100 Tax Tips

Ideas and inspiration for your tax planning in 2023-24.

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100 years of tax support

To celebrate our centenary year in business, we are pleased to bring you our annual tax guide, now with 100 tips for your tax planning in 2023-24.

With the UK government trying to manage a significant budget deficit, it is inevitable that we will all face a greater tax burden this year and in the years ahead. Therefore, there has arguably never been a more important time to review your family's or company's tax plans.

Whilst not every tip in this guide may be applicable for you; where an idea is of interest we can discuss how this might form part of your tax planning this year.

If you have any questions about our tax services or would like to discuss any specific tax planning opportunities, please do not hesitate to get in touch.

Oscar Wingham
Tax Partner

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Individuals and families

1 Check your PAYE tax code.

HMRC changes PAYE tax codes dynamically when your salary changes, but it can't easily distinguish between a temporary increase, such as a bonus, and a permanent pay change. Your tax code may also include estimated amounts of savings income, based on what you received in an earlier year. Check your PAYE code by signing in at http://www.gov.uk/personal-tax-account and use the options there to amend any estimated income and correct any other errors.

2 Transfer some of your unused personal allowance.

Married couples and civil partners can transfer 10% of their personal allowance between them (£1,260 for 2023/24), providing an overall tax saving for the couple. This transfer is not permitted if the recipient pays tax at a rate higher than the basic rate of 20% (higher than the intermediate rate of 21% for Scottish taxpayers). You can backdate a claim for up to four years, so a claim made by 5 April 2024 can include 2019/20.

Example: Leila receives an annual salary of £45,000. Her husband has no taxable income, so doesn't use his personal allowance. For 2023/24, they could save tax of £252 (£1,260 at 20%) by transferring 10% of the husband's personal allowance to Leila.

3 Check how much national insurance contributions (NICs) you pay.

If you have two or more concurrent jobs you may pay more NICs than you have to. You can reclaim any overpaid NICs from HMRC after the end of the tax year. However, you can prevent the overpayment occurring in the first place by deferring payment of NICs on one of your jobs by sending HMRC a completed form CA72A (either online or by post) by 14 February in the tax year, but ideally earlier.

4 Top-up your state pension entitlement.

Check your NIC record for your entire working life in your personal tax account at http://www.gov.uk/personal-tax-account. If there are gaps in that record you may not be entitled to the full state pension. Until 31 July 2023 you can fill any gaps in the NICs paid since April 2006 by paying voluntary class 3 NICs. After that date only gaps arising in the past six years can be filled in this way.

5 If you and your partner both own homes when you marry or enter a civil partnership, choose which will be your main home.

Once married, you can have only one main home between you for tax purposes. If you both own separate properties which you continue to occupy for some periods, nominate the one that is likely to make the best use of your capital gains tax (CGT) main residence exemption. This needs to be done within two years of your marriage/civil partnership, otherwise HMRC will designate the property that you occupy for the majority of your time as your main residence.

Tip: If a property has been your nominated main home at any time, the gain for the last nine months of ownership is exempt from CGT (see Tip 24).

6 When selling a home, be prepared to pay any CGT due within 60 days of the completion date.

If you sell or give away a UK residential property, you must report and pay any CGT due to HMRC within 60 calendar days of the completion date. This is done via an online UK Property Account, with a separate declaration of the same gain also required if you have to submit a self-assessment tax return. If there is no tax to pay you don't have to report the sale on the UK Property Account, but it may still be relevant to your tax return. Penalties may be charged for reporting late and/or paying the CGT late.

Got a tax question?

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7 If you or your partner receive child benefit, check whether you have to pay a tax charge to pay back some of the child benefit received.

Where the highest earner in the family has income over £50,000, the extra tax charge for that person is equivalent to 1% of the child benefit for every £100 of their income over £50,000. To mitigate the tax charge, you can halt your child benefit payments, but keep the claim alive to protect the claimant's state pension entitlement. For 2023/24, some basic rate taxpayers will be caught by the charge as the basic rate threshold is £50,270.

If the income of the higher earner has fallen below £50,000, you can ask HMRC to start paying the child benefit again. Don't delay, as the payments can only begin from the Monday after you ask HMRC to reinstate them.

Example: Anna receives child benefit in respect of her two children and until recently made an annual profit of £60,000 from her self-employment. Some years ago she asked HMRC to halt her child benefit payments so she didn't have to pay the tax charge. Anna predicts her net profit will be around £45,000 for 2023/24. On 5 April 2023, Anna asked HMRC to restart her child benefit and those payments will be made from 10 April 2023.

Tip: Estimate your income for 2023/24 and if this is likely to be less than £60,000, ask HMRC to restart your child benefit payments.

8 Plan to minimise tax when selling your trading company by spreading the shareholding between you and your spouse.

If you both meet the 5% shareholding test for two years or more before the sale and are both either an officer of the company or employed by it, you should both qualify for the 10% rate of CGT on any gains made when the company is sold. This reduced rate of CGT applies to the first £1 million of gains made on the disposal of qualifying business assets during each person's lifetime.

9 Don't pay too much income tax on account in July and January.

If your income is reducing, perhaps because you are winding down to retirement, the payments on account of tax due by 31 July and 31 January may be too high as they are based on your taxable income for the previous tax year. You can apply to reduce the payments on account through your personal tax account or on your tax return. If you believe you have paid too much tax on account for 2022/23 submit your tax return as soon as you can to receive an early tax repayment.

10 Benefit from marriage allowance.

Marriage allowance is a tax perk that benefits couples where one partner earns less than the personal allowance. If you are married or in a civil partnership, you can transfer 10% of personal allowance from the lower-earning partner to the higher earner, equating to £1,260 in 2023-24. This will potentially save you up to £250 in tax as a couple. To qualify, the higher earner must be a basic-rate taxpayer.

11 Use the starter rate for savings.

If your income from a job or pension is below £12,570 in 2023-24, but you earn income through interest on savings, you may also qualify for the starter savings allowance. Any interest you earn up to £5,000 is tax-free. This will be in addition to your personal savings allowance, therefore you could earn as much as £18,570 before paying tax.

12 Reclaim overpaid taxes.

If you are a non-taxpayer, or your income unexpectedly falls during a year, you may find that you've been taxed more than you should have done, as HMRC assumes your personal allowance is equally used each month. To make a reclaim, fill out form R40 or call HMRC.

13 Meet the tax return deadline.

If you need to submit a self-assessment tax return, make sure you don't miss the deadline - it's a costly and easily-avoided mistake. For online submissions, you have until 31 January 2024 to send in your 2022-23 return. For those who file on paper, you'll need to submit by 31 October 2023.

Miss the deadline and there's an automatic £100 fine - even if you don't owe any tax. There are additional penalties if your submission is 3, 6 or 12 months late - and further charges if you haven't paid your tax bill on time.

If you file early, the good news is that you may be able to access tax refunds sooner without the worry of tax payments coming any sooner. The tax payment dates will remain the same regardless of when you file, potentially creating a cash flow advantage.

14 Review your payments on account.

Generally, those who are self-employed will be required to pay tax in two advance payments - in January and then July. The amount you pay will be based on the previous year's tax bill. So, if you expect to earn less in 2023-24 than in the year before, you can apply to reduce your payments on account. You'll need to submit form SA303, either online or via mail to HMRC.

Savings and investment: Making the most of your money

15 Contribute up to £9,000 into your child's Junior ISA.

The fund builds up free of tax on investment income and capital gains until your child reaches 18, when the funds can either be withdrawn or rolled over into an adult ISA. Relatives and friends can also contribute to your child's Junior ISA, as long as the £9,000 limit for 2023/24 is not breached.

16 Make the best use of tax-free savings and dividend allowances.

For 2023/24, savings income of up to £1,000 is tax exempt for basic rate taxpayers, with a £500 exemption for higher rate taxpayers. The tax-free dividend allowance of £1,000 is available for all taxpayers. Married couples and civil partners can save tax by ensuring that each person has enough of the right type of income to make use of these tax-free allowances.

17 Buy shares through your company.

If your employer offers free shares or the right to buy shares at preferential rates through a government-approved scheme, such as the ShareIncentive Plan, Company Share Option Plan or Enterprise Management Initiative Scheme, the value of shares is exempt from income tax and National Insurance. However, it's not entirely tax-free. You'll likely need to pay capital gains tax when you eventually sell your shares.

18 Take advantage of the individual savings account (ISA) investment limit and generate tax-free income and capital gains.

The maximum amount that can be invested in ISAs is £20,000 for 2023/24. You can put the whole amount into a cash ISA, a stocks and shares ISA, an Innovative Finance ISA, or any combination of the three as desired. Transferring funds into an ISA early in the tax year will maximise the amount of tax-free income arising in the year. ISAs can offer long term tax advantages as an alternative to pension savings.

Example: Jerry is an additional rate taxpayer, and has £120,000 invested in a stocks and shares ISA. He uses his dividend allowance and CGT exempt amount against non-ISA income and gains. During 2023/24, the ISA produces dividend income of £4,000 and capital gains of £8,000. By investing in an ISA, Jerry has saved income tax of £1,574 (£4,000 at 39.35%) and CGT of £1,600 (£8,000 at 20%) for 2023/24.

19 Plan your capital gains to make best use of any capital losses.

If you realise capital gains and losses in the same tax year, the losses are offset against the gains before the CGT exempt amount (£6,000 in 2023/24) is deducted. Capital losses will be wasted if gains would otherwise be covered by your exempt amount. Consider postponing a sale which will generate a loss until the following tax year, or alternatively realising more gains in the current year.

20 Generate a 50% income tax credit on an investment of up to £200,000 by investing through the Seed Enterprise Investment Scheme (SEIS).

When you make a capital gain and reinvest that amount in SEIS shares, it can qualify for a maximum 50% CGT reduction on gains of up to £200,000. If the gain was taxable at 28% the overall tax relief is 64% (50% income tax plus half of 28%). Also, any capital gains arising on the SEIS shares are exempt from tax if the shares are held for at least three years. Beware that the income tax credit is clawed back if the shares are held for less than three years. Investing in small companies can be very risky, so take independent financial advice.

Tip: Invest in a small trading company under the Seed Enterprise Investment Scheme (SEIS) and gain a 50% income tax credit on an investment of up to £200,000.

21 Obtain a 30% income tax credit by subscribing for shares in a Venture Capital Trust (VCT) or an Enterprise Investment Scheme (EIS).

In 2023/24, the maximum subscription in VCT shares is £200,000. The shares are exempt from CGT when they are sold. A subscription in EIS shares costing up to £2 million (investments in excess of £1 million must be made in knowledge-intensive companies) qualifies for the income tax credit.

In addition, you can defer tax on your capital gains by reinvesting an unlimited amount of gains in EIS shares. VCT and EIS shares can be high risk investments and you must hold VCT shares for at least five years and EIS shares for three years in order to retain your income tax credit.

Your property

22 Let rooms in your own home to one or more lodgers.

Rent-a-room relief allows up to £7,500 of rent per property to be received tax free per year. The rooms must be let as residential accommodation in the home you live in, and no expenses can be claimed. If the gross rent is higher than £7,500, you need to declare the income on your tax return.

However, you can then claim a deduction of £7,500 instead of the actual expenses incurred. Payments received under the Homes for Ukraine Scheme are not taxable and do not count towards the rent-a-room relief cap.

23 Let out your drive or garage for tax free cash.

The property income allowance allows you to receive up to £1,000 income tax free from property that doesn't qualify for rent-a-room relief (see above). This could be from letting out spare space in your garage – or even your drive – for commuter parking.

If the gross income before deduction of expenses is no more than £1,000 you don't have to report the income on your tax return. If the rent received is more than £1,000, you can deduct the higher of £1,000 or the actual expenses incurred, paying tax on the net amount.

24 When you occupy a second home tell HMRC which of your properties should be treated as your main home for tax purposes.

A property that has always been your main home is free of CGT on sale or disposal. Any other property that you used as your main home for a period will be exempt from CGT for the time you lived there, and for any period for which you elected for it to be your main home.

If a property has been your nominated main home at any time, the gain for the last nine months of ownership is exempt from CGT, even if you do not live there during that final period. You might not be able to nominate a property that is situated overseas.

Tip: Furnished holiday accommodation can be registered as a business so it qualifies for small business rates relief, if the property is let on a commercial basis for short-term lets for at least 70 days in the year .

25 Landlord's expenses.

If you rent out property, you can deduct a range of costs from your taxable income. These include the wages of gardeners and cleaners, letting-agency fees, ground rents and service charges, accountant's fees and landlord insurance.

26 Landlord's replacement of domestic items.

Landlords can claim tax relief on money spent to replace 'domestic items' in their furnished rental properties. The types of items you can claim relief on include beds, carpets, crockery or cutlery, sofas, curtains, fridges and other white goods. However, this only applies to items being replaced - not those bought for a property for the first time. You can also only claim the amount for a like-for-like replacement.

27 Tax relief on your buy-to-let mortgage.

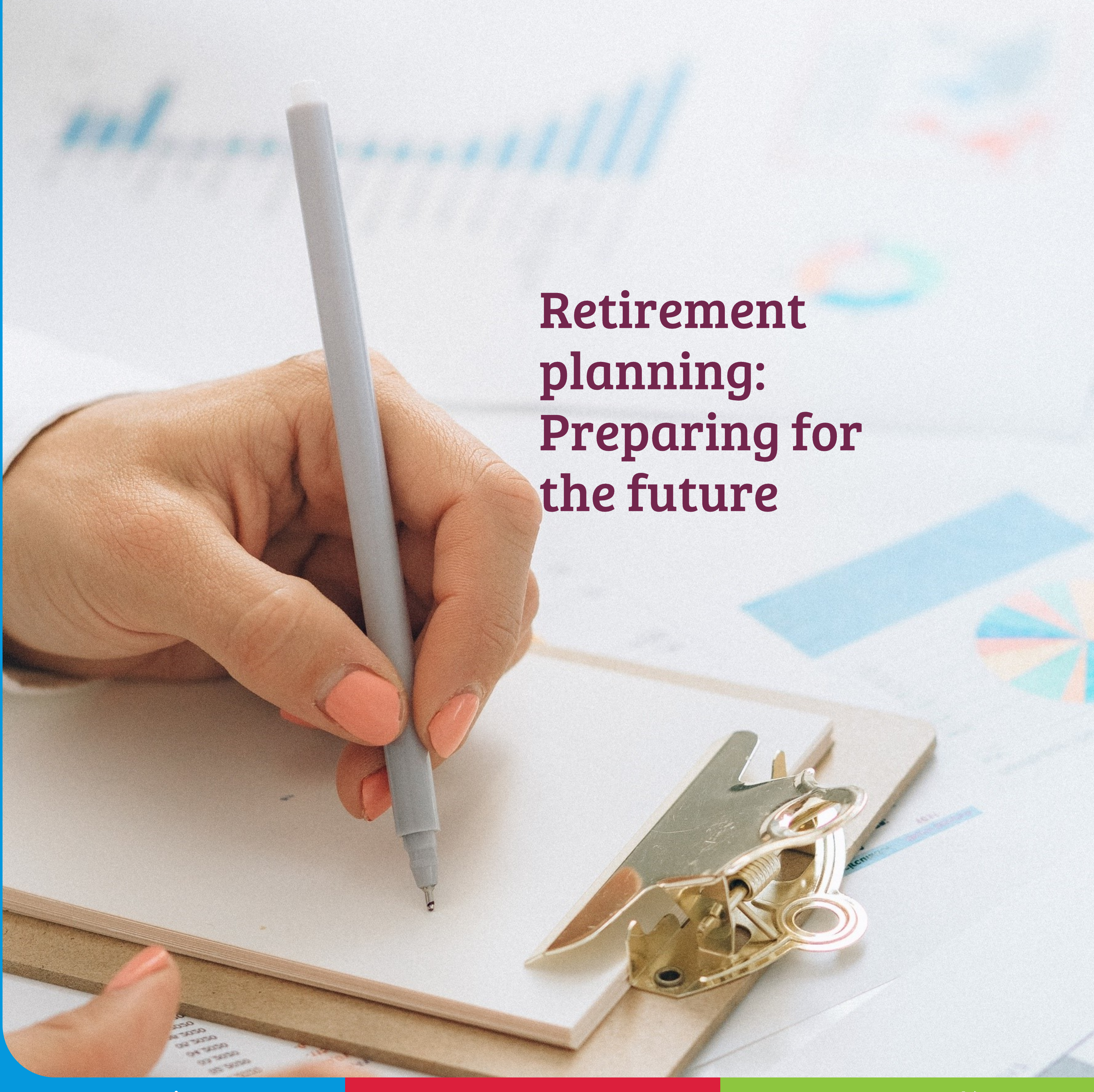
When you take out a mortgage to buy a rental property, you can claim a 20% tax credit on mortgage interest.

Since April 2020, you can no longer deduct any of your mortgage expenses from your rental income to reduce your tax bill. But instead, you now receive a tax-credit, based on 20% of your mortgage interest payments.

However, the new system means higher or additional-rate taxpayers can no longer claim the tax back on their mortgage repayments, as the credit only refunds tax at the basic 20% rate, rather than the top rate of tax paid.

The new rules could also force some landlords into a higher tax bracket, because they'll need to declare the income that was used to pay the mortgage on their tax return. This could push your total income into the higher or additional-rate tax brackets, depending on your income from other sources, such as your salary or pension.

Retirement planning: Preparing for the future



28 Maximise tax relief on your pension contributions by using all of your annual allowance.

The annual allowance for 2023/24 is £60,000, but you can also use surplus allowance from the previous three tax years (see tip 29). To avoid an annual allowance tax charge, the pension contributions made by yourself, plus those made by your employer on your behalf, must be covered by your available annual allowance. Beware that your annual allowance may be restricted to a maximum of £10,000 if your total income plus pension contributions for the year exceeds £260,000, and your net income exceeds £200,000. Your annual allowance is also restricted if you have already drawn more than the tax-free amount from a money purchase pension scheme. Always take professional financial advice before making a significant investment.

29 Take advantage of your unused annual pension allowances from earlier years.

You can bring forward unused pension allowances of up to £40,000 from each of the three previous tax years, to boost your allowance for the current year (2023/24). This allows you to pay pension contributions over the current year's annual allowance – in theory up to £180,000 – and still enjoy full tax relief on those contributions at your marginal tax rate. However, the total tax relievable pension contributions are also limited by your taxable earnings for the year. The calculations can be complex, so it is best to do your pension planning well before the end of the tax year.

Example: Jane earns £100,000 per year and is opted into her workplace pension scheme. The pension contributions made by Jane and her employer amount to £8,000 per year (Jane contributing £3,000, and her employer £5,000), and this has been the case for the past three years. During May 2023, Jane won £100,000 on the premium bonds and wishes to maximise her pension contributions for 2023/24. Jane's financial adviser calculates that Jane has unused annual allowances of £148,000 in 2022/23 being £32,000 (£40,000 – £8,000) from each of the years: 2020/21 to 2022/23 and £52,000 for 2023/24. Jane can pay up to £97,000 (£100,000 – £3,000) in additional pension contributions for 2023/24 as her total contributions are limited by her total earnings.

Tip: You can carry forward unused pension allowances from the three previous tax years and use these to cover pension contributions greater than the current year's annual allowance.

30 Ask your employer to pay pension contributions to top up your pay.

If you are due a pay rise and do not need the extra money day to day, you could ask your employer to pay the increase as a contribution directly into your pension scheme. The employer receives tax relief for the contribution and there are no NICs to pay – a saving for both you and your employer. You must agree in writing to adjust your salary before the revised pension contributions are paid for this arrangement to be tax effective.

31 Make pension contributions or charitable gifts to retain your child benefit.

Child benefit is clawed-back as a tax charge when the higher earner of a couple has adjusted net income over £50,000 (see tip 7). You can reduce your annual adjusted net income to below this threshold by making pension contributions or charitable donations under Gift Aid. If your income is more than £50,270, meaning that the excess is liable to higher rate tax, this will also have the effect of keeping your total income within the basic rate band, and preserve your savings allowance at £1,000 rather than £500 (see tip 16).

32 Plan to sell your shares to your company on retirement, leaving your successors in control of the business .

The next generation of shareholders in your company may not have the cash to buy your shares when you exit the business. Instead of them having to borrow to finance the purchase, the company itself can buy your shares and cancel them, leaving the remaining shareholders controlling the company. You end up with cash and, provided a set of strict conditions are met, up to £1 million of the gain should qualify for business asset disposal relief and be taxed at no more than 10%.

Got a tax question?

Contact our Personal Tax team on 01494 675321

Estate planning: Handing on your wealth

33 Plan to maximise your inheritance tax (IHT) nil rate band on death.

Everyone has a nil rate band of £325,000 on which no IHT is charged. If you have children, or stepchildren, you can add up to £175,000 (known as the residence nil rate band) to your nil rate band by leaving your home to one or more direct descendants on your death, or to certain types of trust. Your Will needs to make it clear who should inherit the home. This extra relief is restricted to the net value of the home, after deduction of any mortgage. It is also restricted where your estate is worth over £2 million on death. It may be worth paying down a mortgage or making some lifetime gifts to reduce the value of your estate below £2 million. The total value of the nil rate band is fixed until at least 6 April 2028.

Example: Mia's estate is valued at £950,000 for IHT purposes. The estate includes her main residence valued at £300,000, but this is bequeathed to Mia's brother, rather than to her two children (who inherit the remainder of the estate). Mia's husband died five years ago, without using any of his nil rate band or residence nil rate band. Currently, IHT of £120,000 (£300,000 at 40%) will be payable in respect of Mia's estate on her death, but if Mia changes her will so that her children inherit her main residence, the IHT payable will be reduced to nil.

34 Long deceased spouses can help save IHT today.

Widows and widowers inherit the unused proportion of their late spouse's or civil partner's nil rate band for IHT – even if they died many years ago. This could mean that up to an extra £325,000 of the estate will be tax free. The residence nil rate band (see tip 33) is also inheritable, regardless of when the first spouse died.

35 Make a Will and tell people about it.

If you die with no surviving relatives and you haven't made a Will, the intestacy rules mean that the whole of your estate will go to the government. That's 100% tax! If you want your relatives, friends and favourite charities (see tip 37) to benefit on your death, make a Will and ensure it can be found after you die. If you have a surviving spouse or civil partner, they may only get a portion of your estate if a Will can't be found after your death. The residue will then be subject to IHT at 40% to the extent that it exceeds £325,000 (up to £500,000 if the residence nil rate band is available).

36 Legalise your relationship to save IHT.

Being married or in a civil partnership will save IHT as your spouse/civil partner can inherit any amount from you tax free, as long as they are UK domiciled. This tax exemption doesn't apply if you are not legally married to your partner. Your surviving spouse/civil partner can also inherit your unused nil rate band and residence nil rate band (together worth up to £500,000), which will save further IHT payable on their own death.

37 Cut your IHT rate by leaving gifts to charity in your Will.

By writing your Will so that at least 10% of your net estate is left to charities, the IHT on the remainder of your taxable estate will be charged at 36% instead of 40%. The exact calculation of your net estate is complex, so take professional advice when drawing up or amending your Will.

38 Make regular IHT-free gifts out of your annual income.

Regular gifts out your net income are free of IHT provided the gifts don't change your normal standard of living or reduce your capital assets. The amounts of the gifts and/or the recipients can be different each year.

Example: Rebecca pays the quarterly gas and electricity bills of her niece and nephew, out of her surplus net income. These regular gifts are free of IHT as they do not affect Rebecca's lifestyle or eat into her capital assets.

39 Use your IHT-free gift allowances.

In addition to regular gifts out of your net income (see tip 30), you can make IHT-free gifts of up to £3,000 each tax year, and gifts on marriage/civil partnership ranging from £1,000 to £5,000 (depending on your relationship to those who are marrying). If you miss making gifts totalling £3,000 in one year, you can catch up in the next tax year by giving a total of £6,000, but you can only carry forward the £3,000 allowance for one tax year.

40 Invest in businesses to save IHT.

The value of shares in unquoted trading companies, including companies listed on the AIM stock exchange, are free of IHT if you hold them for at least two years. You don’t have to be involved in the company for the shares to qualify. The investment risk can be mitigated by investing in AIM portfolios, including AIM ISAs. Any interest you hold in an unincorporated business will generally also be free of IHT.

41 Value let property correctly on death.

To assess the amount of IHT due after a death, the executors must value assets at their open market value on the date of death. However, if a property was let at that time, the value should take into account the sitting tenant and the time left until the tenancy or lease can be surrendered. The value of a property where there is a sitting tenant can be lower than if there is vacant possession.

42 Equity release to provide capital and reduce the tax on your estate.

If all your wealth is tied up in your property, you may not be able to make use of gifts during your lifetime, or spend your wealth on yourself. To get around this, some people take out an equity release scheme.

It is important to remember that all this really does is reduce the assets you own, and increase the debts that will count against your estate. If you don't need to access cash from your property, giving assets away earlier is likely to be better for you.

You should think carefully before going down this route. With lifetime mortgages, interest is 'rolled up' and your debt can swiftly grow. Also, you are selling off part of your home for less than its full value. So, think about whether you're willing to let the bank take half of your home, just to stop HMRC getting a slice. If you do think equity release might be for you, we recommend you always consult an independent financial adviser who specialises in equity release before going ahead.

43 Take out a life insurance policy.

If you can't reduce an inheritance tax bill, you can insure against it.

Life insurance is one of the simplest ways of covering an unwelcome bill, and as long as the life policy is written into trust, the payout won't form part of your estate. A trust is essentially a legal arrangement, where the trust takes ownership of certain assets including any outstanding debts. You appoint a trustee or trustees to oversee the trust. These could be family members, friends or perhaps a solicitor.

HMRC treats the premiums paid to the insurance policy as a lifetime gift, if you pay them yourself. However, these can usually be covered by one of the tax-free exemptions - either the annual £3,000 exemption, or the 'gifts out of normal income' exemption.

44 Transferring agricultural land or buildings .

If you can't reduce an inheritance Under the terms of Agricultural Relief, it is possible to transfer certain types of buildings and agricultural land without being subject to inheritance tax.

45 Consider a 'deed of variation'.

A deed of variation allows your heirs to alter your will after your death so that, for example, part of the inheritance is re-directed to someone else.

They can draw up a deed of variation within two years of your death, but all affected beneficiaries under the will must agree to the variation.

However, this can be difficult in practice, especially if there are many beneficiaries. Therefore, it is generally better to review your will periodically so that your affairs are tax-efficient and don't require your heirs to make changes after your death. This will simplify the probate process for your executor, and reduce the chances of disagrements between your loved ones.

46 Buy a funeral plan.

The cost of a funeral is rising, and the average cost is usually between £3,000 – £6,000. If you pay for this cost upfront by using a prepaid funeral plan, that money won’t count towards your estate / inheritance.

47 Give away assets that are free from Capital Gains Tax.

If you own assets, such as shares or property, that have fallen value since you bought them, they can be passed on without attracting capital gains tax (CGT).

48 Take advantage of business owner exemptions.

If you are a business owner, you can transfer interest in your business to a friend, relative or business partner without being subject to inheritance tax. This transfer can be made before or at the time of your death. It is possible to transfer shares and other finances related to a business to a business partner without paying any tax. You can then specify that certain assets are transferred to your loved ones at a suitable time after your death.

49 Minimise inheritance tax when passing on a business.

If Transferring a business could result in a hefty inheritance tax bill. However, several tax-efficient strategies are available, such as utilising business relief to reduce the business's taxable value.

Additionally, it may be possible to transfer the business to family members through a trust, which can provide asset protection and reduce potential tax liability.

50 Plan for inheritance tax in the event of second marriages.

Inheritance tax planning for second marriages can be complicated, especially if children are from prior relationships.
One option for providing for all family members, including stepchildren, is to establish a trust. Use the "unused annual exemption" from previous tax years, which can be carried forward for up to four additional years.

51 Consider setting up a family investment company.

Family investment corporations can also be utilised to reduce inheritance tax. By transferring assets to a company, you may reduce the value of your taxable estate, and by taking advantage of the company's tax planning opportunities, you may be able to minimise the tax on any gifts or transfers to your heirs.
Before establishing a family investment company, it is essential to seek professional guidance to ensure that it is structured in a tax-efficient manner.

52 Using Business Property Relief (BPR).

Business Property Relief reduces the value of a business or its assets when working out how much Inheritance Tax has to be paid. Any ownership of a business, or share of a business, is included in the estate for Inheritance Tax purposes.

You can get Business Relief of either 50% or 100% on some of an estate's business assets, which can be passed on:

- while the owner is still alive
- as part of the will

A number of conditions must be met in order to qualify for BPR and we can advise you on this and support you with what further steps need to be taken to rectify the situation before the IHT event.

53 Spend and enjoy yourself to reduce inheritance tax.

Why save your money knowing that a significant portion of it could be taken away through inheritance tax? Instead, why don't you enjoy life and treat yourself to some nice holidays and gadgets that will make your life easier or more enjoyable.

Got a tax question?

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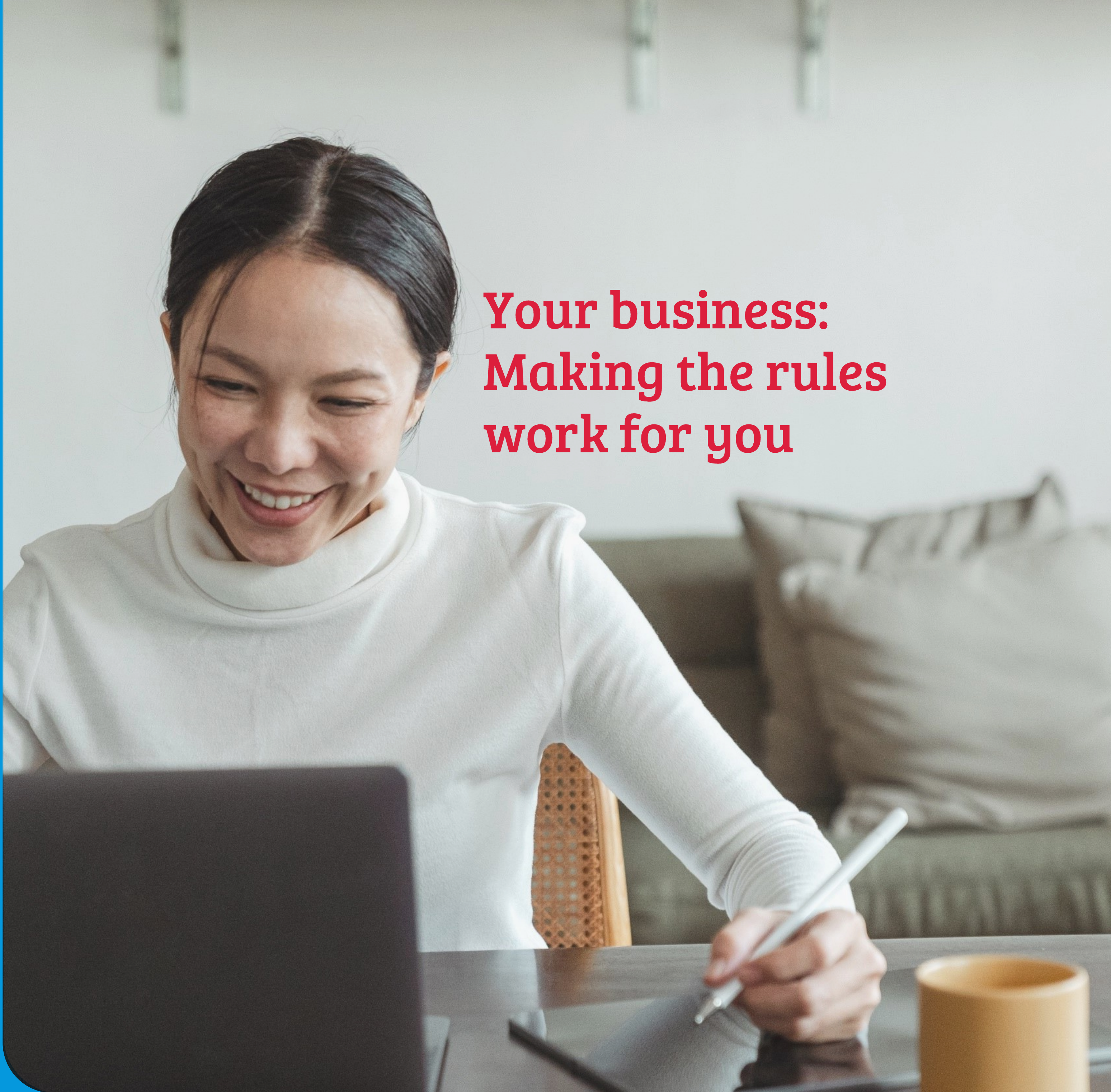

Your business: Making the rules work for you

54 Save tax by paying yourself a tax-efficient mix of dividends and salary.

If you are a director of your own company, you can choose what salary to pay yourself to ensure that it is a tax efficient mix of dividends and salary.

For one person companies in 2023/24, a salary of £1,047 per month is the maximum before employee NICs become payable, yet is still sufficient to count as a contributing year towards basic state pension. Just be aware there will be a small amount of employer NICs payable on this salary shortly following the tax year.

Companies with two or more staff won’t have any employer NICs to pay, as they will qualify for the employment allowance. Effectively, if your company has two or more staff, the first £5,000 of employer NICs will be covered by the allowance.

Got a business tax question? Contact Paul Woodward on 01494 675321

55 Be aware of how tax bands and allowances work.

Always remember that you do not need to take all the dividends available in the year you earn them, as you may incur higher tax rates:

- 33.75% on gross income above £50,270; and
- 39.35% on gross income above £125,140 (above £150,000 in 2023/24).

The profit in a company is taxable in the year the business makes it. Any post-tax income you do not pay as dividends is carried forward to the following year. It is then available to be paid in the future.

56 Choose your year end if you are self-employed.

As a business owner, you can choose when your accounting year ends - and it's worth choosing carefully. If you pick an accounting year-end date earlier in the tax year, you'll have more time to pay tax on your profits. This means that as your profits increase, your tax bill will rise more slowly. The more time you have, the less likely you'll struggle to pay your tax bill on time.

57 Choose the most tax-advantageous structure for your new business.

When starting a new business venture, it can be difficult to predict the level of income it will generate. If losses are a real possibility, running the business as a sole trader or partnership will give you maximum flexibility to set off those losses against your other income (see tip 37).

Where regular profits of £50,270 or more are expected, operating as a company will allow you to shelter undrawn profits (which would have been subject to higher rates of tax if received by an unincorporated business) and make tax-efficient pension contributions (see tip 22).

The current rates of corporation tax are 25% on profits above £250,000 and 19% on profits up to £50,000, but a marginal rate of 26.5% applies on profits between these limits. This is still a favourable rate compared to the higher income tax rates of 40% and 45% (42% and 47% in Scotland). The amount of tax you pay overall will depend on the manner in which you extract funds from your business.

58 Use the £1,000 trading allowance.

Sometimes it is difficult to know exactly when a business begins, as many start gradually in order to test an idea in the market. You can receive up to £1,000 per year of tax-free income from a trade without having to declare this to HMRC. Once you generate more than £1,000 of sales in a year you need to register your business with HMRC or risk a penalty.

59 Don't miss your VAT registration requirement.

If your business is not VAT registered, you must keep an eye on your turnover for the previous 12 months on a rolling basis. When it exceeds £85,000, you must register for VAT by the end of the month following the month in which your turnover exceeds the threshold. Once registered, you must apply VAT to all of your sales (except those which are exempt) and submit VAT returns to HMRC using making tax digital (MTD) compliant software. You also need to keep your VAT records in a digital format.

60 Make the best use of your trading losses.

As a serious self-employed business person (HMRC generally expects you to be working an average of at least 10 hours a week for your business), any trading losses you make can be set against your total income for the tax year in which loss arose and/or the previous year. Relief for a trading loss made in 2021/22 can then be extended to offset against trading profits made in the three previous tax years, but that relief must be claimed by 31 January 2024. There is a cap on how much loss can be offset against your total income (but not profits of the same trade) being the higher of £50,000 and 25% of your income for the year. This extended carry back of losses is not available for years after 2021/22.

61 Lower your tax rate by involving your family.

When your taxable profits go above £50,270 per year, consider bringing in your spouse or adult children as partners in your sole-trader business. A partnership can spread the profits over the basic rate bands and personal allowances of your family members, keeping the average tax rate of the family below 40%. The proportion of profits allocated to each partner can vary each year, although it is advisable to have a partnership agreement drawn up to document this.

62 Use your own car for business journeys.

By using your own car for business journeys, you can receive a tax- and NIC -free mileage allowance of 45p per mile for the first 10,000 miles, and 25p per mile for any additional miles, per tax year. These rates are the same whatever road fuel your car uses, including for electric cars.

If you work for yourself, you can use these mileage rates to calculate the cost of the business journeys you take in your own car, which is generally easier than working out the business proportion of the entire running costs of the vehicle.

Tip: Keep accurate records of all business journeys you take, including the distance and reason for each journey. There are apps which you can download on your phone to make this easier. All those short trips to buy business supplies or visit customers add up.

63 Make an R&D tax claim if you are carrying out qualifying research.

If you are a business that is investing in innovation and developing new processes, products or services, R&D tax relief can provide valuable financial support.

You should note there have recently been changes to R&D claims including:

- Two new categories of qualifying expenditure have been introduced for cloud computing costs and data costs.
- The definition of R&D includes pure mathematics as a qualifying activity for the purposes of the relief.
- All subcontracted work or externally provided workers will need to be located in the UK (however there are some narrow exceptions).
- R&D claims need to be filed digitally, breaking costs down across qualifying categories.
- Companies that have not made a claim in the past 3 years are required to notify HMRC in advance of their intention to make a claim, within 6 months of the end of the accounting period that the claim relates to.

The process of making and calculating an R&D tax claim can be complicated, so we advise speaking to our experienced team who can assist with your claim.

64 Use Patent Box for tax relief on patented products.

The Patent Box enables qualifying companies to benefit from a reduced rate of Corporation Tax, currently 10%, for their profits generated from patented income. Its main objective is to promote investments in new innovative technologies by providing a tax incentive for the profits generated by patented products or processes. Therefore, if you generate income from patented products or processes, we strongly recommend checking whether you qualify.

65 Consider full-expensing for qualifying purchases.

The Government has replaced the super-deduction with a new capital allowance regime called ‘full expensing’. Whilst not as generous as super-deduction, full expensing will allow businesses to claim 100% capital allowance on qualifying expenditure until 31 March 2026.

66 Use the Annual Investment Allowance.

Deduct the full cost of qualifying plant and machinery from your profits before tax, up to £1 million per year, with this tax-saving tip. Make sure to use the Annual Investment Allowance (AIA) to take advantage of this valuable tax relief. The AIA applies to most plant and machinery, including computer equipment and office furniture.

67 Capital allowances on property.

Companies can claim a 3% straight line writing down allowance on new commercial building expenditure from April 2020. Companies should review their expenditure to determine whether it qualifies for capital allowances. The claim does not have to be made when the costs were incurred. It is possible to claim missed allowances going back several years, often to when a property was acquired.

68 Review your business rates.

There's tax relief for your business if you own a property that has a rateable value of up to £15,000. In a lot of cases you can reduce the business rates bill to zero.

69 Claim for bad debts.

This tax-saving tip can help you reduce your taxable income and increase your cash flow. Claim a tax deduction for bad debts if you have outstanding debts that are unlikely to be paid. To claim a deduction, the debt must be genuine and irrecoverable, and you must have made reasonable efforts to collect the debt. You cannot make a claim for non-specific bad debt provisions.

70 Take advantage of the VAT Flat Rate Scheme.

You will be eligible for the VAT Flat Rate Scheme if your annual turnover is less than £150,000. This can simplify your VAT accounting and help you save money on your VAT payments. Instead of calculating the VAT on your sales and purchases, you pay a flat rate percentage of your turnover to HMRC. The actual percentage depends on your business sector, and you get to keep the difference between what you charge your customers and what you pay HMRC.

71 Stay informed of your company's ongoing financial position.

Once you have taken your salary and dividends, reimbursed expenses and paid any other bills, you will have a balance left in your company bank account(s). You will need to know how much of this to save for company taxes and other bills. Using online accounting software, such as QuickBooks Online or Xero, can help you keep track of this.

72 Creative industries relief.

There are several tax reliefs available for video games and other creative industries. Video Games Tax Relief (VGR) is one of eight tax reliefs that apply to qualifying companies. It allows companies to benefit from reduced rates of Corporation Tax. Video Games Tax Relief operates in a similar way to SME R&D relief, as it provides a further deduction against taxable profits.

Got a business tax question? Contact Paul Woodward on 01494 675321

73 Tax savings from Business Asset Disposal Relief.

Business Asset Disposal Relief can offer significant tax savings to individuals and certain trustees when selling shares or the whole or part of a business. Where a claim is made, gains on qualifying business assets benefit from a very low effective tax rate of only 10%. Certain conditions must be met to ensure that this relief can be applied and we can always review your case to see if you qualify and advise on appropriate steps to ensure that you qualify in the future.

74 Paying your spouse a salary.

Another business tax saving tip is to consider paying your spouse a salary. Indeed, your company can pay your partner a wage if they are doing some work for your company such as administration-type jobs. This could include dealing with e-mails and answering phone calls. They could also be opening the post, updating your accounting system, etc.

When your company pays a salary to your spouse or partner, their wage will reduce the amount of company profit that is subject to corporation tax. But before considering this you should review their other income. This is because a salary from your company could affect their overall tax bill.

75 Plan your exit in advance.

Having a strategy in place ahead of exiting your business is key to ensuring you maximise the proceeds and minimise the tax position.

You may still be entitled to some Business Asset Disposal Relief (BADR), which was formally known as Entrepreneur's Relief (ER). Whilst reduced to a lifetime allowance of £1,000,000, it can still be very lucrative – enabling you to pay tax at 10% on profits from either the sale of your business, or, the final dissolution of the business.

Also planning the remuneration you may need ahead of a business exit will be important to maximise the extraction at the lower tax rate, and the structure of your business will affect the way you extract funds. For sole traders/partnerships you will be taxed on the full taxable profits of the business, whereas if you were trading as a company you need to further consider how you extract funds and remunerate yourselves. This could be through a salary, dividends, interest, pension contributions, or a mix.

76 Are you Making Tax Digital (MTD) compliant?

A further delay for MTD for Income Tax Self-Assessment (ITSA) was announced, with the introduction now due to occur in 2026. Not only has the start date been deferred, it will now be introduced in stages with self-employed individuals and landlords with turnover in excess of £50,000 being required to join in 2026 and those with turnover over £30,000 will be required to join from 2027.

The government is reviewing whether businesses with turnover below £30,000 will be required to join. MTD for VAT has now been a legal requirement for all VAT registered businesses for a year and as such business owners should be well used to delivering their VAT information in a compliant manner.

You should keep up with any announcements and consider when the time is right to review and implement any changes to your record keeping.

77 Take time to consider your ownership structure.

The structure of the business will impact how you can extract the funds, but the ownership structure can also create opportunities when looking to plan for the future or extract funds.

- To incentivise employee engagement, or perhaps to ensure the right succession is in place for your business you could consider an Employee Ownership Trust (EOT).
- If you are a sole trader, there may be some benefit in going into partnership with your spouse – allowing you to allocate profits between you both to manage potential tax liabilities.
- Equally, when holding rental properties, consider if it is appropriate for them to be in your sole name? Could they be jointly owned? How are the profits being allocated between you if jointly owned? Being married, you can choose how the profits are allocated from the rental properties where they are jointly owned. You must inform HMRC, but you could then utilise your spouse's lower tax rate bandings if appropriate.

78 Basis period reform for unincorporated businesses.

The basis period reform comes into effect from 2024/25 onwards, with 2023/24 being a transitional year. Whilst 2024/2025 may seem a long way off, planning ahead can give you the cash flow foresight and potentially save tax.

This change only impacts sole traders/partnerships with a year-end other than 31 March or 5 April – as from 2024/25 HMRC are changing how they tax these businesses to align them with the tax year.

For some, this may mean a large amount of additional profits in the transitional year, but HMRC has allowed for this to be spread over 5 years to smooth the tax impact. Depending on the performance of your business this could be beneficial, but you should also consider your expected future tax rates.

All business owners should be analysing how tax will be impacting their company in 2023/2024, allowing you to plan effectively and mitigate the risk of tax implications.

Employment and remuneration: Looking after your employees

79 Feed employees with free or subsidised food in a staff canteen.

Where the food is available to all employees, or all who work at a particular site, there is no taxable benefit for employees when they receive free or subsidised food. A catering or restaurant business must designate an area exclusively for staff use to eat their employer-provided meals.

80 Provide electric or low-emissions company cars.

For 2023/24, all-electric company cars can be provided to employees with a taxable benefit of just 2% of the list price of the vehicle. Where a hybrid car is provided with CO_2 emissions of up to 50g/km and an electric-powered range of 130 miles or more, the taxable benefit is also 2%. The employer can claim a 100% first year capital allowance deduction for the cost of new wholly electric cars.

Example: On 6 April 2023, TW Ltd provided its director, Elaine, with a brand-new electric car which has a list price of £27,000. TW Ltd also pays for car insurance, servicing and any repairs. TW Ltd can claim a deduction of £27,000 plus the related running costs when calculating its trading profit. The taxable benefit for Elaine is £540 in 2023/24. If she is a higher rate taxpayer, the tax cost of using the car for the entire year will be just £216.

81 Encourage clean commuting by providing electric charging points.

Provide electric vehicle (EV) charging points at your business premises for your employees to use.

There is no taxable benefit for the employees who use the electricity to power their cars and the business can claim a 100% deduction for the costs of installing EV charging points before April 2025.

82 Utilise the Employment Allowance.

The employment Allowance allows eligible employers to reduce their annual National Insurance liability by up to £5,000. You will pay less employers' Class 1 National Insurance each time you run your payroll until the £5,000 has gone or the tax year ends (whichever is sooner).

You can only claim against your employers' Class 1 National Insurance liability up to a maximum of £5,000 each tax year. You can still claim the allowance if your liability was less than £5,000 a year.

83 Assist employees with the extra costs of working at home.

Employers can pay £6 per week (£26 per month) free of tax and NIC to employees who regularly work at home. There needs to be a formal arrangement with the employer that the employee is required to work at home. The allowance is not available where the employee simply chooses where they work.

> **Tip:** Where an employer has not paid the home working allowance to an employee who regularly works from home, the employee can claim £6 per week as a tax deduction in their tax return or as a standalone claim from HMRC. Claims can be made up to four years after the end of the tax year.

84 Help employees meet unexpected bills with small loans.

You can provide an interest-free, or low interest loan, to your employees to help them pay any personal bills. The loan must be repayable, and it is advisable to have a formal loan agreement in place which sets out the repayment terms. As long as the total amount lent by the employer to the employee does not exceed £10,000 at any point in the tax year, there is no taxable benefit for the employee.

85 Provide free transport to help employees get to work.

Where your employees are finding it difficult to afford to travel to work, you can lay on a works bus so they can travel to work for free. The vehicle used must seat at least nine passengers. There is no taxable benefit for the employees as long as the bus is used mainly by your employees and their children.

86 Provide your employees with an annual health check and eye test.

The health check is free of tax. Medical treatment paid for by an employer is generally a taxable benefit. However, there is an annual exemption of up to £500 where you fund medical treatment that will assist an employee's return to work from sickness or injury. The eye test is also tax-free if the employee needs to use a computer screen or similar display screen as part of their job. Any special corrective lenses required to use that equipment can also be provided tax-free.

87 Supply your employees with one tax-free mobile phone each.

Employer-provided mobile phones are tax free, as long as it is the employer rather than the employee who owns the phone and takes out the contract with the telecoms company.

88 Encourage your employees to cycle to work with a subsidised bicycle.

You can lend bicycles and associated safety equipment to employees to use to commute to work and for any other private journeys. The bicycle and safety equipment can be provided instead of a portion of pay under a salary sacrifice scheme. The employee can be invited to buy the bicycle at a significant discount at the end of the loan period, and there is no limit on the value of the bicycle that can be provided.

89 Provide a nursery or crèche for employees' children.

A workplace nursery can be a very valuable benefit for working parents, and it's tax free for the employee if qualifying conditions are met. The employer must be responsible for the management and financing of the nursery, and the care must be provided on the employer's premises (which must not be a private home) or in an area hired for that purpose. You will also need to meet local child nursery registration requirements.

90 Increase employee morale with trivial benefits.

Employees and directors can be provided with gifts worth up to £50 per item which are totally free of tax and NICs. The gift must not be cash or a cash voucher, it must not be provided as a reward for services, and the individual must not be entitled to receive the item under any contractual obligation. Directors of close companies and their family members cannot receive more than £300 of such trivial benefits in any one tax year.

Example: Brian is the director of his own company, BVC Ltd. He has an interest in botany. BVC Ltd occasionally provides Brian with books and equipment relating to his hobby. As long as each item does not cost more than £50, and the total value of the gifts BVC Ltd makes to Brian in any tax year do not exceed £300, there is no taxable benefit for Brian.

91 Save tax by holding an annual staff event .

Every year, you can claim up to £150 per employee for an annual event or events. This event could be the annual Christmas party or a series of events during the year. The party is fully tax -deductible, providing that the amount does not exceed £150 per employee.

92 Claim for subscriptions and training costs.

Training and subscription costs can be paid for by the company without the benefitting employee suffering Income Tax. The costs can be tax deductible for the company, resulting in the tax-free development of your staff.

93 Make sure you do not fall foul of the 24-month rule for travelling expenses.

You can claim your travel expenses to and from work and to and from other work sites. However, you need to be aware of the 24-month rule.

This rule states that as soon as you know you will be at a worksite (that you spend 40% of your working time or more) for longer than 24 months, you can no longer claim expenses for that site. Being able to claim your travel expenses can have a significant effect on your net income.

Got an employee tax question? Contact Ammad Khan on 01494 675321

Other matters

94 Review your UK tax residence.

Every The statutory residence test came into force with effect from 6 April 2013 to assess whether individuals are UK tax residents. Without a thorough understanding of what the test means, there is a danger that some of the rules can be easily misinterpreted or overlooked. This can have devastating results if an individual who thinks they are non-UK tax resident turns out at the end of the year to have been a UK resident and is taxed on their worldwide income.

Those who are in any way uncertain of their residence status under the new rules should not wait until the end of the tax year before seeking advice. Also, individuals should not simply rely on being in the UK for fewer than 90 days a year. In some cases, spending as few as 16 days in the UK can lead to a UK tax resident status. We can review and advise on the tax residence of clients.

95 Keep accurate records.

Maintain accurate records at all times, and keep all your invoices and receipts in a safe place. You should keep all business records for six years according to HMRC. If you use cloud accounting software, all of your records should be automatically secured and accessible online.

96 Meet your deadlines on-time to avoid penalties.

If you are working via your own limited company, make sure you submit your annual accounts, tax returns and Companies House paperwork (confirmation statement) accurately, and on time, to avoid penalties.
If you're working as a sole trader or partnership, you must submit your self-assessment return by 31st January each year, plus pay any tax liabilities by the same date. If you're a company director, or have untaxed income, you will also need to complete a personal tax return.

97 Avoid tax avoidance schemes.

Tax avoidance schemes are typically complex and convoluted arrangements that allow businesses and individuals to reduce or avoid their tax obligations. Although the mechanisms used may in themselves be legal, such schemes as a whole may fall foul of HMRC if their only purpose is to avoid paying tax.

Such schemes are often marketed as legitimate tax planning, wealth management or investment opportunities. They should however be treated with extreme caution, and can end up costing you far more in the long run.

98 Consider all elements.

Whilst you may be seeking to reduce the tax burden for yourself or your business, you should always remember that the tax impact is only part of the equation. The commercial, practical and financial implications of decisions are usually just as (if not more) critical factors. For example, reducing your salary / dividend split may save you tax in the short term but stop you from accessing the mortgage or borrowing that you need.

99 Regularly review your tax planning.

Tax rules and rates change regularly. Last year's tax saving idea may be counter-productive this year, so it is important to regularly revisit this with your tax advisor.

100 And finally... Invest in a good tax advisor.

Investing in a good tax advisor or accountant can help you stay ahead of the tax changes each year and ensure that you are utilising the reliefs available to you.

It is important that they get to know you, your personal circumstances and your wider plans, goals and aspirations so that they can bring to your attention relevant planning opportunities each year.

Contact us today if you would like to discuss our range of tax services and how we can assist you.


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