

Year end tax planning checklist

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With Christmas over and tax returns for 2013/14 perhaps only just filed thoughts of checking your tax position for the 2014/15 tax year may not be top of your list. However, with just a month or so to go before the end of the current tax year any potential tax planning needs to be considered sooner rather than later:

We have devised a checklist of the top 10 year end planning ideas which include some quick wins and some more complex ideas to ensure that full advantage of the allowances and reliefs provided by the Government are taken.

<p>1. Additional rate payers</p> <p>Q Do you have income over £100k? If so, you could be paying tax at an effective rate of up to 60%.</p> <p>A Taxable income could be reduced if you:</p> <ul style="list-style-type: none"> Make pension contributions Make gift aid payments Defer income such as dividends to 2015/16 Accelerate expenditure such as capital expenditure to 2014/15 Transfer investment property to spouse (even if you only transfer 1% both will be taxed on 50% of income) or other income producing investments (e.g. shares, savings) to utilise their personal allowance/basic rate band to the extent it hasn't been used already. <p>2. High Income Child Benefit Charge</p> <p>Q Are you a higher rate payer and receiving Child Benefit?</p> <p>A This could lead to a claw back of your Child Benefit and a requirement to register for self assessment (if you have not already).</p> <p>Ways to reduce taxable income include those as set out above for additional rate payers.</p> <p>3. Business mileage claim</p> <p>Q Does your employer reimburse your business motoring costs at less than 45p per mile (for the first 10k miles and less than 25p thereafter) or not at all?</p> <p>A Reduce your taxable income by claiming a deduction for the difference between the mileage rate your employer reimburses and the 45p/25p statutory rate.</p>	<p>Done?</p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p>4. Company cars</p> <p>Q Are you due to renew your company car?</p> <p>A The benefit in kind rates are increasing depending on the emission levels of the car. To save tax it might be time to look at the more eco friendly options, although from 1 April 2015 even they are no longer completely free of tax!</p> <p>5. ISA allowances</p> <p>Q Have you used your full allowance for 2014/15?</p> <p>A Up to £15,000 can be invested, all of which can now be in cash if desired. Although making the investment itself doesn't attract any tax relief, any income generated from it will be tax free.</p> <p>6. Investments</p> <p>Q Have you considered making a tax efficient investment?</p> <p>A Consider investing in Enterprise Investment Schemes, Venture Capital Trusts, Seed Enterprise Investment Schemes or qualifying Social Investments to shelter tax at higher rates and potentially defer capital gains arising in the current year.</p> <p>7. Annual Investment Allowance</p> <p>Q If you are a sole trader or partner in a practice have you made full use of your annual investment allowance?</p> <p>A With the £500k allowance only available for a limited amount of time, and reducing to £25k from January 2016, if you are planning any large capital expenditure then now may be a good time to bite the bullet whilst 100% allowances are available.</p>	<p>Done?</p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
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8. Capital Gains Tax allowance

Done?

Q Have you used your full CGT allowance for the year?

A The CGT annual exemption for all individuals for 2014/15 is £11,000, which you should try and use, if possible.

Consider a transfer of assets between spouses so that both can benefit from the £11,000 annual exemption.

9. Inheritance Tax exemptions

Q Have you made use of your IHT exemptions?

A Take advantage of the annual gift exemption of £3,000 where possible. If you have not used it in the previous year then £6,000 can be claimed in the current year and can offset one or more gifts.

There are also other exemptions for certain other small gifts, certain gifts for a marriage and gifts to charitable and political organisations.

10. Undeclared income

Done?

Q Have you declared all of your income?

A HMRC have ever increasing powers to obtain information about taxpayers, and a sophisticated system to link into many public resources. As tax avoidance is top of the agenda, if you have any undeclared income or capital gains then speak to your tax contact to decide how best to proceed.

Conclusion

If only it was as easy as a simple tick list but unfortunately tax is complex and any planning needs to be carefully considered. The above ideas only provide a very high level snapshot of what could be done, but if you are looking to review your current tax position and want to know if you could be paying too much tax we would advise that professional advice is sought.

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