

TAX SAVING CHECKLIST

HANLEY & CO CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS

Hello and welcome!

This checklist will give you lots of tax saving ideas and inspiration! We recommend you do not take action without professional advice and of course refer you to our disclaimer on the final page of this guide.

If you would like to discuss any of the ideas or your personal or business situation please just call or email me or any of our staff for further details.

Dean Logan FCA (Partner) July 2017

Why This Report Has Been Created

This report focuses on small businesses, identifies the key tax saving areas for them and uses jargon free language to explain them. This isn't a report about what forms you have to fill in, what the deadlines are, etc.

That's all the boring compliance stuff that we will look after for you. This is the proactive stuff that makes a real difference that you also want your accountant to be doing for you. This is the stuff that will pay for our fees many times over.

2017/18 Tax Saving Checklist

Business Planning

- 1 If your spouse/civil partner earn less than the single person's allowance of £11,500 per year and helps out in your business you can pay them a wage to reduce your taxable profits. A wage of between £113 and £157 per week will not create a national insurance charge, but it will help your spouse gain credits toward the state pension and other state benefits.
- 2 If your children are aged at least 13, earn less than £11,500 and help out in your business you can pay them a wage to reduce your taxable profits.
- 3 Have you considered changing your accounting year end to use up any overlap relief (profits you were taxed on) created when you started the business?
- 4 If you are a sole trader paying 40% tax and your spouse/ civil partner helps out in the business but is a lower rate taxpayer, have you considered making them a partner in your business to allocate some profits to them at a lower rate of tax? Or if operating as a Limited Company, gifting them some shares to pass dividend income to them? Transfers between spouses do not give rise to a Capital Gain.
- 5 If you are a sole trader earning less than £6,025 per year there is no need to pay Class 2 National Insurance, but you may wish to pay the NI contributions to build up entitlement to the State pension. From 2015/16 contributions are collected as part of your Self Assessment liability.
- 6 Have you considered whether you have the right legal structure for your business? If you are a sole trader or partnership paying higher rate tax you should consider using a Limited Company. Have you also considered if a Limited Liability Partnership structure may occasionally be beneficial?
- 7 Make sure you buy assets such as equipment, computers, motor vehicles, etc at the right time to maximise the tax relief. If you purchase equipment just before your year end you will bring forward the tax relief for capital allowances, which will normally be due at 100% of the cost for the first year.
- 8 Have you considered spreading the ownership of your business to your spouse and family so that when you finally come to sell it, the amount of Capital Gains Tax payable is minimised?

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- 9 If you have personal loans or are considering taking out a personal loan you may be able to reorganise your finances so to make a business loan to your partnership or company. By doing this you will get tax relief on the interest you pay on the loan.
- 10 If your business has made a loss, make sure you have claimed relief for the losses by setting it off against profits made in earlier years, your other income for the same or previous year before carrying the balance forward to set against future profits.
- 11 If you have previously subscribed for shares in an unquoted company and you lost money, you could, subject to a few conditions, claim tax relief for the loss by setting it off against profits from your trade.
- 12 If you work from home make sure you are claiming for use of home. H M Revenue & Customs have guidelines based on hours spent working at home. However, if your hours are significant spreading over more than one room in the house we may be able to advise on a 'non-exclusive' rental agreement which could cause a proportion of items such as mortgage interest as well as gas, electricity, water rates etc.
- 13 Just because you don't have a receipt doesn't mean you aren't entitled to claim for an expense as a business deduction, but you do need to have a record of the expense in some form.
- 14 If you promote your business by having a box at a football club, sponsoring a car rally, etc you need to show this expenditure is genuinely for the benefit of the business in order for it to be tax deductible ie advertising the business.
- 15 The lower your stock value, the lower the profits on which you pay tax. If you believe you cannot sell the stock for at least what you paid for it, or the cost of production, you can reduce the stock value.
- 16 Are you aware that Capital Gains Tax on the sale of a trading business held carried on for at least 1 year is taxed at 10% rather than 18% or 20% for the first £10 million of qualifying lifetime gains, which means you need to check exactly how long you have been trading before you agree on the sale date?

Business planning, especially if you have a Ltd Company

- 17 Make sure you extract money from your limited company in the most tax efficient way. Look to use dividends to avoid national insurance charges. Often the best route is a mixture of a low PAYE salary and dividends.
- 18 From 2016/17 there is a new personal tax of 7.5% on an individual's dividends over £5,000. The first £5,000 is tax free so there is an opportunity for others like spouses and civil partners to hold some shares and receive £5,000 of dividends tax free per year if they have no other dividends – even if they are higher earners.
- 19 If you pay regular dividends do you ensure they are correctly recorded with board resolutions and dividend vouchers to ensure there is no danger of HMRC trying to reclassify them as loans, or even salary?
- 20 Have you looked to see if you can extract money from your company tax efficiently by paying yourself royalties or interest, or by selling an asset to the company to use up your Capital Gains annual exemption?
- 21 If you own the business property, have you looked at whether it is better to hold it personally or in the company?
- 22 If your limited company provides your personal services to only a few customers be aware that IR35 could make the company liable for national insurance and PAYE on 95% of the money you earn for the company. Make sure you have taken the necessary steps (if possible) to avoid IR35 applying to your contracts.

Employees

- 23 If your employees pay for childcare, you may be able to reduce the cost of this for them (by saving them tax and NI) by paying part of their salary in childcare vouchers, or paying the registered provider directly through your Company, or pointing them to the Governments new Tax Free Childcare scheme.
- 24 Have you got any employees who have worked for you for more than 20 years? You can give them a tax free long service award worth £50 for every year of service, as long as the gift is not in the form of cash or vouchers.
- 25 If your PAYE payments to HMRC are less than £1,500 per month you can pay quarterly rather than monthly to help your cash-flow.
- 26 If you have people who work mainly for you on a self-employed basis, are you sure they should be classified as self-employed? Getting this wrong can cost a fortune.
- 27 When you take on a new employee make sure you either get a P45 from them or get them to complete the Starter Checklist from HM Revenue & Customs. You will need this to ensure your employee receives the right level of allowances against their wages. This is particularly important for part-time employees, and family members who work for you.
- 28 If your employees belong to professional organisations they can claim tax relief on their subscriptions, or you can pay their professional subscriptions on their behalf, as long as the organisation is approved by the Revenue.
- 29 Paying bonuses half yearly or yearly rather than monthly can save on employees National Insurances (but not for directors).
- 30 If your company makes contributions into a registered pension scheme for you rather than you paying contributions out of your net income, you and the company both save National Insurance on those contributions.
- 31 When you take on a new employee consider paying their removal expenses if they need to move to take up the job. The first £8,000 paid for one move is tax free, where receipts for the costs are provided.
- 32 When an employment contract is terminated there are certain circumstances in which termination payments of up to £30,000 can be paid tax free.

Benefits in Kind

- 34 If you have a limited company, have you considered whether cars used in the business are better owned personally by you or by the business? If you own the car personally you will not be taxed on a benefit in kind and can claim a mileage allowance for the business journeys at the approved rate of 45p or 25p per mile. Which is best for you will depend on your car and various other factors which your accountant should calculate.
- 35 If your employee receives less than the approved mileage rates for using his own car for business journeys he can claim tax relief for the difference.
- 36 Make sure you complete forms P11D's or forms P9D for benefits in kind and expenses paid to or on behalf of employees and directors, and send them to the Revenue by 6 July each year. Failure to do so can result in a £3,000 fine per P11D.
- 37 If your employee uses computers at work you can pay for their eye-tests, and the cost of any lenses needed to cope with staring at a screen for long periods. The employee is not taxed on these costs.
- 38 You can provide your employees with free bicycles and associated safety equipment to use to cycle to work, or for business related journeys. The employee is not taxed on the use of the bicycle as long as the company retains ownership.
- 39 Trivial gifts to employees (not money) such as a turkey at Christmas are tax free. The gift must not be a reward for services as an employee. A seasonal goodwill gift is fine.
- 40 Consider paying for annual medical check-ups for your employees instead of a bonus. The cost of the check-up (but not any subsequent medical treatment), is tax deductible for you and not taxed on the employee.
- 41 You can help your employees get to work by providing a works bus, or subsidise an existing local bus service. The bus can also be used to take employees to the local shops at lunch time with no additional tax charge.

- 42 When your employees travel together to work-related training courses or make other business journeys, pay the drivers an extra tax-free 5p a mile for each fellow employee they carry.
- 43 You can provide each of your employees with one tax free mobile phone each. There is no tax on the employee for private use of the phone as long as the company takes out the contract with the telecoms company and owns the handset.
- 44 Thank your employees for their hard work with an annual party or other event. There is no tax charge for the employees if the cost per head is less than £150.

Personal Planning

- 45 When you contribute to a registered pension scheme you automatically can get basic rate tax relief on your contributions. If you are a 40% taxpayer you can also claim an additional 20% tax relief through your tax return. This means when you contribute £4,000 (net of 20% tax) to the pension scheme, you will get a further tax reduction of £1,000, and the pension scheme will receive a total of £5,000.
- 46 You can also contribute up to £2,880 net (£3,600 gross) per year into a pension on behalf of your children or grandchildren. The funds will be protected from tax charges and cannot be drawn on until the child/grandchild is aged at least 55.
- 47 Contributions up to the annual allowance (currently £40,000) can attract tax relief, but you can put any amount in you wish.
- 48 Is your Will up to date? A Will becomes invalid when you marry. If you don't have a valid Will your spouse or partner will not automatically inherit all your assets, and may be left with insufficient funds to support themselves.
- 49 If you are not married or in a civil partnership, but want to leave assets to a long-term companion or partner, inheritance tax will be payable on that gift.
- 50 The only way to secure the exemption from inheritance tax on the gift is to marry/register a civil partnership with the intended recipient before you make the gift.
- 51 Is there a wedding or civil partnership planned in your extended family? You can make an inheritance tax free gift to one of couple of up to £1,000. If you are a parent of one of them the gift in consideration of the marriage /civil ceremony can be up to £5,000 tax free.

- 52 A tax efficient strategy is to write a Will containing a provision to pass on value equal to the inheritance tax nil rate band, (currently £325,000), and leave the rest free of tax to your spouse/ civil partner.
- 53 If you are ill or die what will happen to your business? Do you have policies for life assurance, critical illness cover, sometimes called key-man insurance?
- 54 If you have life assurance, have you looked at having the policy written in trust to avoid the proceeds that are paid out forming part of your estate on which Inheritance Tax is payable? This is very easy to do.
- 55 Do you make regular gifts out of your income? All such gifts are free of inheritance tax once a pattern is established, and the total gifted does not reduce your standard of living, or your capital assets.
- 56 Remember you can make gifts of up to £3,000 per tax year free of inheritance tax in any event. If you did not use this exemption last year you can make gifts of up to £6,000 in this tax year.
- 57 If you want to make larger gifts to your loved ones, consider making those gifts as soon as possible. If you live 7 years after the date of the gift, the amount is not counted in the total subject to inheritance tax on your death.
- 58 If you give to charity have you made a gift aid declaration so that the charity can reclaim the basic rate tax relief on the gift, and you can claim the higher/additional rate tax relief?
- 59 Have you made a provisional claim for the Child Tax Credit if you have a child under 16 or still in full time education? If your taxable income suddenly drops due to losses or other tax deductions, you can amend your existing claim to receive the tax credit from the start of the tax year. If you waited to make a fresh claim, it would only be backdated for one month.
- 60 Have you claimed child benefit for your younger children? If you are a higher rate tax payer, the amount will be restricted for those earnings between £50,000 and £60,000. Earn over £60,000 and the Child benefit is nil.
- 61 A Marriage Allowance was introduced on 6 April 2015 so if your spouse / civil partner is not liable to income tax (and you are not a higher rate tax payer yourself), they can transfer up to 10% of their own personal allowance to you. This avoids wasting that much of their personal allowance and also reduces your tax bill. We can help with this too.

Investments

- 62 Do you take advantage of your ISA investment limit? You can currently invest up to £20,000. The income and capital growth on savings in an ISA is tax free. And have you considered the new Junior ISA's for under 18's?
- 63 Are your investments held between you and your spouse/civil partner so as to minimise your income tax? If you pay 40% or 45% tax and your spouse/partner pays 20% or less, you should consider transferring some income producing investments to your spouse/partner to reduce higher rate tax you pay.
- 64 Do you make use of your Capital Gains annual exemption each year (currently £11,300)?
- 65 If you are a non taxpayer make sure you receive any bank or building society interest gross, without any tax being deducted by the bank.
- 66 Investing in small unquoted trading companies is regarded as risky, so special tax reliefs exist to encourage this type of investment. You can invest up to £1,000,000 per tax year directly in small companies under the Enterprise Investment Scheme (EIS) and receive a tax reduction of 30% of the amount invested. There is an exemption from capital gains tax if you hold those shares for at least three years. For smaller companies, the SEED Enterprise Investment Scheme (SEIS) receives 50% income tax relief on investments up to £1,000,000 per year, with similar capital gains tax exemptions.
- 67 You can invest up to £200,000 per tax year indirectly in small companies through a Venture Capital trust (VCT), which will give you a tax reduction of 30% of the amount invested. These VCT shares must be held for five years to be free of capital gains tax on sale.
- 68 Do you know how much your pension fund is worth? You need to check it will not exceed the lifetime allowance (currently £1.5 million) when you start to draw your pension, to avoid high tax charges. A large pension fund built up before 6 April 2006 can be protected from such charges.
- 69 You can now start to draw your pension while you are still working. An old style pension policy may allow you to commence a pension from age 55. You can work, draw some pension benefits, and contribute to another pension scheme all at the same time, until you reach age 75.
- 70 You can invest up to £50,000 in premium bonds, and all prizes are tax free. You don't lose your capital and have the chance of winning £1 million each month, as well as smaller prizes. The prizes are tax free.

- 71 If you are breaking up with your spouse or civil partner and want to reorganise your assets between you in advance of a divorce, try to do this before the end of the tax year in which you split. Any transfers to your ex-partner in this period will be free of capital gains tax, but not if you wait until the next tax year.
- 72 If you have made a large capital gain, or plan to make a large gain within the next year, you can defer the tax payable on that gain by investing in EIS or SEIS shares.
- 73 If you plan to cash in some life assurance bonds first look at the level of your other income for the current tax year. The life assurance bond proceeds may push your total income into a higher rate tax band, or cause you to lose some higher age related allowances.

Property and loans

- 74 Consider buying your next buy-to-let property in the joint names of yourself and your spouse/civil partner as tenants-in-common. The rental income can then be divided between you according to the proportion of the property you each own, e.g. 20%: 80%, giving the lower earning partner a bigger share, so the rents may be taxed at the lower income tax rates.
- 75 If you are moving home consider letting your old home instead of selling it. When you do sell that property in a few years time, most of the gain will be protected from capital gains tax.
- 76 If you rent a room out in your own home, the first £7,500 of rental income you receive each year is free of tax.
- 77 If you let out furnished property out you can claim 10% of the rent as an allowance for wear and tear on the furnishings.
- 78 When you are installing insulation of almost any type in your let residential properties, check the total cost per property. You can claim a special tax allowance of up to £1,500 per property to cover these costs, but any excess will not get tax relief.
- 79 If you are buying a property to let out, it can often make sense to borrow the money to finance the property, even if you don't need to, as you get tax relief on the loan interest. You may then have an alternative use for the money.

VAT

- 80 Keep a record of your total sales over a rolling 12 period and apply to be VAT registered as soon as you think your sales will exceed £85,000 in any period of 12 months or less (from 1 April 2017).
- 81 If you register for VAT you can still reclaim the VAT on goods purchased before you registered if they relate to sales made after registration, and you still have them on hand at the date of registration. Stock for resale, computers and office equipment may fall into this category.
- 82 If you receive any suppliers invoices after you have de-registered for VAT that relate to the purchases made before you de-registered you can reclaim the VAT.
- 83 Consider completing your VAT returns online and paying the VAT due by direct debit. This way you will have an extra 10 days to pay the VAT to the VATman.
- 84 You can claim back VAT on any bad debt that is more than 6 months old.
- 85 If your business has a turnover of less than £150,000 per year you can use the Flat Rate scheme for small businesses. This scheme makes the completion of VAT Returns far easier, and can, some cases, reduce the amount of VAT payable to the VATman. It does not affect the VAT charged to your customers.
- 86 If your annual turnover is below £1,350,000 you can use the VAT cash accounting scheme so that you only pay VAT when you receive payment from your customers rather than when you raise the sales invoice. This can benefit your cash flow significantly.

Administration

- 87 Make sure you keep complete and accurate business records. Goods records can reduce the risk of paying extra tax and penalties if you are subject to a tax enquiry.
- 88 If your taxable income decreases so that your tax bill is going to decrease you can apply to reduce your income tax payments on account which are due on 31st January in the tax year, and 31st July after the end of the tax year.
- 89 If you want the Taxman to collect the tax you owe through your PAYE code, and hence give yourself longer to pay, you need to submit your tax return online by 30th December or in paper form by 31st October. The Taxman will agree to collect a maximum of £3,000 of tax owing in this fashion.
- 90 If you receive any queries from the Taxman either in writing, or by telephone, or during a visit to your premises, make sure you consult us before answering the Taxman's questions. We can ask the Taxman to put his queries in writing if you need to research the answer. A wrong or estimated answer can be a very costly mistake.
- 91 The Taxman does make mistakes. If you are accused of underpaying any tax, ask us to check the calculations before you agree to pay up.

Finally

We do hope the above gives you a flavour for some of what is possible with tax planning.

What can we do for you?

Your choice of an accountant is a difficult one. How do you know which accountant is going to give you the right kind of advice? How do you know you're going to get the support you need? We've made it easier for you. First, we'll be glad simply to meet you or just chat with you on the telephone. During our FREE no obligation meeting, we'll evaluate your current situation - whether you're starting a new business or thinking of changing your existing accountant. We'll talk about your issues, goals and frustrations. We'll tell you more about what we do. We will show you our informative 'free access' website which includes numerous testimonials from satisfied clients. You can hear our ideas for your business and tax situation and also see - if you feel comfortable with us, if we speak your language. If you like what you see then we invite you to become a client.

You'll then automatically receive...

- Access throughout the year to our experienced partner Dean Logan.
- Access to our FREE Online Bookkeeping Software 'Kashflow', if required
- Our monthly email newsletter 'Tax Tips & News'
- A fair fee quotation, no small print, no extras. We set out the work you require and the fees we will be charging for that work.
- A 100% Risk Free Satisfaction Guarantee - you see we know how hard it is to appoint a new accountant. We know how good we are, but we give you time to try us out with absolutely no risk to you! If for whatever reason you're not happy with the services we provide, you decide how much fees you will pay, your decision, no quibbling.

TESTIMONIALS FROM EXISTING CLIENTS

"Hanley & Co are fantastic - their team is friendly and approachable and their advice is tailored to my business' needs. They are excellent for eBay/Amazon sellers and I highly recommend their services!"

"Probably my best decision in my 30+ years in business was to employ Hanley & Co as my company's accountants."

"Hanley & Co's Bookkeeping System has been a real breath of fresh air for my business. It is easy to understand and very user-friendly; a 5-minute phone call to 'show me around the system' was all the training I needed. The system provides instant and easy to understand reports."

"What we have found particularly impressive has been Hanley & Co's professionalism and approachability. Dean Logan and his team have dealt with any queries we have had promptly and efficiently, giving the impression that nothing is too much trouble. We would not hesitate to recommend them to others. Hanley & Co provide reliable, sound advice to take your business forward to the next level.

"Over our many years with Hanley & Co. we have found that they really are "Accountants you can talk to!" Staff, both present and past, have always been helpful and informative. Queries are dealt with in a prompt and efficient manner."

"From setting up our business from a home office to today where we operate from substantial office premises on a major new business park, the advice and professionalism of our Hanley & Co has been second to none."

"A great team, friendly, very professional and efficient."

"Dean and his team are extremely well organised and prompt in the production of accounts, self-assessment etc. etc. They have recently introduced new software which helps with keeping accurate records and can be used for invoicing, credit control and bank reconciliations. All the team are helpful and always on hand by telephone or email to answer my queries."

So, if you're starting a new business or are looking for a fresh approach to accountancy and business advice (and not just 'number crunching'), we urge you to call our partner Dean Logan FCA now (details below). Thank you.

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