



## Year End Tax Planning (a 10 minute read)

With the end of the tax year on the horizon now is the time to start thinking about the things you can do to minimise your business and personal tax liabilities before 5<sup>th</sup> April.

My team are on standby for the rest of this month and would be happy to provide your accounts with a pre-year-end review and to discuss any of these points with you.

### 1). Maximise Dividends

An important point is that dividends will no longer be tax free after 5<sup>th</sup> April, so it is important that each shareholder of your business use their full basic rate allowance (£42,835) where possible.

You'll need to deduct any other income you receive to calculate the total amount you can receive tax free:

2015-16 basic rate tax threshold	£42,835
less salary, pensions received, bank interest, P11d benefits (all gross), rental income (net)	-£15,000
Balance	£27,835
Dividend available (less 1/10th tax credit, multiply by 0.9)	£25,052

A comparison of the change in dividend tax rates from this year to next:



Dividend	Dividend tax rate 2016/17	Dividend tax rate 2015/16
Basic-rate (income at or below £42,385)	7.5%	0%
Higher-rate (income of £42,386 - £150,000)	32.5%	25%
Additional-rate (income above £150,000)	38.1%	30.56%

It is important that the tax free allowance is used this year; it **cannot** be carried forward.

## **2). Balance your director's loan account to zero**

Where a debit balance remains in the director's loan account (usually because you have taken more cash out of your business than profits allow) then a 25% corporation tax surcharge applies on the balance.

## **3). Review bank balances**

If your year end is 31<sup>st</sup> March 2016 then it is important that you have sufficient balance in your business bank account on this date to meet all your liabilities (trade creditors, VAT, corporation tax, etc).

## **4). Pension contributions**

Payments into pension schemes remain incredibly tax efficient; a higher rate tax payer can turn every £60 they put into a pension into £100 before the 5<sup>th</sup> April.  
(Contributions capped at £40,000 for this year).

## **5). Expense claims**

Now would be a good time to go through your wallet and find all those receipts and reimburse yourself for any business items and services that you have had to pay for personally, during the year. The most frequently forgotten items are:

- Business travel costs
- Business mileage at 45p per mile (first 10,000 miles), 25p thereafter
- Subsistence (the cost of a food and beverages incurred whilst undertaking business travel).
- Mobile phone
- £4 per week if you use any part of your home in your business.

## **6). Purchase assets**

The first £500k spent this year on assets still attract 100% capital allowances, meaning the full cost can be used to offset your taxable profit.

Examples include:



- Commercial vehicles
- Cars with a CO2 rating of less than 75g/km
- IT equipment (computers, printers, smart phones)
- Plant and machinery / Fixtures and fittings

Purchase on finance (hire purchase) rather than leasing so you get the tax break on the full list price of the asset, as well as the VAT back.

### **7). Claim Married Couple's Allowance**

This gained much publicity by in truth you can only reduce your tax by a measly £212, and only then if the following apply:

- you're married or in a civil partnership
- you are employed with an income of between £10,601 and £42,385
- your spouse has an annual income of less than £10,600 (including pensions, savings and investments)

There is an online application to register your interest and get your tax code changed:

<https://www.gov.uk/marriage-allowance>

### **8). Child benefit changes for high earners**

If your income is between £50k and £60k and either you or your spouse receives child benefit then you should consider deferring some of your income either to your partner or into next year so that you don't lose entitlement or be asked to pay back what you have already received.

### **9). Capital gains allowance**

If you have any shares or property assets to sell, don't forget you can use this year's £11,100 tax free allowance before 5<sup>th</sup> April.

### **10). Likely Plans?**

How likely is it that you will be looking to borrow money or move house in 2016? Lenders will always ask to see your SA302 certificates (a statement from HMRC of your income for the year) so you should consider bringing more of your profit into this year if this is the case.

Yours Sincerely,



Jonathan Brothers ACMA  
Managing Partner

