



COYNE BUTTERWORTH REID

CHARTERED ACCOUNTANTS

SUPPLEMENT

March 2009

End of Year Tax Planning

In this supplement we are setting out some of the main points you may wish to consider before the end of the tax year to help achieve increased tax efficiency for you, your family and your business.

Personal Income

Is it now time to split Investment Income (included letting income) with your spouse/civil partner, to make the most use of both your 20% tax brackets?

If one spouse's earned income is below £6,035, investment savings income may only be taxed at the 10% tax rate on the first £2,320. This is especially important for those aged over 65 where income above £20,100 will reduce your age related allowances

Dividends

Should you vote a dividend before the end of the tax year to utilise the full lower tax threshold for all shareholders. Gross earnings above £40,835 will be taxed at the Higher Rate, whereas any dividends paid in the basic rate tax band do not suffer any further tax and avoid National Insurance.

Directors Loan Accounts

Ensure that Directors Loan Account balances over £5,000 are cleared by way of dividend, salary payments or expenses reimbursement by 31st March so that the accounts reflect a directors' loan account balance of less than £5,000 at the 2008/9 year end. This will remove any benefit in kind charge on an overdrawn loan account which is currently calculated at a rate of 6.25% for the year.

This may also avoid the section 419 tax of 25% which may be payable by the company with its corporation tax, and is only refunded nine months after the accounting period in which the loan account has been repaid.

Sole Traders or Partners in a Partnership

If you are trading at a loss you may be eligible to carry up to £50,000 of the loss back for an extended period under new rules applying to the current year only.

Timing of capital purchases or disposals, either before or after the end of the tax year should be reviewed for substantial items. If this is relevant please speak to us about the timing.

If your profits have decreased this year consider reducing payments on account in 2009.

What is your bad debt situation? Have you made adequate provision in your accounts? Has any VAT on bad debts over 6 months old been claimed back? Please note that if you use Cash Accounting for VAT you only pay VAT added to your invoices when you are paid - so you don't need to worry about claiming for bad debts.

If you have made a loss in this current year does this affect the tax relief you may have received on pension contributions? Will the tax have to be repaid or contributions recovered?

Pensions

Consider maximising contributions for the year. The amount that can be contributed to a pension scheme is based on salary earned in the tax year and once that year has ended any allowance that is not used is lost. If you wish to utilise the allowances for the 2008/09 please act quickly.

Non-tax payers can also contribute up to £3,600 per annum. It might be worth considering contributing this amount into your child's pension or grandchild's pension scheme.

If you have Company Pension Contributions, these will save corporation tax at the appropriate rate.

Call Us Now!

For a FREE consultation to see how we can help you business grow call or email us now:

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Email: office@cbreid.co.uk



Investments

Maximising ISAs: 16 and 17 year olds can invest up to £3,600 for 2008-09 in a cash deposit within an ISA.

For other savers the maximum allowed for 2008-09 is £7,200. Instead of funding your ISA from cash you may prefer transferring shares that you already hold to the value of £7,200.

Utilisation of Child Trust Funds: if eligible you or relatives may contribute up to £1,200 per annum with the income and gains arising being tax free.

Tax Efficient Investments

30% income tax relief is available on Venture Capital Trust investments of up to £200,000, with dividends tax free. Enterprise Investment Schemes can be used to obtain 20% tax relief on investments up to £500,000, and to defer capital gains tax.

Specialist advice should be taken before making an investment of this kind.

Capital Gains Tax

Each taxpayer has a tax free capital gains allowance of £9,600 for the 2008/9 tax year. This allowance cannot be carried forward.

A self employed trading loss for the tax year 2008-09 can also be set against a capital gain realised in 2008-09.

If you are planning for the future and have assets that have fallen in value, you may consider this is a good time to gift these on to the next generation without incurring as large a capital gains tax charge, if any. Then providing you survive 7 years no Inheritance tax will arise either.

You may need to take specialist advice if you are considering selling or buying shares.

Charity Donations

Donations to registered charities are considered to be made from net income so your donation of £80 will give rise to a tax refund to the charity of the basic rate tax of £20. A higher rate tax payer can claim further relief of £20 meaning that the net cost for a £100 donation is £60. Any donation needs to be made before 5th April 2009 to count in the 2008-09 tax year.

Buy To Let – Energy Saving Allowance

Buy To Let investors can claim up to £1,500 against letting profits for loft insulation; cavity wall insulation; draught proofing; solid wall insulation and hot water insulation. Work needs to be completed before 5th April 2009 to qualify for this tax year.

Conclusion

If you would like further advice regarding 2008-09 year end tax planning opportunities, please contact us for a free initial consultation, and if appropriate with our colleagues Donald Reid Financial Services.

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Coyne Butterworth & Reid can also assist you with any of the following:

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