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**TEL:** 0123 456 789 **FAX:** 0123 456 789

**EMAIL:** [anymail@anywhere.co.uk](mailto:anymail@anywhere.co.uk)

[www.anyname.co.uk](http://www.anyname.co.uk)

# Tax and Financial Strategies 2019/20

The UK economy continues to face a number of ongoing challenges. Meanwhile, the tax system is also facing significant changes, as taxes become increasingly devolved, and the introduction of the new Making Tax Digital regime moves ever closer.

This guide is designed to help you to make the most of your business and your personal finances, by highlighting the main tax allowances and incentives and suggesting strategies that you might wish to incorporate into your own financial planning.

Of course, minimising the tax liability represents just one element of your overall planning strategy. Every individual and business situation is different, and your needs will vary according to your own specific circumstances. We recommend that you use this guide as a starting point, and contact us for expert, tailored advice on any areas which apply to you.

As your advisers, we can help you to clarify your wider objectives, and suggest a range of strategies to help you achieve your personal and business goals.

## How to benefit from our services:

Please read those chapters which are relevant to you as soon as possible.

- Take note of the key points arising from this guide, and any action you may wish to consider
- Contact us to discuss your action points, and to evaluate your long-term financial plans.

**We would welcome the opportunity to assist you.**

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*The general effect of the Civil Partnership Act is to treat registered civil partners on a consistent basis with married couples. For the purposes of this guide we have on occasions referred only to spouses.*

*'HMRC' refers to HM Revenue & Customs.*

*This guide is based on current understanding of legislation and the government's proposals at the time of publication and under no circumstances should action be taken without first seeking appropriate professional advice.*

## Introduction

Alongside the wider challenges facing the economy, the UK tax system is also undergoing significant changes, with the devolution of income tax and stamp duty powers to Scotland and Wales continuing apace. Meanwhile, HMRC is continuing its drive towards a fully digital tax system, via its flagship Making Tax Digital regime. Here we provide an overview of these latest developments.

### Changes to income tax

The Scottish Parliament has confirmed the income tax bands announced in the draft Budget will apply to Scottish taxpayers. For 2019/20, the tax rates and bands applicable to Scottish taxpayers on non-savings and non-dividend income are set as follows:

Band £	Band Name	Rate %
0 - 2,049	Starter	19
2,050 - 12,444	Basic	20
12,445 - 30,930	Intermediate	21
30,931 - 150,000	Higher	41
Over 150,000	Top	46

From 6 April 2019, the National Assembly for Wales has the right to vary the rates of income tax payable by Welsh taxpayers. The Welsh rate of income tax is at 10% and is calculated by reducing the UK rates by 10% and adding the Welsh rate. For 2019/20, the tax payable by Welsh taxpayers continues to be the same as those payable by English and Northern Irish taxpayers.

### The new stamp duty regime

The stamp duty regime has also seen a number of significant changes in recent times, and further measures take effect for the 2018/19 tax year. From 22 November 2017, most first-time buyers in England, Wales and Northern Ireland paying £300,000 or less for a residential property no longer pay Stamp Duty Land Tax (SDLT), while those paying between £300,000 and £500,000 pay SDLT at 5% on any purchase amount in excess of £300,000.

From 1 April 2018, Wales rolled out its own stamp duty equivalent, the Land Transaction Tax (LTT), which preserves the essential structure of SDLT but with some key differences, including a higher starting threshold for residential properties. Wales has no plans to introduce a relief for first-time buyers. The new LTT rates are as follows:

Residential £	Rate %	Non-residential £	Rate %
Up to 180,000	0	Up to 150,000	0
180,001 - 250,000	3.5	150,001 - 250,000	1
250,001 - 400,000	5	250,001 - 1,000,000	5
400,001 - 750,000	7.5	Over 1,000,000	6

750,001 - 1,500,000	10	
Over 1,500,000	12	

Scotland already has its own equivalent of SDLT, the Land and Buildings Transaction Tax (LBTT). In the Scottish Budget, Finance Secretary Derek Mackay confirmed that the LBTT rates will remain unchanged for 2019/20 for residential properties.

However, there are changes to the LBTT rates for non-residential properties which have been in effect from 25 January 2019. The lower rate percentage has been reduced from 3% to 1% and the higher rate percentage has gone up from 4.5% to 5%. The upper rate threshold has also changed from £350,000 to £250,000.

Non-residential £	Rate %
Up to 150,000	0
150,001 - 250,000	1
Over 250,000	5

From 30 June 2018, first-time buyers in Scotland have benefitted from relief on LBTT on the purchase of their first residential property.

### Making Tax Digital: a look ahead

HMRC has phased in its landmark Making Tax Digital (MTD) initiative, which sees a fundamental change to the way in which businesses keep records and report to HMRC. It requires businesses and individuals to register, file, pay and update their information via a secure online tax account.

The new system was originally intended to be implemented between 2018 and 2020. However, following concerns raised by business and industry experts, the government delayed its introduction.

From 1 April 2019, businesses with a turnover above the VAT threshold (currently £85,000) must keep digital records for VAT purposes and provide their VAT return information to HMRC using MTD functional compatible software.

Keeping digital records and making quarterly updates will not be mandatory for taxes other than VAT before April 2020, although businesses below the VAT threshold which have voluntarily registered for VAT can opt to join the scheme.

MTD will ultimately affect all businesses, regardless of their size. As your advisers, we are carefully monitoring the



latest developments and we can help you to prepare for the new system.

## Your financial planning strategy

In the face of ongoing change, it is more important than ever to have in place a robust business and personal financial planning strategy, to help ensure that you and your family are financially secure and on course to achieve your long-term goals.

*We can help with all of your business and personal tax and financial planning needs. For a strategic review of your finances, please contact us.* Business tax strategies

## Starting a business

Starting a business is an exciting and challenging experience, and one which also carries a fair degree of risk. During the start-up phase you will need to make all kinds of decisions that could be critical to the long-term success of the enterprise. You'll need to consider such things as: the type of business and its attributes; your target market and competition; profit potential and how you will extract those profits; the rate of business growth; and the impact of running the business on your personal life. At some point, you'll also need to consider how you will exit the business when the time comes, and realise its value. We can provide expert, tailored advice and help you avoid the common mistakes.

**Writing a business plan** – One of the first things you need to consider is your business plan. This is not only for the benefit of potential investors, but to help you stay on the right course in the short, medium and long-term. It should include: the business structure that best meets your needs (such as: sole trader, partnership, limited liability partnership or limited company); your intended funding sources; tax-efficient borrowings; whether a PAYE scheme is necessary; and whether the business should be VAT registered.

We can guide you through these important decisions, and help you to complete the appropriate registrations. We can assist with cash flow forecasts, helping you to spot potential cash shortfalls, and provide regular updates so you can monitor your business's performance.

**Choosing your business structure** – Deciding on the most appropriate structure for your business isn't necessarily straightforward. Sole traders, partnerships, limited companies and limited liability partnerships all have their own pros and cons, with different implications for control, perception, support and costs. For example, careful consideration is needed regarding whether or not to retain personal ownership of any freehold property on incorporation. We can help you to decide on the best structure for your business.

**Deciding on a year end** – It's also important to choose a year end that suits your business. Is there a time of year when it will be more convenient to close off your accounting records, ready for us? What time of year would be best for stock-taking? Is

your trading seasonal? From a tax perspective, choosing a year end early in the tax year for an unincorporated business usually means that an increase in profits is more slowly reflected in an increased tax bill, and over time the delay between earning profits and paying the tax can create a source of working capital for the business. On the other hand, a decrease in profits will more slowly result in a lower tax bill. Speak to us for advice about choosing your year end.

**Registering with HMRC** – When you start a business, it is important to inform HMRC of your new self-employed status as soon as possible. If and when you take on employees you need to register for and set up a PAYE scheme and accept all the responsibilities and obligations that go with it, including compliance with Real Time Information reporting (and remember for this purpose you will most likely be an employee of your limited company, if you incorporate). You will also have to comply with the pensions auto-enrolment obligations, although exemptions apply to director-only companies so do get in touch for advice in this area.

Please talk to us as soon as you envisage having employees so we can help you set up a PAYE scheme and comply with your payroll obligations, or take on the task on your behalf.

Starting a Business – Action Plan	✓
Prepare a robust business plan	
Ensure that you have access to suitable funding	
Check your right to use your chosen trading name	
Choose the right business structure	
Register with HMRC	
Register for VAT	
Register your business name	
Trade and professional registrations	
Choose your year end	
Plan to reduce your tax liability	
Develop your branding	
Involve the family	
Plan to avoid fines and penalties	

## Claiming expenses

As your accountants and tax advisers, our job is to help ensure that you benefit from all of the allowances and reliefs available

**2019/20**

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is available in the following formats:

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