TIP OF THE MONTH - YEAR END TAX PLANNING

I enclose a note about some matters you may wish to consider before 5th April. That means now, I guess.

Some of what we do for you is telling you what tax you have to pay; this letter is about possibly reducing the amount, which is a lot more fun.

If you are in a planning state of mind, when you finish this year you could start on next year; we'd be pleased to meet with you to discuss this, and the meeting will be free of charge if you remind us about this letter when you come in over the next six months.

For 2013/14 personal allowances are up, but the basic rate tax band is down. This means that while you'll pay less tax at 20%, the 40% band will start to bite £1,025 sooner. If you trade through a limited company the most efficient mix of income for Director/shareholders is one where neither you nor your company pays NI, and you have no further tax to pay on the dividends you receive. Ignoring any other income, this works with an annual salary of £7,696 from 6th April, plus dividends of £30,379. This will give you an income of £41,450 without any personal tax liability for an ordinary taxpayer (the company will pay Corporation Tax, of course). We are always pleased to demonstrate the tax savings generated through incorporation either on an on-going basis, or for clients or potential clients considering incorporating their businesses.

Where appropriate dividends to spouses can leverage further savings, and of course pension contributions or gift aid donations can increase the amount of dividends that may be drawn tax-free. In fact there are a number of simple, tried, tested, and perfectly legal ways to save tax, and we would really like to make sure you have the benefit of any that apply to you, this year or in the future.

You may also need to consider the potential claw back of child benefit, where income from either parent in excess of £50,000 per annum suggests attention is needed.