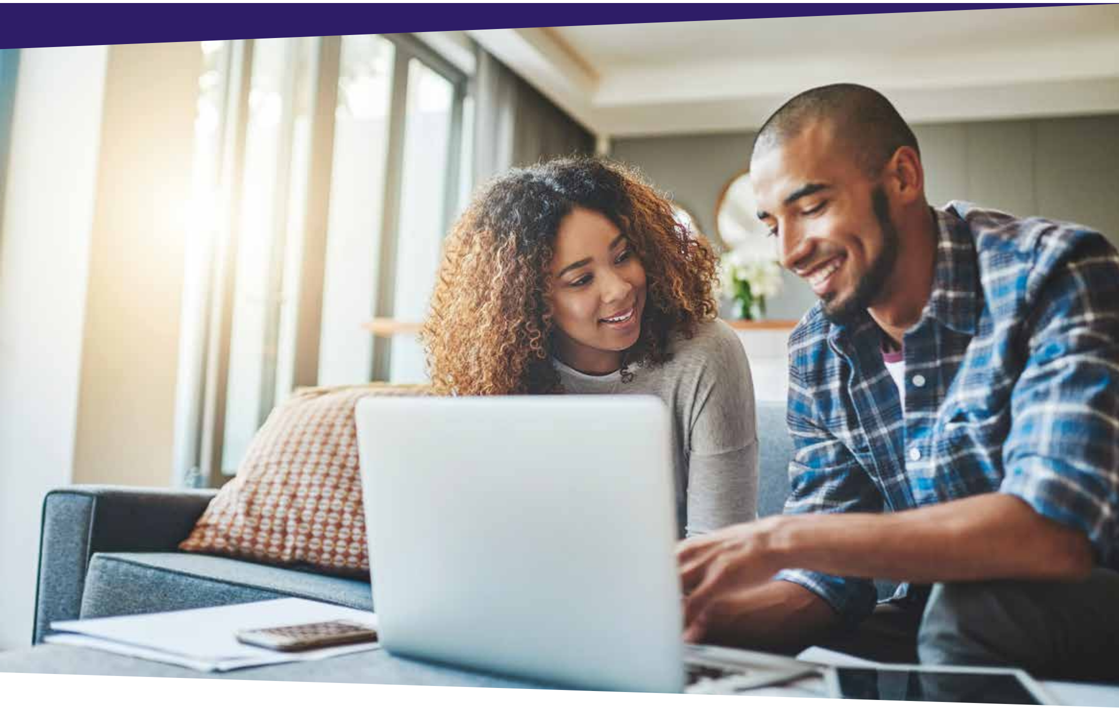
For both employer and personal pensions, there is a limit on the tax-privileged benefits that can be drawn from the schemes. The value of any authorised benefits paid out in excess of their allowance is subject to a tax charge, known as the lifetime allowance charge. It is currently set at £1,055,000 for 2019/20.

Other savings

Quite substantial amounts can now be saved in ISAs and invested as cash or shares. The overall annual investment limit for ISAs remains unchanged at £20,000 for 2019/20, of which £4,000 can be saved into a Lifetime ISA. The annual limit for Junior ISAs and Child Trust Funds is set at £4,368. Gains and income in an ISA are tax-free. You have until 5 April 2020 to make your 2019/20 ISA investment. Property investment also remains an attractive option for some people.

Gift planning

Tax-efficient gift planning in your lifetime means that you can enjoy seeing your money put to use. You can plan a strategy to make the most of IHT reliefs. Ideas to consider include: gifts of up to £3,000 before 6 April 2020; small gifts before 6 April 2020 of up to £250 per person; gifts to charity; regular gifts out of income; and gifts of a stake in the family business. Substantial gifts not covered by specific exemptions are not chargeable to IHT if you survive seven years from the date of the gift. A tax-efficient Will is also very important.



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