

# Planning for a Year's Prosperity

## Income tax

- Use your personal tax reliefs
- Capital and the related income can normally be transferred between spouses or civil partners without any tax liabilities. Such transfers must be outright gifts and can be made free of both capital gains tax and inheritance tax
- Consider paying your spouse/civil partner/children a salary for working in your business
- Consider taking your spouse/civil partner into partnership
- Consider one-off or recurring donations to charity

## Benefits in kind

- Keep records of business trips showing the date, mileage, and purpose of trip to satisfy HMRC queries
- Consider reimbursing your employer for the full cost of private petrol to prevent the car fuel benefit charge applying
- Remember that no tax is charged on beneficial loans totalling less than £10,000 per employee

## Pensions

- Check that your pension arrangements are adequate, especially if you are self employed or not in a company scheme
- There is no limit on the amount that may be contributed to a registered pension scheme. However, there are limits on the level of tax relievable contributions that can be made. The maximum amount on which an individual can claim tax relief in any tax

year is the greater of the individual's UK relevant earnings or £3,600, subject to the appropriate annual allowance (contributions in excess of the annual allowance are likely to give rise to a tax charge). Relevant earnings is broadly employment income and trading income i.e. not property rental, savings or dividend income. In addition there is an annual allowance of £60,000 (for 2023/24, £40,000 for earlier years) above which an annual allowance charge may be payable.

- Employees in a company scheme may consider paying additional voluntary contributions to help boost their final pension, or may consider contributing to any other registered pension scheme.

## Capital gains tax (CGT)

- You are entitled to £6,000 of net gains free of tax (2023/24). Plan disposals to make use of this exemption. Note the annual exempt amount is expected to reduce to £3,000 from April 2024.
- Consider deferring disposals until after 5 April to delay CGT payment by a full year for non-residential property disposals
- Consider the timing of disposals to take advantage of any otherwise unused basic rate income tax band, attracting tax at the lower rate of 10%
- If you intend to retire from business in the next few years, plan ahead to minimise tax on disposal of your business or family company
- If you have more than one home, consider making or revising an election to determine which one will qualify for the CGT exemption
- Claim losses on assets that have become worthless
- Consider EIS deferral relief, which allows you to defer gains on disposal of any chargeable asset against investment in new ordinary shares in a qualifying unquoted trading company.

## Inheritance tax (IHT)

- Review your estate planning strategy
- Review your Will
- Consider lifetime gifts to individuals or trusts (gifts to spouses are exempt)
- Maximise business property relief and agricultural property relief
- Life assurance policies can be used as a way of making gifts to beneficiaries, and also to build up sufficient money to pay any IHT that may eventually become due

- The annual £3,000 exemption for lifetime gifts can be carried forward for one year, but then used only if the exemption for the later year is utilised
- Other reliefs are: £250 small gift exemption, marriage gifts exemption, and gifts for charities, national purposes, public benefit, and political parties

## **Year end tax planning for sole traders, partnerships, and companies**

This planning centres on the accounting year end rather than the tax year end:

- Defer income/advance expenditure. For companies, consider the timing of income and expenditure to make best use of the small companies rate of corporation tax
- Companies may defer sales of chargeable assets until after the year end, thereby deferring capital gains
- Sole traders and partnerships may consider advancing the sale of chargeable assets if current year capital gains annual exemptions have not been used
- Accelerate bonuses to staff and directors
- Make extra employers' contributions to pension schemes
- If you are thinking of embarking on a new business venture, bring forward the commencement date to offset any initial losses against current year's business profits
- Gains made on the sale of business assets may be rolled over on certain classes of business asset against purchases of replacement assets. Consider whether you need to bring forward the purchase of a replacement asset to enable this relief to be used
- Remember the annual investment allowance is claimable on most plant and machinery

## **Dividend v bonus**

- Consider the timing of dividends and bonuses with regard to the personal tax position of company shareholders

Do call us if you would like help with your tax planning.