Tax-Busting Checklist 2023/24

Business Planning

1. If your spouse/civil partner earns less than the personal allowance of £12,570 per year and helps out in your business, you can pay them a wage to reduce your taxable profits. A wage of between £123 and £242 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 £12,570 and help out in your business you can pay them a wage to reduce your taxable profits.
3. Basis Period Reform comes from April 2024 with 2023/24 being a 'transition year'. Have you considered changing your accounting year end to use up any overlap relief created when you started in business?
4. Do you make sure you always have a pre-year-end tax planning meeting with your accountant to make sure all necessary action is taken before your year end? After then it will probably be too late.
5. 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? If you are a sole trader earning less than £6,725 per year there is no need to pay Class 2 National Insurance (NI), but you may wish to pay the NI contributions to build up entitlement to the State Pension.
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 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. If you have personal loans or are considering taking out a personal loan you may be able to reorganise your finances 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.
9. 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?
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 have a boat you sometimes charter out you can look at claiming capital allowances on the boat.
13. If you work from home, make sure you are claiming the additional expenses for the use of home. Look to claim a proportion of items such as gas, electricity, water rates etc.
14. 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.
15. Do you check that the amount of expenditure allocated for private use is reviewed each year with your accountant?

16. To promote your business through having a box at a football club, sponsoring a car rally, etc you need to show a true attempt to benefit the business in order for it to be tax deductible.
17. The lower your stock value, the lower the profits on which you pay. 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.
18. 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 20% (for higher rate taxpayers) for the first £1million 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 Limited Company

19. 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.
20. 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 the HMRC trying to reclassify them as loans, or even salary?
21. If you are purchasing goodwill, which can be a large amount, to get tax relief you need to operate through a limited company and not as a sole trader or partnership
22. Have you looked at making a senior employee a partner in the business? This can save lots of employers' National Insurance on their salary and provide additional incentives to work hard for the business.
23. 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?
24. If you own the business property, have you looked at whether it is better to hold it personally or in the company?
25. 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 money you earn for the company. Make sure you have taken the necessary steps to avoid IR35 applying to your contracts.

Employees – remember that if you are a director of your own limited company that this includes you

26. Have you got a staff suggestion scheme? This allows amounts up to £5,000 to be paid tax free to your employees for suggestions they make which are outside the scope of their normal duties.
27. 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.
28. If your PAYE payments to the revenue are less than £1,500 per month you can pay quarterly rather than monthly to help your cashflow.
29. If you have people who work mainly for you on a self- employed basis, are you sure they should be classified as self-employed? Employment status is complicated and getting this wrong can cost a fortune.
30. When you take on a new employee, make sure you either get a P45 from them or get them to complete the Starter Checklist. You will need this to ensure your employee is allocated the correct tax code, thereby receiving the right level of tax-free allowances against their wages.

31. 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 HMRC.
32. Paying bonuses half yearly or yearly rather than monthly can save on employee and employer National Insurance (but not for directors).
33. 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.
34. When you take on a new employee consider paying their relocation expenses if they need to move to take up the job. The first £8,000 of qualifying expenses paid for one move is tax free, where receipts for the costs are provided.
35. When an employment contract is terminated there are certain circumstances in which termination payments of up to £30,000 can be paid tax free.
36. Consider setting up an approved share scheme to allow your employees to buy shares in your company at a favourable price, which may encourage them to be more involved in the business. The employees can also benefit from low tax rates when they sell the shares.

<u>Benefits in Kind</u>

37. 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.
38. If your employee receives less that the approved mileage rates for using his own car for business journeys, they can claim tax relief for the difference.
39. Make sure you complete forms P11Ds for benefits in kind and expenses paid to or on behalf of employees and directors, and send to HMRC by 6 July each year. Failure to do so can result in a £3,000 fine per P11D.
40. You can lend up to £10,000 to your employees interest free without them being assessed as a benefit in kind.
41. If your employee use 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.
42. 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.
43. Subject to a maximum limit, trivial gifts to employees (not money) are tax free. The gift must not be a reward for services as an employee. A seasonal goodwill gift is fine (such as a turkey at Christmas).
44. 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.
45. You can help your employees get to work by providing a works, 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.
46. When your employees travel together to work-related training courses or make other business journeys, you can pay the drivers an extra tax-free 5p a mile for each passenger employee they carry.

47. 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.
48. 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.

<u>Personal Planning</u>

49. Both employee and employer pension contributions are eligible for tax relief. Are you aware of how to reduce your tax liability?
50. 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.
51. If you have a large win on the lottery or other surplus cash you want to invest for your retirement you are no longer restricted in the amount you contribute into a registered pension scheme. Contributions up to the annual allowance (currently £60,000) can attract tax relief, but you can put any amount in you wish.
52. 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.
53. 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. A 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.
54. 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.
55. 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.
56. If you are ill or die, what will happen to your business? Do you have you policies for life assurance, critical illness cover, sometimes called key-man insurance?
57. 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 easy to do.
58. 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.
59. 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.
60. If you want to make larger gifts to your loved ones, considered 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.
61. If you give to charity, have you made a Gift Aid declaration so that the charity can reclaim Income Tax relief on the gift (and you can claim any higher/additional rate tax relief)?
62. Are you eligible to make a claim for Child Tax Credit and are you aware that changes in circumstances may affect your payment (and render you liable for penalties)
63. Have you claimed Child Benefit for your younger children and did you know that the amount will be restricted for those with earnings between £50,000 and £60,000. Over £60,000 and the Child Benefit is nil.

Investments

64. 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.
65. Have you considered a junior ISA for under 18s?
66. Are your investments held between you and your spouse/civil partner so as to minimise your Income Tax liability? If you pay at a higher rate and your spouse/partner does not, have you considered transferring some income producing investments to reduce higher rate tax you pay?.
67. Do you make use of your Capital Gains annual exemption each year (currently £6,000)?
68. 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.
69. 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 £2,000,000 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 £100,000 per year, with similar Capital Gains Tax exemptions.
70. You can invest up to £200,000 per tax year indirectly in small companies through a Venture Capital Trust (VCT), which will give you an Income 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.
71. Do you know how much your pension fund is worth? You need to check it will not exceed the Lifetime Allowance (currently £1,073,100) when you start to draw your pension, to avoid high Income Tax charges. The Lifetime Allowance will be abolished in 2024 but certain protections for larger finds still exist.
72. You can start to draw your pension while you are still working and your pension scheme 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.
73. You can invest up to £50,000 in premium bonds, and all prizes are tax free (plus, you don't lose your capital investment).
74. If you are breaking up with your spouse or civil partner you will need to reorganise your assets between you in advance of any divorce. If the split is before the end of the tax year, any transfers to your ex- partner in this period will be free of Capital Gains Tax, (though not if the split is after the end of the tax year).
75. 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.
76. 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 and cause you to lose some of your allowances.

Property and loans

77. 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.

78. 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.
79. 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.
80. 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
81. 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

82. 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. It can take some months to achieve VAT registration, so you need to apply well in advance.
83. 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.
84. 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 on these.
85. 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 HMRC.
86. You can claim back VAT on any bad debt that is more than 6 months old.
87. 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 HMRC. It does not affect the VAT charged to your customers.
88. 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

89. If you want HMRC to calculate your tax bill each year make sure you send in your tax return before 31st October for a paper return or file it online by 31st January, when their computer programme calculates your tax automatically.
90. If you want HMRC 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. HMRC will agree only collect up to £3,000 of tax owing over the rest of the tax year.
91. 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.
92. Make sure you keep complete and accurate business records. Good records can reduce the risk of paying extra tax and penalties if you are subject to a tax enquiry.
93. If you receive any queries from HMRC either in writing, or by telephone, or during a visit to your premises, make sure you consult your accountant before answering any questions. You

can ask for questions and queries to be made in writing if you need to research the answer. A wrong or estimated answer can be a very costly mistake.

94. Like everyone, HMTRC does make mistakes. If you are assessed as underpaying any tax, ask your accountant to check the calculations before you agree to pay any liability that has been calculated.

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