



LEWIS BROWNLEE

TAX PLANNING TIPS

There are numerous aspects that can be considered when undertaking a tax planning exercise, to ensure your affairs are being undertaken in a non-contentious but tax-efficient manner.

These are some of the points to think about:

Can I transfer shares to my spouse to enable them to make use of the 0% tax rate for dividends?

Can the company make a pension contribution on my behalf to reduce my company's corporation tax liability?

Have I checked what my pension annual allowance entitlement is (maximum £40,000) and that contributions are not in excess of my entitlement? Is there surplus brought forward entitlement that I should consider making use of?

Have I lent my company money? Can the company pay me interest to enable me to utilise the 0% allowance for savings income (the first £1,000 is taxed at 0% for basic rate taxpayers, £500 for higher rate taxpayers. A lower 0% rate on savings income applies if non-savings income after allowances does not exceed £5,000)

Do I owe the company money? If this is more than £10,000 interest will need to be charged to avoid a taxable benefit in kind. If the loan hasn't been repaid within nine months of the company's accounting year-end a section 455 tax of 32.5% of the balance will be payable by the company. If you have used company funds to pay for something of a personal nature but do not want this to be a benefit in kind (and assessable to income tax), you need to ensure action has been undertaken to 'make good' the payment by 6 July. This could either be by paying the company back or making clear it is a personal item of expenditure by allocating it to the director's loan account.

Be mindful that large marginal tax rates are suffered when taxable income received is between £100,000 and £125,000 due to the tapering away of the tax-free allowance.

On a similar basis for those entitled to Child Benefit, as entitlement to the benefit is clawed back when total income received is between £50,000 and £60,000.

If your income is approaching these thresholds then it would be advisable deferring further payments of income until the next tax year. If your taxable income is likely to fall in the ranges stated above, or just above, you could benefit from making a very tax-efficient personal pension contribution. Please let me know if this would be of interest.

Have you received any new sources of income, such as a pension? If so, how does this impact on your remuneration strategy?

If you have investments that are easy to sell, you could potentially consider realising some gains to make use of your £12,000 capital gains tax annual exemption.

If you are able to, can you make use of your ISA entitlement? you can invest up to £20,000 in any tax year.

If Inheritance tax is a consideration remember you have an annual gift allowance of £3,000.



LEWIS BROWNLEE

TAX PLANNING TIPS

Some changes coming into effect in April 2020 to be mindful of:

Please note that National Minimum Wage and National Living Wage are both due to increase in April. Those aged over 25 will have to be paid at least £8.72 per hour. The hourly rates for apprentices are being increased to £4.15, to £4.55 for those under 18, to £6.45 for those aged between 18-20 and £8.20 for those aged between 21 and 24. Remember to watch out for when a birthday might trigger a pay rise!

The budget this year is on 11 March. This is not particularly helpful as we do not yet know for certain if there will be changes to allowances, rates and reliefs. Please do get in touch should any new announcements give you cause for concern.

Please also remember if you sell an interest in residential property after 5 April 2020, that details of the sale will need to be reported and the capital gains tax liability paid to HMRC within 30 days of conveyance.



Registered Office: Appledram Barns, Birdham Road, Chichester, West Sussex, PO20 7EQ
Lewis Brownlee (Chichester) Ltd, Chartered Accountants

Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Registered in England.
Company No. 8656313

© Lewis Brownlee 2020. All rights reserved. No part of this publication may be reproduced or copied in any form or by any means (including graphic, electronic or mechanical, photocopying, recording, taping or information retrieval systems) without written consent of the copyright holder.

This publication is intended to provide a summary of, and opinion on, developments relating to certain areas of tax. This information should not form the basis of any decision; nor should it be relied upon as a legal or professional guidance regarded as a substitute or professional advice.

No responsibility for any person acting as a result of any material in this publication can be accepted by Lewis Brownlee, the publishers or authors.