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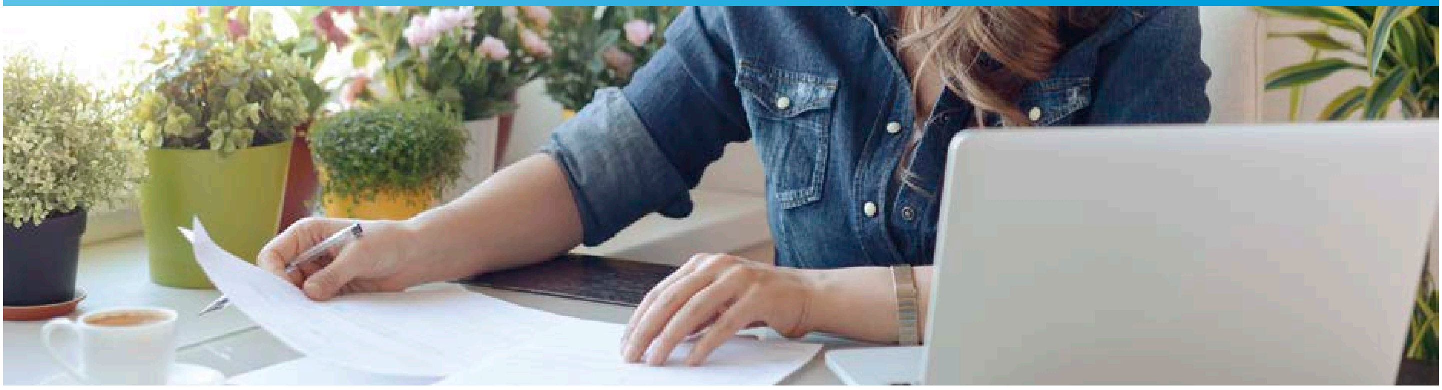
30 Ways To Reduce Your Tax Bill



Sensible tax planning is an essential tool in helping to maximise your personal wealth and boost your business's profitability.

Keeping your tax bill to a minimum is not a matter of aggressive or complex tax schemes, but rather of identifying which of the many tax reliefs and allowances specifically granted by law are available to you.

From ISAs to capital allowances, this guide contains 30 essential ways of saving tax – for you, your family and your business. Contact us to discuss how we can help you take advantage of them.

PERSONAL TAX AND SAVINGS

1. Check your PAYE tax code

Many people can go for years inadvertently paying the wrong amount of tax because their tax code is incorrect. You can help to avoid this by checking the series of numbers and letters in your tax code to ascertain whether the correct code is being applied. HMRC is using PAYE codes to collect tax in 'real time' (known as 'dynamic coding'), making it all the more important to ensure your code is correct.

See **www.gov.uk/tax-codes** for more details, or contact us for advice.

2. Maximise personal allowances...

Ensure that you are making the most of the tax-free personal allowance (PA), which for 2018/19 is £11,850. If your spouse or partner has little or no income, consider transferring income (or income-producing assets) to them to ensure that they are able to make full use of their PA.

Care should be taken to avoid falling foul of the settlements legislation governing 'income shifting'. Any transfer of income must be an outright gift with 'no strings attached' and include any underlying capital (e.g. the shares yielding the dividends). Please contact us before taking action.

Eligible couples may also want to consider transferring part of their personal allowance. Up to £1,190 of an individual's personal allowance may be transferred by eligible spouses and civil partners to their partner, where neither pays tax at the higher or additional rate.

3. ...and minimise the income tax rate

Similarly, it is costly for one spouse or civil partner to pay income tax at 40% or even 45% while the other pays tax at only 20%. Where one spouse or civil partner has a lower marginal tax rate, consider transferring income-producing investments into his or her name. This may include shares, let property, bank deposits, etc. (but see earlier). Different income tax rates and bands apply in Scotland, although the tax planning principle still applies.

4. Preserve allowances by donating to charity

If you or your spouse/partner are receiving child benefit and either of your incomes are expected to be between £50,000 and £60,000, one of you will have to pay tax – the High Income Child Benefit Tax Charge, essentially a claw-back of your child benefit. The amount of the charge depends on the total child benefit received and the extent to which 'adjusted net income' exceeds £50,000. Making donations to charity through Gift Aid can reduce your taxable income to below the threshold at which you would start to lose out. This is also important for individuals with incomes just above £100,000, as the PA is reduced by £1 for every £2 of income over this figure.

5. Pay into a pension scheme

Investing in a company or personal pension scheme may afford tax breaks on your personal pension contributions. For taxpayers with adjusted net income above £100,000, maximising pension contributions (within limits – see later) may allow you to obtain relief at the effective rate of 60%. Pension contributions can be made at up to 100% of relevant earnings, subject to the annual allowance, which is currently £40,000 for most people. Any unused allowances may be carried forward for up to three years. Those with adjusted income (including the value of any pension contributions) above £150,000 will have their annual allowance tapered away to a minimum of £10,000, while a £4,000 limit may apply where money purchase pensions are accessed. As with charitable donations, paying in to a pension can reduce an individual's net adjusted income for the purposes of assessing the High Income Child Benefit Tax Charge.

6. Trace unclaimed assets

If you have multiple accounts or have changed your name or address several times over the years, it can be easy to lose track of your assets. Billions of pounds worth of assets lie unclaimed in the UK. Experian's Unclaimed Assets Register can help you to locate lost or forgotten assets – call 0333 000 0182 or visit **www.uar.co.uk** for more information. Please note that a charge applies for this service. To find out whether you have an unclaimed Premium Bond prize, call 0 007 007 or visit **www.nsandi.com**.

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each year. They will then receive a 25% bonus from the government on any savings put into the account before their 50th birthday. The funds can be used to save for a first home or for retirement, but note that various rules and restrictions apply.

And don't forget, Help to Buy ISAs are still available from a variety of banks and building societies and also offer unique incentives for those saving for a first home.

You might also want to consider alternative investment schemes such as the Enterprise Investment Scheme or Venture Capital Trusts, which can yield generous income tax, CGT and inheritance tax (IHT) reliefs. Independent financial advice should be sought when considering such investments.

TAX AND PROPERTY

11. Claim landlord expenses

If you rent out property you can deduct a range of expenses from the rental income. These include: water rates; council tax; gas and electricity; maintenance and repairs to the property (but not improvements, which may instead score for relief against any future capital gain); landlord insurance; costs of services, including the wages of gardeners and cleaners; letting agency and accountancy fees; ground rents and service charges; and other direct costs such as phone calls, stationery and advertising for new tenants.

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The structure of your business can hav pact on your annual tax bills. While in the early years of a business it may be advisable to operate as a sole trader or partnership, as profits increase it may be more beneficial to form a limited company. Please talk to us about the best option for your business.

15. Don't forget to reclaim input VAT on petrol

Do you reimburse employees who use their own vehicles and pay for their own fuel at the HMRC approved mileage rates? If so, then don't forget to reclaim the VAT applicable to the deemed fuel element of the mileage rate. You will need to ensure each employee submits a valid VAT receipt in support of the claim.

16. Review your capital expenditure

Review your capital expenditure to maximise claims for capital allowances. The majority of businesses are able to claim a 100% Annual Investment Allowance (AIA) on the first £200,000 of expenditure on most types of plant and machinery (except cars). The AIA applies to businesses of any size and most business structures, but there are provisions to prevent multiple claims.

17. Consider the timing of expenses

Delaying expenditure to save money or aid cash flow might not be the most tax-efficient approach. By incurring expenses shortly before the year end rather than after, relief for those expenses is obtained 12 months earlier.

18. Make the most of losses

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22. Utilise IHT exemptions

You should make the best use of IHT allowances, including the an
exemption, which allows you to give away cash or assets up to a total value of £3,000 a year without incurring any taxes. Any regular gifts you make out of your after-tax income, not including your capital, are also exempt from IHT (providing you have enough income left after making the gifts to maintain your normal lifestyle).

Most gifts made during your lifetime will be entirely exempt from IHT if you live for seven years after making the gift. These sorts of gifts are known as 'Potentially Exempt Transfers' (PETs).

Taxable gifts made up to seven years before death are added back into your estate and tax is calculated on the inclusive value. But to the extent that such lifetime gifts made between three and seven years before death exceed the tax threshold, the associated tax is discounted by up to 80%.

Don't forget, small gifts of up to £250 per person per tax year are exempt, while parents can each give cash or gifts worth up to £5,000 to their children as a wedding/civil partnership gift (grandparents and great grandparents can give up to £2,500 and others can give up to

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Married couples and civil partners can boost their IHT-free allowance by claiming a proportion of any 'nil-rate band' their deceased partner has not used.

RETIREMENT PLANNING

27. Check your state pension entitlement

Whatever your pension arrangements, planning to maximise the amount you will receive in retirement is crucial. As a first step, check that your NICs are up to date and, if necessary, pay voluntary NICs to ensure that you receive the full state pension.

You can check whether you are likely to have a gap in your NICs record by requesting information about your State Pension forecast from the Future Pension Centre: **www.gov.uk/future-pension-centre**.

28. Carry forward unused allowances

Where pension savings in any of the last three periods are less than the annual allowanc forward the unused relief from that

But note that where premiums allowance, and this is follow allowance in a later year, The rules are complex

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My tax planning checklist

- [ ] Ensure that tax rates are as low as possible across my family
- [ ] Check my PAYE code and understand the tax rates and allowances applicable to me
- [ ] Utilise my ISA allowance and consider other privileged saving opportunities

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Factsheets
are available in the following formats:

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Non-personalised PDF – £110+VAT

Text-only Word format – £110+VAT
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HOW WE CAN HELP

This guide is merely a starting point, a planning opportunities. As your accountants, in which we can help to minimise the tax burden.

Contact us for more advice about:

- Minimising your business taxes
- Making the most of capital allowances
- Reducing business motoring costs
- Improving your financial position by accelerating expenditure into the current year, or deferring income into the next.

personal all
- Save money tax-efficiently
- Check your pension arrangements a
- Reduce the inheritance tax on your estate.

We hope you find this guide useful – please contact us for more information and advice.