5TH APRIL TAX CONSIDERATIONS

Before we know it, the end of the current tax year looms again. With only a short period of time before the new tax year, it is important that you take a look at your current tax position to see if any action should be ***taken by 5th April*** to reduce your tax bill. There are also a number of other matters that, whilst a decision is not required prior to 6th April, nevertheless should be considered sooner rather than later. Listed below are a number of the more important areas to consider. Please contact us as soon as possible if you think any of the items listed apply to you or if you require further information.

COMPANY CARS

You need to consider two points when it comes to your company car:

1. Think about buying a company car with lower CO2 emissions. Taxation on company cars revolves around the CO2 emissions of the car: the higher the emission, the more tax you pay. For the next tax year the CO2 emission threshold has been lowered again, making it more tax efficient to run a company car with lower emissions. Or you could go electric….

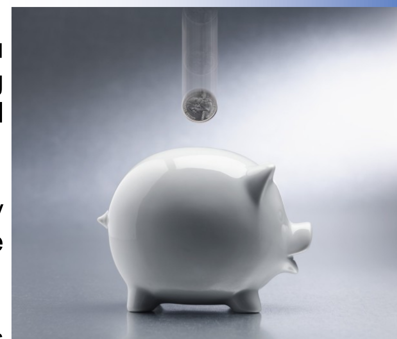
2. Consider buying your own car instead of having a company car. There can be distinct advantages in running your own car instead of having a car provided by a company, but the calculations can be complex as they involve not only the car itself but also the possible reimbursement of fuel for business mileage. We can assist you with this calculation.

AGE ALLOWANCES

'Older' taxpayers should take a look at their income to see if it is close to the higher tax allowances. If your income exceeds the age allowance income limit, your allowances will start to be scaled back. We can help consider ways of reducing your taxable income to avoid this situation. (You too can become a £70,000 basic rate taxpayer - perfectly legitimately).

CAPITAL GAINS

Five points should be considered in relation to reducing any potential capital gains tax:



1. If you have made any capital gains during the current tax year, see if you have any unrealised capital losses. If you crystalise the losses by selling assets during the same year they can be off-set against your capital profits.

2. Although it will not save you tax, you can defer any capital gains by realising gains after the end of the current tax year. This will delay the payment of any capital gains tax for a further 12 months.

3. Utilise the capital gains tax annual exemption which, for 2012/13, is £10,600.

4. Consider transferring assets between spouses. Such transfers do not create a chargeable gain or loss and you may save tax if any gains payable on a disposal are made by the spouse with a lower marginal rate of tax.

5. Consider realising losses (certainly on investments) which you can carry forward indefinitely, possibly saving significant sums on future disposals.

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ACCOUNTANTS

5TH APRIL TAX CONSIDERATIONS

INHERITANCE TAX

Many people do not realise that they may have to pay inheritance tax when they die as they assume that this tax will only affect the wealthy. This may not be the case, especially as probably your most expensive asset, your house, is included in your estate.

The threshold is £325,000 with unused relief going to the surviving spouse, so a married couple is effectively allowed £650,000.

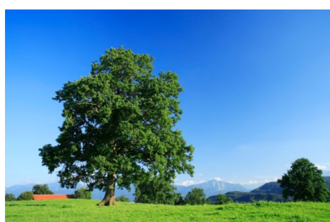
Four points should be considered:

1. Make use of the allowances where no inheritance tax will be payable. These will be the annual exemption, the small gifts allowance and any gifts made in consideration of marriage.

2. Consider gifting any available assets to your relatives or others. The greater the period of time between the giving of the gift and your death will mean less inheritance tax is payable. This is, of course, an emotive subject and any decisions will depend on your personal circumstances. Remember, don't give away more than you can afford. For those clients with larger estates, the possibility of setting up trusts should be considered. (You may need to consider the interface between Capital Gains and IHT as avoiding both may not be possible).

3. Some investments are IHT exempt, or get favourable treatment, as do qualifying business assets.

4. Trusts, while potentially complex, may sometimes offer a way of saving IHT.



PERSONAL ALLOWANCES

Everyone is entitled to personal allowances (including children) which are deducted from income in establishing how much tax you have to pay. If you do not use your personal allowances in one tax year, they are lost as they cannot be carried forward to the next tax year. It is therefore important that you utilise any unused personal allowances. This could be achieved by transferring income between spouses, but be careful if you wish to do this by paying your spouse a salary from your business. This is acceptable, provided it is a justifiable salary in the eyes of the taxman and actually paid (ask for our flyer 'employing family members').

DIVIDEND OR SALARY?

Normally you can save tax and/or national insurance contributions by paying yourself a dividend from your company instead of a salary (or a bonus). In addition, many individuals have paid their spouse a dividend from their company in order to make use of the lower tax rates of the spouse. There is no doubt that in certain situations the dividend route can be more tax efficient than paying a salary.
We can calculate the potential savings but please make sure you consult us in advance of carrying out any such transactions.

PENSIONS

Take a look at your current pension scheme. Investing in a pension is still highly tax efficient (including for many pensioners) but, in view of the volatility in stock markets recently it is important that you choose the right pension scheme.

(Self employed clients are advised to assess the cost/benefits of becoming limited, we can do this free if you ask us nicely!)

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