TAX

An easy to understand guide

2008/09

Practical tax tips to guide you through the tax system and help you plan to minimise your liability.

Please use this guide to identify areas where you could take action, then contact us for advice and to discuss the most appropriate way forward.

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A FEW ESSENTIALS

Introduction

In the UK the greater bulk of **income tax** which flows into the Exchequer does so by deduction at source. The tax is taken from income before it is paid to the taxpayer and most of this happens by way of Pay-As-You-Earn (PAYE). This collection system will no doubt be familiar to almost everyone who is in employment and also to those who receive pensions.

Most of the rest of the income tax collected at source comes from deductions made by banks or building societies from interest paid to savers. Most of us, children, the retired or working people alike, will have savings accounts of one sort or another and many might also have shares from which income arises in the form of dividends. These too are treated as having suffered income tax at source.

As these circumstances cover the overwhelming majority of individuals, more than 80% of the population will have little or no regular contact with HM Revenue and Customs (HMRC), the organisation that administers and regulates all taxes in the UK.

Around 9 million taxpayers have something more than just a regular income taxed under PAYE and interest on savings. Instead they might have income from their own business or receive rent from a property. Alternatively, it may be that their income is high enough to attract higher rate tax so that the tax deducted at source on their savings income is insufficient. These taxpayers may be asked to complete a self assessment return each year and then they will have direct contact with HMRC.

Tax Planning

If not asked to complete a tax return, it remains the taxpayer's responsibility to advise HMRC if there is a new source of untaxed income or a capital gain that will lead to a tax liability. Please contact us for further advice if this affects you.

Income tax is not the only means by which the government relieves us of our hard earned cash. You may own assets such as a precious antique, a second home or shares. If such an asset is sold, the chances are that a profit will arise and this may give rise to a liability to **capital gains tax**. Details of any capital gains may have to be included on the self assessment return.

Inheritance tax may be payable on the assets that you give to others in your lifetime or leave behind when you die. At one time very few individuals had to worry about this tax. Rises in house prices have changed that and many more estates have now become liable. The government has implemented some changes to try and address this issue but many people will still need careful planning to minimise this tax.

Many of those in business have to understand the principles of **Value Added Tax** because they will have to act as an unpaid collector of this duty. In addition, those who run their business through a limited company will be concerned about **corporation tax** - a tax on their company's profits.

This booklet is designed to provide you with a simple guide to all of these taxes from five perspectives - that of the family; the working man or woman in employment; the person running their own business; the taxation of investments; and, finally, knowing that nothing is certain except death and taxes, the potential liability on your estate.

Please use the guide to help you identify planning opportunities, pitfalls to avoid and areas where you may need to take action and then contact us for further advice.

Tax Planning

Remember to keep all tax related documents such as interest statements, dividend vouchers, pay certificate form P60 etc. Place everything in an envelope or folder through the year as it is received. Then you can simply hand this to us when we need to prepare your self assessment return.

Self assessment (SA) timetable

- Income tax and capital gains tax are both assessed for a tax year which runs from 6 April to the following 5 April.
- Shortly after 5 April - SA returns are issued by HMRC.
- 31 October following - non-electronic returns are to be submitted to HMRC by this date. Also, returns must be submitted if HMRC are to calculate the tax due.
- 31 January following - final date for submission of return and all outstanding tax to be paid.
- There is an automatic penalty for late filing of the return of up to £100 and more serious penalties for on-going default.

FAMILY MATTERS

2008/09 Income Tax Rates

£	%
0 - 2,320	10*
2,321 - 34,800♦	20**
Over 34,800♦	40***

* Only applicable to savings income and dividends
** 10% on dividends
*** 32.5% on dividends

Other income taxed first, then savings income and finally dividends.

♦(Based on Chancellor's announcement 13 May 2008.)

Husband and wife

Married couples are taxed as independent persons, each of whom is responsible for their own tax affairs. All individuals are entitled to a basic personal allowance before any income tax whatsoever is paid. The personal allowance for 2008/09, originally announced of £5,435, is to be increased by £600 to £6,035♦, and the threshold at which an individual starts to pay higher rate tax will be reduced. The tax bands and rates shown in the box are applied to each spouse separately, so that each may earn up to £40,835 before they start to pay higher rate tax. There is no aggregation of income, no sharing of the tax bands and the basic personal allowance may not be transferred from one spouse to the other.

Note: The figures above have been amended to reflect the Chancellor's announcement on 13 May 2008. We are awaiting confirmation in the form of the legislative amendment, as to whether there will be any further knock-on changes. Please contact us for the latest position.

Tax rates

The government has changed the tax rates for 2008/09 onwards. The 10% starting rate is abolished for earned and pensions income and the basic rate of tax is reduced to 20%. The higher rate of tax continues at 40%.

The starting rate will continue to be available for savings and investment income. There are no changes to the tax rates applicable to dividends.

The government also proposes that from 2009/10 the point at which people start paying the higher rate of tax will be increased significantly to £43,000. The effect of this change will be partly offset by significant changes to the national insurance bands.

Higher allowances for those aged over 65

The basic personal allowance is increased to £9,030 where the taxpayer is aged 65 or over on the last day of the tax year in question and to £9,180 where the age on that day is 75 or over. This more generous allowance is reduced by £1 for every £2 that the taxpayer's income exceeds £21,800. It cannot be reduced below the basic allowance of £6,035 (see note above).

Married couples allowance

In the past, a married couples allowance was available, given in the first instance to the husband. This is now only available to those couples where at least one spouse was born before 6 April 1935.

This allowance can be worth over £600 per year to a couple depending on age but its detailed application is complex. It is worth noting, however, that this allowance can be transferred to the wife or shared between the spouses if they so choose.

Minimising the tax bill

It follows from the basic rules set out above that tax is minimised if husband and wife equalise, as far as possible, their income so that all personal allowances are fully utilised and higher rate tax is minimised.

Example

In 2008/09 Alan and Angela have savings income of £100,000 and no other income.

If this is split equally between them, the total tax bill for the couple is £20,788. If only one spouse has income of £100,000 and the other has nothing, the total tax bill leaps to £30,394 - an additional £9,606!

Jointly owned assets

Married couples will often own assets in some form of joint ownership. If they do not, then it is usually advantageous for tax purposes for transfers to be made to ensure joint ownership. This can have benefits for income tax, capital gains tax and even inheritance tax.

Where assets are owned in joint names any income is deemed to be shared equally between the spouses. If the actual ownership shares are unequal, income is still deemed to be split equally unless an election is made to split the income in the same proportion as the ownership of the asset. One exception to this rule is shares in close companies (almost all small, private, family owned companies will be close companies) where income is always split in the same proportion as the shares are owned.

Tax Planning

If you and your spouse are both involved in running a business, income will be equalised if you are equal partners or equal shareholders. Alternatively if only one of you is involved, the other could be employed even if only to use up their personal allowance.

Example

A buy to let property is owned three quarters by Helen and one quarter by her husband Mark. If nothing is done the net rental income on which tax is payable will be split 50:50.

If an election is made the income will be split 75:25. A choice can be made according to which is most desirable when other income of the spouses is taken into account.

Capital gains tax

Independent taxation also applies to capital gains tax. Each spouse is entitled to take advantage of the annual exemption of £9,600 before any capital gains tax has to be paid.

Therefore it is often most tax-efficient for sales of assets to be made by husband and wife jointly. Transfers may be possible shortly before a sale with no adverse consequences because transfers between husband and wife do not give rise to capital gains tax.

Capital gains tax is payable on the amount of capital gains over the annual exemption at 18%.

Separation

The breakdown of a marriage will often involve the transfer of assets between spouses. The marriage continues until the decree absolute but, for transfers of assets to be entirely free of a charge to capital gains tax, the transfer must be made before the end of the tax year in which the separation takes place. Separation is deemed to happen when the couple cease to live together as man and wife - quite different to the date of the decree absolute which is often much later.

Example
If a couple cease to live together on 30 April 2008, transfers of assets must be made between them by 5 April 2009 for capital gains tax to be avoided.

Conversely, for inheritance tax, transfers taking place before the granting of a decree absolute will continue to be exempt. Even after this date, transfers will not usually be a problem.

There is usually no tax relief on maintenance payments made by one former spouse to another nor on any payments required by the Child Support Agency.

Children

It is often assumed that children are not taxpayers until they achieve some particular age.

In fact HMRC will tax a child just as readily as anyone else if the child has sufficient income to make them liable.

Transferring income to children

Children have their own personal allowances and tax bands. Where their only income is, at best, a few pounds from a

paper round or a Saturday job, there may be scope for transferring income producing assets to the children to use up their personal allowance.

The problem is that if the parents do this the income will still be treated as belonging to them (until the child is 18 or marries before then) unless the income arising from such sources is not more than £100 (gross) per annum.

However grandparents and others are not subject to this rule.

Tax Planning

There is nothing to stop you employing your children in the family business so as to take advantage of their personal allowance provided that they are old enough (generally they must be at least 13 years old), they do not work more hours than is legal and they do actually carry out work for the business.

Children and capital gains

Children also have their own annual exemption for capital gains tax so that assets transferred to them which have a bias towards capital growth rather than income may prove to be more advantageous.

Repayment claims

Where children have significant sources of income from which tax has been deducted, such as bank interest or trust income, they will almost certainly be entitled to a repayment. In such cases a repayment claim should be made.

Tax Planning

There are still quite a few ways income can be transferred to children tax efficiently:

- buy them premium bonds - winnings are tax free
- buy National Savings Children's Bonus Bonds or National Savings Certificates - these are tax free
- Friendly Societies offer 10 year, tax exempt savings plans for children for up to £25 per month.

Child Trust Fund

For children born on or after 1 September 2002 a Child Trust Fund has been introduced. The idea is to encourage tax efficient savings, with the government's help, to build a savings fund which the child can access once they reach 18. The government's initial contribution is £250 or £500 for low income families, with a further payment of £250 (and again £500 for lower income families) once the child reaches the age of seven.

Other contributions of up to £1,200 per annum can be added to the fund by family or friends and, although there is no tax relief on making the contributions, the fund is tax exempt. This is therefore a tax efficient medium to which regular transfers can be made.

Child Tax Credit

The Child Tax Credit is means tested and potentially available to families who have responsibility for one or more children. It is a tax free payment made direct to the main carer and it will be available where combined income is less than £58,175 or £66,350 if there is a child under one year old.

> **Tax Planning**
>
> Many couples who are entitled to a tax credit do not receive it because they fail to apply.

There are several elements to the credit and claims can be complicated. Please talk to us.

Civil partnerships

All the special rules for married couples, both those dealt with in this section and those covered in other sections of this booklet, apply equally to same-sex couples who have entered into a registered civil partnership.

What about unmarried partners?

It still pays to equalise income as much as possible, as income tax will be minimised. However transfers of assets may be liable to capital gains tax and, if substantial, could also lead to an inheritance tax liability. It is vital for unmarried couples to each make a Will if they wish to benefit from each other's estate at death.

A word of warning

There is a limit to the extent to which a couple should allow tax savings to influence them! To do so has been known to have a high cost in terms of family relationships. There must be as much trust in matters of finance as in those other areas that go with the institution of marriage!

Moreover transferring assets or interests in a business between husband and wife can, and often does, attract the interest of HMRC. This is especially where it is obvious that it has been done primarily for tax saving purposes. Transfer of ownership of an asset must be real and complete, with no right of return and no right to the income on the asset given up.

> **Checklist for couples**
>
> - Try to equalise your income.
> - Consider placing assets in joint names.
> - If you have children consider making use of their personal allowances.

If a non-working spouse is given shares in an otherwise one-person, private company, HMRC may regard this as a sham and seek to tax the working spouse on all of the dividends (see the income shifting notes in the 'Working for Yourself' section).

WORKING FOR OTHERS

Few avoid working for others at some time in their life and most will have encountered the PAYE system operated by employers to collect the income tax and national insurance (NIC) due on wages and salaries.

The tax code

Ensuring the right amount of tax is taken relies on a PAYE code, issued by HMRC and based on information given in a previous self assessment return or on returns supplied by the employer. The employee, not the employer, is responsible for the accuracy of the code.

Tax Planning

If you are unsure about your code and are anxious not to end the tax year under or overpaid, then you should have it checked. Please talk to us.

Code numbers try to reflect both your tax allowances and reliefs and also any tax you may owe on benefits in kind. If you are in receipt of a state pension an adjustment will be made for this. HMRC may also try to collect tax on untaxed income or tax owing from an earlier year. The code may even try to allow for higher rate tax that has to be paid on investment income. You do not have to agree to tax owed on untaxed income and prior years' underpayments being dealt with in this way. As can be imagined, with this many complications and some guess work involved, getting the code exactly right can be difficult and the right amount of tax will not always be taken. Get in touch if you would like us to check your code number for you.

For many employees things are simple. They will have a set salary or wage and only a basic personal allowance. Their code number will be 543L and the right amount of tax will be paid over under PAYE. *(Following the recent announcement to increase the basic allowance by £600 - this should change to 603L later this tax year but further operational information is awaited at time of writing.)*

Others will be provided with perks in their employment or they may be paid by the employer for expenses incurred. The more common examples of these perks are considered below.

Benefits in kind

Company cars

Company cars remain a popular benefit and for some a real status symbol, despite continued increases in the tax charge they give rise to.

The charge on cars is calculated by multiplying the list price of the car by a percentage which depends on the CO_2 emissions of the car. The table below shows the percentages for 2008/09. For many employees there will be a 1% increase in the percentage used compared to 2007/08. Remember this is the amount being charged to tax, not the tax itself. Only the list price is used, irrespective of age (except that there are special rules for classic cars), and the cost of any extras must also be added.

The CO_2 emissions of all cars are listed in well known car magazines or can be found on the internet. The definitive official figure for each car can be found on the Vehicle Registration Document.

If the car has a diesel engine the charge is increased by 3% (except that it cannot exceed 35%). However diesel cars registered before 1 January 2006 and which met the Euro IV emission standard do not suffer this supplement.

Discounts apply to certain environmentally friendly cars. For 2008/09 onwards, a new 10% rate applies to non-electric cars with emissions of no more than 120gm/km. Environmentally friendly discounts do not apply to these cars but the diesel supplement does. For cars registered before 1 January 1998, the charge is based on engine size.

2008/09	
CO_2 emissions (gm/km) (round down to nearest 5gm/km)	% of car's list price taxed
up to 135	15
140	16
145	17
150	18
155	19
160	20
165	21
170	22
175	23
180	24
185	25
190	26
195	27
200	28
205	29
210	30
215	31
220	32
225	33
230	34
235 and above	35

Example

Paul has a Mercedes C class (diesel) registered on 1 February 2007. It has an original list price of £20,955 and CO_2 emissions of, say, 169. Paul had extras fitted to the car costing £1,000 (VAT inclusive).

In 2008/09 the taxable benefit will be £5,269 ((20,955 + 1,000) x 24%). If Paul is a higher rate taxpayer the tax due on this will be £2,107 for the year.*

** 21% from the table plus 3% diesel supplement.*

Fuel for private use

A separate charge applies where fuel is provided by the employer for a company car. The charge is calculated by applying the percentage figure used to calculate the company car benefit to a fixed figure which for 2008/09 is set at £16,900, an increase of 17% on the previous year!

Medical Insurance

The employee is taxed on the amount of the premium paid by the employer.

Tax planning

The fuel benefit charge can be expensive. On a typical mid-range diesel car, for example, the cost to a 40% taxpayer is roughly equivalent to paying for 11,000 miles worth of fuel.

It may be cheaper for the employee to pay for all the fuel and to reclaim from the employer the cost of business miles driven in a company car based on a specific log of business journeys undertaken. HMRC have published advisory rates for the cost of fuel which can be used for this purpose. Rates from 1 July 2008 are:

Engine Size	Petrol	Diesel	LPG
1400cc or less	12p	13p	7p
1401cc to 2000cc	15p	13p	9p
Over 2000cc	21p	17p	13p

Note that, for all purposes, travel from home to work and back is not usually business travel.

Note: Although the new rates above are effective from 1 July, where employers are able to implement them earlier this is acceptable to HMRC as long as not prior to 1 June 2008.

Home and mobile phones and the provision of broadband

There is no benefit on the provision of a company mobile phone even where it is used privately. However this is limited to one phone per employee. Where home telephone bills are paid by the employer, the amount paid will be taxable. The employee may make an expense claim for the cost of business calls only but none of the line rental.

There is generally no benefit on the provision of home broadband access where the employer subscribes for the service for the employees home and the employee needs this access in order to carry out their job.

Cheap or interest free loans

If loans made by the employer to an employee exceed £5,000 in a tax year, tax is chargeable on the difference between the interest paid and the interest due at an official rate - currently 6.25%.

Childcare costs

Childcare costs paid for by an employer are exempt from both income tax and NIC. This applies to a place in an employer operated nursery or where the employer pays for registered or approved childcare. In this latter case the exemption is limited to £55 per week and any excess over this is subject to tax and NIC.

Tax Planning

Contributions by an employer to an approved pension scheme are tax and NIC free. This may be far better than any other perk. You may want to sacrifice some of your ‘normal’ salary to do this. Please talk to us to make sure your salary sacrifice scheme is effective.

The costs will normally be paid in the form of vouchers or alternatively paid direct to the childcare provider. Any scheme must be open to all employees or all employees at a particular location.

Registered or approved childcare includes childminders, nurseries and play schemes registered by Ofsted, out of hours clubs run by a school on the school premises or by a local authority and childcare schemes run by approved providers.

Expense payments

Reimbursed expenses

Reimbursed expenses are taxable as a benefit but the employee can claim a deduction for those expenses incurred wholly for business purposes. The two will usually cancel out each other.

Tax Planning

Check if a dispensation is in place. If not, the employee must include reimbursed expenses shown on the P11D as income and then claim a deduction for the business portion of the reimbursed expenses.

If the employee does not receive a tax return they can write to HMRC to claim the deduction.

At the end of each tax year, the employer has to send a summary of all benefits to HMRC on form P11D. As well as the perks listed above, this form will include the reimbursed expenses.

The employee can then make an expense claim either on a self assessment return or by letter.

Because, often, nothing is taxable, employers can ask to be excluded from this process if they write to HMRC. This is known as a dispensation.

Mileage claims

Many employers pay a standard rate of mileage to all employees who use their own cars for business journeys. HMRC set authorised rates for business mileage which are currently 40p for the first 10,000 miles in a tax year and 25p thereafter.

If the employee is paid for business miles at less than the authorised rate, tax relief is available on the difference. If, however, the employee is paid at more than these rates then the excess is taxable.

Tax Planning

If you are paid less than the authorised rates to use your own car for business purposes remember to claim a deduction on your return or write to HMRC to make your claim.

Example

In 2008/09 Dave travels 14,100 business miles in his own car and is paid 32p per mile by his employer.

Dave can claim tax relief of £513 ((10,000 x 40p) + (4,100 x 25p)) - (14,100 x 32p).

Mileage payments do not have to be shown on the form P11D unless the rates paid are more than the authorised rates.

Other transport issues

Vans

Where employees are provided with a van and the only private use of this is to go to and from work (including any incidental private use), then no taxable benefit may arise. If there is private use beyond this, there is a benefit of £3,000 per annum and an additional £500 if fuel is provided for private as well as business journeys. In order to avoid this charge, it is advisable to have a formal, written policy and detailed mileage logs. These will support the limited private use of the van and may avoid problems with HMRC in the future.

Tax Planning

Most double-cab pick-up trucks are treated as vans and are still a tax efficient way to avoid the car benefit charge even though there has been a significant increase in the van benefit.

Employee Checklist

- Check your tax code to avoid substantial underpayment at the year end.
- Don't reject a perk just because it is taxable.
- Company cars don't have to be expensive; choose wisely to minimise the benefit.
- Consider paying for fuel yourself and reclaiming business mileage, based on an accurate business log.

WORKING FOR YOURSELF

Starting up a business of your own is a big step and not one to take lightly. The taxation of your business is only one of many commercial and legal aspects of starting a business that you will need to consider.

Preparation is the key and a proper business plan should be one of the first things you should do. However tax matters are our main concern here.

Choosing a business structure

The alternative business structures are:

Sole Trader

This is the simplest form of business since it can be established without legal formality. The business of a sole trader is not distinguished from the proprietor's personal affairs. If the business incurs debts which are unpaid, the creditor can seek repayment from the sole trader personally.

Partnership

A partnership is similar in nature to a sole trader but involves two or more people working together. A written agreement is essential so that all partners are aware of the terms of the partnership. Again the business and personal affairs of the partners are not legally separate.

Sole traders and partnerships are often referred to as unincorporated businesses.

Limited Company

A company is a legal entity in its own right, separate from the personal affairs of the owners and the directors. A company provides protection from liability, which means that the creditors of the company cannot make a claim against the owners or the directors except in limited circumstances. Often this advantage is somewhat eroded because a bank, for example, may seek personal guarantees from the directors.

These potential advantages carry the downside of greater legal requirements and regulations that must be complied with.

Limited Liability Partnerships (LLPs)

LLPs are a halfway house between partnerships and companies. They are taxed in the same way as a partnership but are legally a corporate body. This again gives some protection to the owners from the partnership's creditors.

In this section we consider the differing tax treatments of the alternatives but you should choose which structure is right for you based on more than just the tax issues alone.

Tax Planning

If you operate as a limited company, there is a legal separation between you as the owner and the company itself. This means you cannot use the company cheque book as if it were your own! This requires a certain discipline without which all kinds of legal and tax related difficulties can occur.

Many will start off as a sole trader, taking advantage of the lack of any formal procedures to establish the business. Some, however, will need the protection of limited liability because they are in a high risk business or they may need the additional stature that is seen as attaching to a limited company. Alternatively, they may need to establish and protect a particular name which only the formation of a limited company will allow them to do.

The tax regime

Unincorporated businesses

A new business must register with HMRC within three months of commencing to trade. Income tax is paid on the profits of the business. The amount that the proprietor, or a partner in a partnership, draws out of the business (referred to as 'drawings') is irrelevant.

Profits are taxed on a current year basis as shown by the example, although a new business will be subject to special rules, which we can outline for you.

Example

If the accounting period (or 'year') end is 31 March then, in the tax year 2008/09, the profits for the year ended 31 March 2009 will be taxed.

If the year end was 31 August then, in the tax year 2008/09, the profits for the year ended 31 August 2008 will be taxed.

Many businesses choose 31 March (or even 5 April) as their accounting date but this is not compulsory. In fact, an alternative choice of accounting date may be important where losses arise at the beginning of a new business or if the profits grow appreciably month on month.

Accounting dates early in the tax year give a cash flow advantage as there is a longer period of time between earning the profits and paying the tax. However, when an accounting date early in a tax year is chosen, this can result in the same profits being taxed twice due to the operation of 'special opening year' rules. The taxpayer is eventually allowed to claim relief for such double assessed profits known as overlap relief but this may be 20 years from now when the business stops trading. Whilst these rules appear a little strange, the system does ensure that over the lifetime of a business all the actual business profits are assessed once and once only.

Tax Planning

Try to incur expenditure just before rather than just after the year end, as this will accelerate your tax relief. Examples of the type of expenditure to consider bringing forward include building repairs and redecorating, advertising and marketing campaigns and expenditure on plant and machinery.

Working out profits

Profits are calculated using accepted accounting practices and crucially this means that profit is not necessarily simply receipts less payments. Instead it is income earned less expenses incurred.

Not all of the expenses that a business incurs are allowed to be deducted from income for tax purposes but most are. It is important that you keep proper and comprehensive business records so that relief may be claimed.

Capital allowances

When assets are purchased for the business, such as machinery, office equipment or motor vehicles, capital allowances are available. As with expenses, these are deducted from income to calculate taxable profit. Major changes to the regime have been introduced.

Plant and machinery - Annual Investment Allowance (AIA)

The AIA gives a 100% write-off on most types of plant and machinery costs, including integral features and long life assets but not cars, of up to £50,000 p.a. Any costs over the AIA will attract an annual ongoing allowance of 10% or 20% depending upon the type of asset.

The AIA applies to expenditure incurred on or after 6 April 2008 (1 April 2008 for companies) by all businesses. Special rules apply for accounting periods straddling these dates. The £50,000 limit may need to be shared between certain businesses under common ownership.

Other plant and machinery allowances

The annual rate of allowance on the main plant & machinery pool is 20% (formerly 25%) from 6 April 2008 (1 April 2008 for companies). The 20% rate also applies to cars, with an overriding maximum of £3,000 per car. Special rules apply for accounting periods straddling these dates.

First year allowances are abolished but a 100% allowance may still be available on certain energy efficient plant and cars.

A new pool attracting a 10% rate applies to expenditure incurred on integral features and on long life assets on or after 6 April 2008 (1 April 2008 for companies). Long life asset expenditure brought forward will obtain the 10% rate (previously 6%), with special rules applying for accounting periods straddling these dates.

Industrial and agricultural buildings and hotels
These are being phased out over the next 3 tax years. For example, where the annual rate of allowance was 4%, it is now 3% from 6 April 2008 (1 April 2008 for companies). Further reductions will apply in 2009/10 and 2010/11. Special rules apply for accounting periods straddling these dates.

Paying the tax

The self employed may have to pay tax three times a year, namely:

- 31 January in the tax year
- 31 July following the tax year
- 31 January following the tax year.

In certain circumstances, the first two payments can be waived.

Companies

Unlike sole traders and partnerships who pay tax on profits only (and drawings are ignored), companies have two layers of tax. The first is tax payable by directors and shareholders on money they take out of the company and the second is corporation tax which is due on the company's profits.

Tax Planning

The payments on account system can make tax payments very volatile if profits fluctuate widely from year to year. You must plan ahead carefully to avoid nasty shocks.

Tax on 'drawings'

The directors of the company will normally be paid a salary and this is taxed under PAYE as for all employees. The cost of this, including the employer's NIC, is generally an allowable expense of the company.

The shareholders of the company may be rewarded by the payment of dividends on their shares. In most small companies the directors and shareholders are one and the same and so they can choose the most tax efficient way to pay themselves. Using dividends can result in savings in NIC. This requires planning. Please talk to us to decide the best options for you.

Corporation tax

	Year to 31.3.09	Year to 31.3.08
Small companies' rate	21%	20%
Marginal rate	29.75%	32.5%
Full rate	28%	30%

The small companies rate normally applies where profits do not exceed £300,000. Profits between £300,000 and £1,500,000 are taxed at 29.75% for the year to 31 March 2009.

The small companies rate is increased from 20% to 21% for the year to 31 March 2009. The government plans to increase the small companies rate to 22% in the year to 31 March 2010.

The full rate applies to all profits where those profits are greater than £1,500,000.

Tax on profits

The profits of a limited company are calculated in a similar way as for unincorporated businesses and the same rules about expenses and capital allowances generally apply. Remember though that the salaries paid to directors, but not the dividends paid to shareholders, are deductible from the profits before they are taxed.

Tax Planning

In recent years companies have become more popular as they have usually resulted in less tax being paid overall. With the increases in the small companies rate of corporation tax this will not necessarily be the case in future years. This issue is complex as the comparison calculations have to also take into account the government's proposals from 6 April 2009 to change the tax and NIC bands. These rate changes affect only earnings and self employed profits and not the taxation of investment income or capital gains. Do get in touch if you would like us to review your particular circumstances.

Payment of tax

PAYE and NIC on salaries is payable monthly (or quarterly where the amount due is less than £1,500 per month).

Corporation tax is usually payable nine months and one day after the year end, so the choice of year end has no tax consequence.

Income shifting

Over recent years, many families have been attracted by the savings that can be made by combining small salaries and large dividends. The savings could be increased

by introducing a non-working family member into the business as a shareholder or co-owner, in order to use up their personal allowance and lower rates of tax.

From 6 April 2009 it appears that HMRC intend to introduce new rules to counter this. If you have any questions or concerns, please do not hesitate to contact us.

Value added tax (VAT) and your business

VAT is a tax ultimately paid by the final consumer and businesses act as the collectors of the tax. There are heavy fines for failing to operate the system properly.

What does VAT apply to?

VAT is chargeable on the supply of goods and services in the UK when made by a business that is required to register for VAT.

A registered business must charge VAT on its sales which is known as output VAT. There are currently three rates of VAT which can be payable on what are known as taxable supplies. These are the standard rate of 17.5%, the reduced rate of 5% and zero rate.

Zero rate is where the supply is deemed to be subject to VAT but the output VAT is charged at 0%, meaning that no VAT would be payable. However that business will also pay VAT on the goods and services it buys. This is known as input tax.

If the output tax exceeds the input tax, then a payment of the difference has to be made to HMRC. This calculation is normally done quarterly. If input tax exceeds output tax a repayment of VAT will be made. This calculation is also done quarterly except that if repayments occur regularly this can be done monthly. Regular repayments would perhaps apply where a business generally makes zero rated supplies.

Supplies

Certain supplies of goods and services are not subject to VAT at all and are known as exempt supplies. A business that makes only exempt supplies cannot register for VAT and will be unable to reclaim any input tax.

As there are three rates which can be applicable to taxable supplies, standard, reduced or zero rated, it is important to identify the type

Tax Planning

When you first register for VAT you can reclaim input tax on goods purchased up to three years prior to registration provided they are still held when registration takes place. VAT on services supplied in the six months prior to registration may also be reclaimed.

of supplies correctly and apply the correct percentage of VAT.

Some input VAT is not reclaimable by a VAT registered business. Two common examples are VAT incurred on entertaining business customers and VAT on the purchase of a car.

Do I need to register?

A business must register if its taxable supplies exceed an annual figure, currently £67,000. If taxable supplies are less than this a business may still register voluntarily. So, for example, if the business makes only zero rated sales, it can still register and reclaim the input tax suffered.

VAT can affect competition. A plumber, for example, who sells only to the general public, will be at a disadvantage if he has to register for VAT. He may have to charge up to 17.5% more than a plumber who is not registered to earn the same profit. On the other hand, if the same plumber only works for other VAT registered businesses, such as building companies, then it will not matter if they are registered because the customer will be able to recover the VAT that is charged.

Indeed, in general, a business that always sells to other VAT registered businesses will normally register, even if below the annual limit, because then it can reclaim VAT on purchases and expenses. This will improve profit. This can be especially relevant for new businesses because there are often high start up costs that carry VAT.

On the other hand registration comes at the cost of having to meet onerous record-keeping requirements, a need to submit VAT returns on time and a fundamental need to get it right! Failure on any of these points exposes the business to penalties which, in some cases, can be substantial.

Schemes for small businesses

The Flat Rate Scheme

This scheme, designed to make the VAT system simpler, is open to businesses whose annual taxable supplies are less than £150,000. It allows businesses to pay VAT at a fixed percentage of their total turnover and no specific claims to recover input tax need to be made. The fixed percentage depends on the type of business.

The Cash Accounting Scheme

If annual taxable supplies are less than £1,350,000, a business may calculate its VAT payable by considering only the output tax and input tax on invoices which have been received/paid, rather than by reference to the invoice date alone. This is advantageous where a business has to wait a long time before it is paid by its customers.

The Annual Accounting Scheme
If taxable supplies are below £1,350,000 a business may choose to make only one annual return instead of quarterly returns. Interim payments of VAT must be made monthly or quarterly by direct debit based on an estimate of the amount due.

Tax Planning

You should consider carefully whether to register voluntarily. If the VAT at stake is relatively small the responsibilities of registering may outweigh the benefit.

By reputation VAT is a tax full of pitfalls for the unwary but most problems arise from poor record keeping or a lack of understanding of the rules. We can help with both of these issues and make your life a lot simpler.

TAX AND YOUR INVESTMENTS

Tax Planning

Interest paid to individuals by banks and building societies will have tax deducted at 20%. If you do not pay tax you can sign a form to have the interest paid gross. If you have suffered tax but are not liable for it, you can make a repayment claim.

Setting aside income in the form of savings is important for us all, to provide for the unexpected or to build up a nest egg that we can enjoy in retirement. Given that the earnings from which our savings come have already been taxed, people often object to the fact that any return they enjoy on their investments will usually be taxed again.

In this section we consider what are the most tax efficient investments to make.

Pensions

Pensions are one of the most tax efficient forms of saving. A higher rate taxpayer can contribute £100 to an approved pension fund at a cost of only £60 and investment income and capital gains will accrue within the scheme largely tax free.

An individual is entitled to tax relief on personal contributions in any given tax year up to the higher of 100% of earned income or £3,600 (gross).

The contributions are paid net of basic rate tax and the pension provider will then recover the tax from HMRC. Higher rate relief, if appropriate, can be claimed from HMRC. Contributions of more than this can be made into a scheme but the excess will not attract tax relief.

An employer may make contributions to a scheme and a deduction from profits may be available to the employer.

Despite these generous reliefs there are controls which serve to limit very high levels of contribution. These are complex but, put simply, they will give rise to a tax charge if annual contributions result in an increase in pension rights for a year of more than £235,000 (for 2008/09) or if the value of the fund when benefits are taken is greater than a lifetime allowance which, for 2008/09, is £1.65 million.

When the pension is taken, the fund is normally used to buy a life annuity. Part of the fund, normally 25%, may be used to take a cash free lump sum.

Tax free savings

Individual Savings Accounts (ISAs)

ISAs are free of income tax and capital gains tax. There are maximum investment limits which apply for each tax year but, over several years, large investments can be built up. The ISA can be in stocks and shares, or cash but most ISA providers invest solely in stocks and shares. Banks and building societies provide cash ISAs.

Individual Savings Accounts

	2008/09	
Overall investment limit		£7,200
Comprising	- cash up to	£3,600 max.
	- balance in stocks and shares	£7,200 max.

16 and 17 year olds are only able to open cash ISAs.

A number of reforms are introduced from 6 April 2008:

- The mini and maxi distinction within ISAs was removed.
- The maximum amount which can be invested into a cash ISA is increased to £3,600.
- The maximum amount which can be invested into a stocks and shares ISA is £7,200, subject to an overall limit of £7,200 subscribed into both cash and shares ISAs in a tax year.

Other tax efficient investments

The following investments work in varying ways. You should consider your needs in detail before entering into any commitments.

National Savings products

There are a number of products, taxed in different ways, but some, such as savings certificates, are tax free.

Premium bonds

Another national savings product, premium bonds, is tax free and you could win £1m! By their nature, returns are volatile. Prizes currently total over 3% of the premium bonds in issue so that, statistically, a large investment (maximum £30,000) should yield something similar to this. 3% is equivalent to a gross return of 5% to a higher rate taxpayer.

Single premium insurance bonds

These provide a means of deferring income into a subsequent period when it may be taxed at a lower rate.

The Enterprise Investment Scheme (EIS)

Income tax relief at 20% is available on new equity investment (in qualifying unquoted trading companies) of up to £500,000 in 2008/09. Capital gains tax exemption may be given on sales of EIS shares held for at least three years. If the proceeds realised on the sale of any chargeable asset (eg quoted shares, second homes, etc) are reinvested in EIS shares, the gain on the disposal can be deferred.

Venture Capital Trusts (VCT)

These bodies invest in the shares of unquoted trading companies. An investor in the shares of a VCT will be exempt from tax on dividends and on any capital gain arising from disposal of the shares in the VCT. Income tax relief currently at 30% is available on subscriptions for VCT shares, up to £200,000 per tax year, so long as the shares are held for at least five years (three years for shares issued before 6 April 2006).

Buy to let properties

In recent years, the stock market has had its ups and downs. Add to this the serious loss of public confidence in pension funds as a means of saving for the future and it is not surprising that investors have looked elsewhere.

The UK property market, whilst cyclical, has proved over the long-term to be a very successful investment. This has resulted in a massive expansion in the buy to let sector.

Buy to let involves investing in property with the expectation of capital growth with the rental income from tenants covering the mortgage costs and any outgoings.

However the gross return from buy to let properties - ie the rent received less costs such as letting fees, maintenance, service charges and insurance - is no longer as attractive as it once was. Investors also need to take a view on the likelihood of capital appreciation exceeding inflation. Investors should take a long-term view and choose properties with care.

Tax Planning

When choosing between investments always consider the differing levels of risk and your requirements for income and capital in both the short and long term. An investment strategy based purely on saving tax is not appropriate.

Which property?

Investing in a buy to let property is not the same as buying your own home. You may wish to get an agent to advise you of the local market for rented property. An agent will also be able to advise you of the standard of decoration and furnishings which are expected to get a quick let.

Letting property can be very time consuming and inconvenient. Tenants will expect a quick solution if the central heating breaks down over the bank holiday weekend! Don't cut corners - a correctly drawn up tenancy agreement will ensure the legal position is clear.

Tax on rental income

Income tax will be payable on the rents received after deducting allowable expenses. Allowable expenses include mortgage interest, repairs, agent's letting fees and an allowance for any furnishings provided.

Capital gains tax (CGT)

Introduction

Making the most of your investments requires some understanding of CGT. CGT arises on the sale of most assets and, subject to various reliefs and exemptions, is payable on the difference between the sale proceeds and the original cost. The first £9,600 of gains, for 2008/09, are tax free. A flat rate of CGT then applies to any chargeable gain (after losses, reliefs etc) of 18%.

Some assets are exempt from CGT such as motor cars (including classic cars), personal goods such as jewellery or antiques sold for less than £6,000, UK government bonds and, crucially, your only or main home.

CGT changes

The government has introduced some major changes to CGT for individuals and trustees for 2008/09. These include, for disposals and held over gains arising on or after 6 April 2008, the double whammy that neither taper relief nor indexation allowance are available (even if assets were held before this date). The chargeable gain is liable to tax at the new rate of 18% (subject to the deduction of allowable losses, any other reliefs and the annual exemption).

In addition, the government has introduced a new relief to be known as 'Entrepreneurs' Relief' (ER) from 2008/09, available for capital gains arising on the disposal of a business.

Entrepreneurs' Relief

The effect of the relief will be to reduce the gains liable to CGT at 18% by 4/9ths resulting in an effective rate of 10% (18% x 5/9ths). The relief is available for gains of up to £1m on qualifying business disposals by an individual through their lifetime. Specific conditions apply for each type of disposal, which must be material. There also needs to be a qualifying period ownership for a period of one year up to the disposal.

The relief applies to gains arising on the disposal of the whole, or a part, of a trading business that is carried on by the individual, either alone or in partnership. Where a business ceases, relief remains available on gains on assets used in the business and disposed of within three years of cessation.

The relief also applies to gains on the disposal of shares in a trading company, or holding company of a trading group, provided that the individual making the disposal:

- has been an officer or employee of the company, or of a company in the same group of companies; and
- owned at least 5% of the share capital of the company and that holding enables the individual to exercise at least 5% of the voting rights.

Where an individual qualifies for the relief on a material disposal of a business/shares, relief may also be available on any 'associated disposals'.

This is a disposal of assets:

- used in a qualifying company or group of the individual
- used in a partnership, where the individual is a partner.

To be eligible for the relief, the 'associated disposal' must be part of the withdrawal of the individual from participation in the business and the available relief may be diluted due to various restrictions.

Trustees are also able to benefit from the relief if a beneficiary of the trust with an interest in possession relating to those assets is involved in carrying on the business in question, personally or as a partner. In the case of shares, the beneficiary must qualify as an officer or employee of the company in question.

The above is only a brief summary of the new relief. Please contact us if you would like to know more.

Main residence

An individual's or married couple's only or main residence is exempt from CGT. The exemption extends to grounds of up to half a hectare. Larger grounds may also be exempt.

The sale of a part of the garden or grounds for development may also be covered by the exemption.

Subject to exceptions, periods of absence are chargeable but, if the main residence was let during absences, as a result of which a charge arises, a 'letting relief' may apply to reduce the chargeable gain.

Relief is given on only one residence at any one time. A married couple can only have one main residence between them. However once it is established that a particular home is the main residence, the last three years of ownership will always be exempt, even if another home has become the principal home during this time.

Example
Joe has a house in Kingston which is his principal private residence and which he has owned for eight years. Fed up with commuting he buys a flat in central London and elects for this to be his main residence. Exactly five years later he sells his home in Kingston.

The Kingston home is exempt for the first eight years whilst he was living in it and for the last three years because, even though he had another home which was his main residence during this time, the last three years is always exempt provided the home in question qualified as the main residence at some point.

11/13 of the gain on the Kingston home will be exempt from capital gains tax. If, two years later, he sells the flat and moves elsewhere, the whole of this gain will be exempt.

The main residence exemption can be complex and often causes a good deal of misunderstanding. Please contact us for further advice before making transactions in property.

PRESERVING THE INHERITANCE

Inheritance tax (IHT) has some unique features. It is easy to collect because the authorities meet with least resistance but, conversely, it is relatively easy for wealthy taxpayers to at least minimise it, if not avoid it altogether, and consequently IHT is sometimes referred to as a voluntary tax.

Nonetheless planning to minimise IHT is something that many put off until it is too late and early attention to this tax is almost always worthwhile.

Currently the threshold for IHT is £312,000 (this is sometimes called the nil rate band) and even if your assets are worth less than this you should consider making a Will so that you choose who gets your assets after your death.

The current regime

The key points of the current regime are as follows:

- IHT is charged on a person's estate when they die and on certain gifts made during their lifetime
- the rate of tax on death is 40% and 20% on lifetime chargeable transfers. The first £312,000 is not chargeable
- some lifetime gifts are treated as 'potentially exempt transfers' or PETs. So long as the donor lives for at least seven years after making the PET there will be no possibility of an IHT charge whatever the size of the gift
- there are numerous exemptions and reliefs.

So what's the problem?

IHT is still a problem because:

- many are simply not in a position to make substantial lifetime gifts because it will leave them with insufficient capital to live on. As a consequence there is likely to be significant value retained in estates on death
- at the time of writing the threshold for IHT, £312,000, is roughly the same as the average price of a detached house in England and Wales. In such a case the house alone will use up the nil rate band and any remaining assets, such as investments and cash reserves, will be charged to IHT at 40%.

It is important therefore to consider ways of reducing any potential IHT liability.

Mitigating the liability

Don't waste your exemptions

Regularly using IHT exemptions will build up funds outside of the estate without incurring an IHT liability. A husband and wife can each take advantage of the exemptions, the main ones being:

- an annual allowance of £3,000 per donor per year. It can be carried forward for one year only if unused
- small gifts not exceeding £250 in total per donee per tax year
- gifts made out of income that are typical and habitual
- gifts made in consideration of marriage up to £5,000 if made by a parent, £2,500 by grandparents and £1,000 by others
- gifts to charities whether made during lifetime or on death
- gifts between spouses and registered civil partners, whether made during lifetime or on death.

Tax Planning

Remember that marriage invalidates any existing Will so make sure you write a new Will. This can be done before the wedding but in anticipation of it.

Planning in lifetime

If possible you should make absolute gifts in lifetime. A gift to an individual will be a PET so there will be no liability if the donor survives seven years. Even if the donor fails to survive for all of that period there will be a tax saving because the charge which will arise on the PET will be based on the value of the asset when it was originally gifted and not on the value at the date of death. If the value of the gift is below the threshold there will be no charge. If any tax is due it will be reduced to reflect the actual period between the dates of the gift and death.

Tax Planning

Each spouse/civil partner can take advantage of the IHT nil rate band. Furthermore gifts between them are exempt. Therefore it pays to use this exemption to broadly equalise estates so that both partners can make full use of exemptions and the nil rate band.

Remember that you cannot continue to benefit in any way from the asset gifted because this will render the gift ineffective for IHT purposes. You cannot, for example, give away your home to your children but continue to live in it rent free.

Consider using trusts

Trusts can provide a way of reducing IHT liabilities not just for the donor but also for the donee. The rules are complex but significant tax savings can be achieved with careful planning. In particular, trusts can be an effective way of using important reliefs on businesses and agricultural properties.

Use the nil rate band on death

On death, assuming the nil rate band has not already been utilised in the last seven years, it pays to ensure that it is not wasted. The government has helped in this area in recent times. New rules allow any unused nil rate band on the death of the first spouse to be transferred to the estate of the surviving spouse. The new rules apply to surviving spouses who die on or after 9 October 2007.

Example

Tom died leaving the whole of his estate of £800,000 to his wife Pru. A few years later Pru died leaving her whole estate of £900,000 to her children.

Under the old rules, on Tom's death there was no IHT, as transfers between husband and wife were exempt, but on Pru's death the IHT payable is based on £588,000 (£900,000 less the current nil rate band of £312,000).

Under the new rules, the portion of any nil rate band unused on the death of Tom will be allowable against Pru's estate. In this case as Tom's estate was left to Pru, none of his nil band was utilized, so 100% is available. This is in addition to Pru's own nil rate band. Using the current rates the IHT payable on Pru's death is based on £276,000 (£900,000 - [£312,000 x 2]).

Whilst the changes will help many married couples, better planning could completely eliminate the IHT bill.

Discretionary Will trust

Couples with modest estates find it hard to leave the nil rate band to children in their Will since that may leave the surviving partner short of funds. This can be overcome by the use of Discretionary Will trusts.

Put very simply, the Will leaves an amount equal to the nil rate band into a discretionary trust and the remainder can pass to the surviving spouse. There will be no IHT. The trustees will be given powers to pay income or capital to the surviving partner from the trust in the event that funds are needed.

Tax Planning

Using trusts can provide an effective means of removing assets from an estate but still allow flexibility in their ultimate destination and allow the donor to retain some control. Some trusts are quite tax efficient but recent changes have somewhat limited this effectiveness. Contact us for more advice on this area.

On the death of the surviving partner this discretionary trust is outside of their estate and any assets owned in the surviving parties own right will attract the nil rate band.

The family home

As already mentioned, the growth in house prices has caused real IHT worries. The family home is often the largest asset in an estate and is the hardest one to deal with efficiently for IHT purposes because individuals need a place to live. There have been many schemes devised to solve the problem and HMRC have successfully tackled many of these.

It is still possible to plan to mitigate some of the effect of the value of the family home particularly by careful planning using Wills. An important prerequisite of such arrangements is that the property, if occupied by spouses, should be owned by them as tenants in common and not simply as joint tenants. This means that each spouse has a clearly defined legal interest in the property which can be left according to their Will and does not automatically fall into the ownership of the survivor.

Use the reliefs

Important reliefs of up to 100% are available on business assets such as shares in a family trading company or on agricultural property. It is important that these reliefs are utilised because once the asset concerned is sold the relief will be lost. They can only be used in connection with transfers which are chargeable to IHT. In lifetime it may be worth considering transfers of such assets into trusts for members of the family. On death such assets should not automatically be left to the surviving spouse because that transfer will be exempt and, if the survivor subsequently sells the asset, the relief will have been wasted.

Make a Will

If you die without a Will, the intestacy provisions will apply and may result in your estate being distributed in a way you would not have chosen. Keep your Will up-to-date to reflect changes in the family situation. In particular Wills need to be revised on marriage or on divorce.

Use life assurance

Life assurance arrangements can be used as a means of removing value from an estate and also as a method of funding IHT liabilities. A policy can be arranged to cover IHT due on death. It is particularly useful in providing funds to meet an IHT liability where the assets are not easily realised, eg family company shares.

Tax Planning

- Do you have a Will?
- Where is it kept - do you and your family know?
- Is it up to date?
- Does your Will make full use of IHT exemptions and reliefs?
- Do you have adequate life assurance?

DATES FOR YOUR DIARY

JANUARY

31st Deadline for electronic tax return submissions. Balance of tax due under self assessment for previous year. First payment on account due under self assessment for the current year.

Tax Tip - *Before making any payments on account under self assessment let us know if your income has gone down in the current tax year - you may be able to reduce your payments.*

FEBRUARY

1st £100 penalty imposed where the tax return has not been submitted.

28th Last day to pay any balance of income tax and capital gains tax due under self assessment for the previous tax year or 5% surcharge will be due.

MARCH

31st End of financial year for corporation tax.

Tax Tip - *It is time to consider using your capital gains tax exemption before the end of the year if you haven't already. Need advice on how best to do this? Give us a call.*

APRIL

5th End of tax year and last day to maximise ISA contributions.

Tax Tip - *Consider opening an ISA for the new tax year.*

MAY

19th Deadline for PAYE and construction industry end of year forms (forms P35 etc).

31st Deadline for giving P60s to employees.

JUNE

Tax Tip - *Not sure if you qualify for Child Tax Credit? If you have not claimed tax credits for the previous tax year then claims can only be backdated three months. The earlier you make the claim the better.*

JULY

6th Deadline for P11Ds, P11D(b)s and P9Ds. Application deadline for PAYE Settlement Agreements.

19th Class 1A NIC due for previous year.

31st Second payment on account due under self assessment. Second £100 penalty imposed where the tax return due on the previous 31 January has not been submitted. Last day to pay any balance of self assessment tax due for the previous tax year or a further 5% surcharge will be charged.

Tax Tip - *Get your tax return information ready now. As a result you may also be able to reduce your second payment on account.*

AUGUST

Tax Tip - *Concerned about inheritance tax (IHT)? Make the most of your £3,000 annual allowance by making regular gifts. Annual gifts of £3,000 could result in significant IHT savings over time. In addition you could consider making regular gifts out of income which are not chargeable to IHT. There are several other exemptions to think about - talk to us and don't miss out.*

SEPTEMBER

Tax Tip - *Not had a tax return but have a new source of income on which you will have to pay tax for the previous tax year? HMRC need to be advised so that a return can be issued and interest and penalties avoided.*

OCTOBER

5th Deadline for notifying HMRC of new sources of income if no tax return has been issued for the previous tax year.

19th Tax and NIC (Class 1B) due on PAYE Settlement Agreements for the previous year.

31st Non-electronic self assessment return due in if you want HMRC to calculate the tax.

Tax Tip - *Are you an employee or director and think that you have underpaid less than £2,000 tax in the previous tax year? Submission of your return before the end of October will give you the option of paying it through next year's tax code - effectively an interest-free loan!*

NOVEMBER

Tax Tip - *Review your pension contributions - you still have time to make an additional contribution and potentially reduce any payment on account due next January. We can review this for you.*

DECEMBER

Tax Tip - *If you're feeling charitable at this time of year, consider making a contribution to charity under the Gift Aid scheme and benefit from tax relief. Higher rate taxpayers may be able to claim the benefit of their higher rate tax relief sooner by carrying back the donation to the previous year.*

This booklet is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this booklet can be accepted by the authors or the firm.

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