

Veterinary Matters

Guiding your practice to lifelong prosperity

Top eight tax planning tips

For many people this time of year is when they want to forget all about tax, other than maybe promising themselves that they will submit their tax return earlier next year.

But this is exactly the time of year when you should be taking a step back and thinking about your tax position. Action taken now can mean future tax payments could be significantly smaller than would otherwise be the case.

Tax planning before the tax year ends on 5 April 2012 applies equally to individuals looking at their personal finances and business owners.

Although many planning ideas are simple, others are more complex and require time and consideration before implementation, so it is never too early to start thinking about them.

Tax planning includes making sure you take full advantage of the allowances and exemptions offered by the Government.

This year's top eight

1. Married couples* should use both personal allowances and basic rate bands

For the year ending 5 April 2012 all individuals with income of £100,000 or less are entitled to a personal allowance of at least £7,475. Married couples should make use of both spouse's allowances. If one spouse has not used their allowance but the

other has, the couple should consider transferring income-earning assets to the spouse with the lower income.

The same idea applies to the basic rate band, which for the year ending 5 April 2012 is £35,000. So again make sure that, where possible, both spouses' basic rate bands are used before either spouse starts paying tax at the higher rate of 40%.

Redistributing assets (e.g. property, bank deposits, shares, etc) and income generated from these can save significant tax.

2. If your taxable income is over £100,000 minimise your exposure to the 50% tax rate and loss of personal allowance

If your income is between £100,000 and £114,950 your effective tax rate might be as high as 60% because of the restriction in your personal allowance. Individuals also pay tax at 50% on their taxable income over £150,000.

Planning could include the following:

- Making personal pension contributions or gift aid payments to charity has the effect of reducing your income for the purposes of establishing whether you have reached the £100,000 and £150,000 thresholds.
- It may be possible to defer income such as dividends from 2011/12 to 2012/13 or accelerate expenditure such as buying capital equipment from 2012/13 to 2011/12.
- When looking at investments, think about maximising capital growth which will be taxed at the maximum CGT rate of 28%.

3. Businesses should use the full annual investment allowance of £100,000

An Annual Investment Allowance of 100% of the first £100,000 of expenditure on plant and machinery (excluding most cars) is available until 5 April 2012 (31 March 2012 for companies). All businesses should, where possible, plan capital expenditure to ensure the maximum benefit is obtained from this

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allowance before it reduces to a maximum of £25,000 from 6 April 2012 (1 April 2012 for companies).

Where you have an accounting date that spans the date of the change you need to be careful because the pro-rating of the allowance can be tricky.

For a **31 July 2012 year end** the AIA available is as follows:

Period from 01 August 2011 to 31 March 2012: 8/12 *	£66,667
£100,000	

Period from 01 April 2012 to 31 July 2012: 4/12 *	£8,333
£25,000	

Total AIA for July 2012 year end	£75,000
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Note that in the above example the expenditure must be incurred by 31 March 2012 in order to benefit from £66,667 of allowances.

The difference is even starker where we look at, say, a **31 December year end**.

The AIA available is as follows:

Period from 01 January 2012 to 31 March 2012: 3/12 *	£25,000
£100,000	

Period from 01 April 2012 to 31 December 2012: 9/12 *	£18,750
£25,000	

Total AIA for December 2012 year end	£43,750
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Note that in the above example the expenditure must be incurred by 31 March 2012 in order to benefit from £25,000 of allowances.

4. Make the most of the Furnished Holiday Letting rules before they change

If you have a furnished holiday home that you let out, either in the UK or EEA, take advantage of the more generous Furnished Holiday Letting (FHL) rules before they change on 6 April 2012.

From 6 April 2012:

- The minimum period the property must be available to let will increase from 140 days to 210 days.
- The minimum period the property must actually be let will increase from 70 days to 105 days.

You should also consider whether your property will still be able to benefit from FHL status from 6 April 2012 when the required periods the property is available and is actually let increase. If the property would not qualify as it stands you should consider action to ensure that it does.

This release has been prepared as a guide to topics of current financial business interests. We strongly recommend you take professional advice before making decisions on matters discussed here. No responsibility for any loss to any person acting as a result of the material can be accepted by us.

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You may be able to take advantage of the two year 'period of grace'. This enables FHL businesses to elect to continue to treat a property as an FHL providing the failure to qualify is only because the property was not actually let for at least 105 days.

For a list of countries in the EEA please request a copy of our FHL factsheet.

5. Use your CGT annual allowance

For the year ending on 6 April 2012 all individuals have a CGT annual exemption of £10,600 so each individual should try and use it, if possible.

For example, if you have a listed share portfolio you could consider disposing of some shares, crystallising a capital gain of around £10,600 in order to utilise your annual exemption.

6. Make tax free investments

- Consider utilising your annual ISA allowance, which is £10,680 for 2011/12.
- Up to £3,600 can be invested into a child trust fund for 2011/12.
- If you have a child under 18 who does not have a child trust fund you could invest up to £3,600 in a new Junior ISA.

7. Make use of your Inheritance Tax exemptions

Take advantage of the annual gift exemption of £3,000 where possible. If you have not made use of the exemption in one year, it can be carried forward and used the next year. The exemption can be offset against a larger gift, or used to cover several smaller gifts. Certain other small gifts, some gifts on the occasion of marriage and gifts to charitable and political organisations are also exempt.

8. Pension Payments

In the last few years there have been many changes made to pension tax relief and more changes will apply from 6 April 2012. You should speak to your financial adviser to ensure you understand the changes and maximise your benefits.

Some of the key changes are:

- In April 2011 the annual allowance reduced to £50,000, although generally any unused allowance from one year can be carried forward for three years. This means that any unused allowance for 2008/09 will not be able to be used beyond 5 April 2012.
- From April 2012 the lifetime allowance will reduce from £1.8 million to £1.5 million. If you want to take benefits or register for fixed protection of £1.8 million you must do this before 6 April 2012.

- State pension age is increasing, so you need to consider how this affects your retirement planning.

For further information please get in touch.

* references to married couples and spouses applies equally to civil partnerships and civil partners.



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