Oury Clark Quick Guides:

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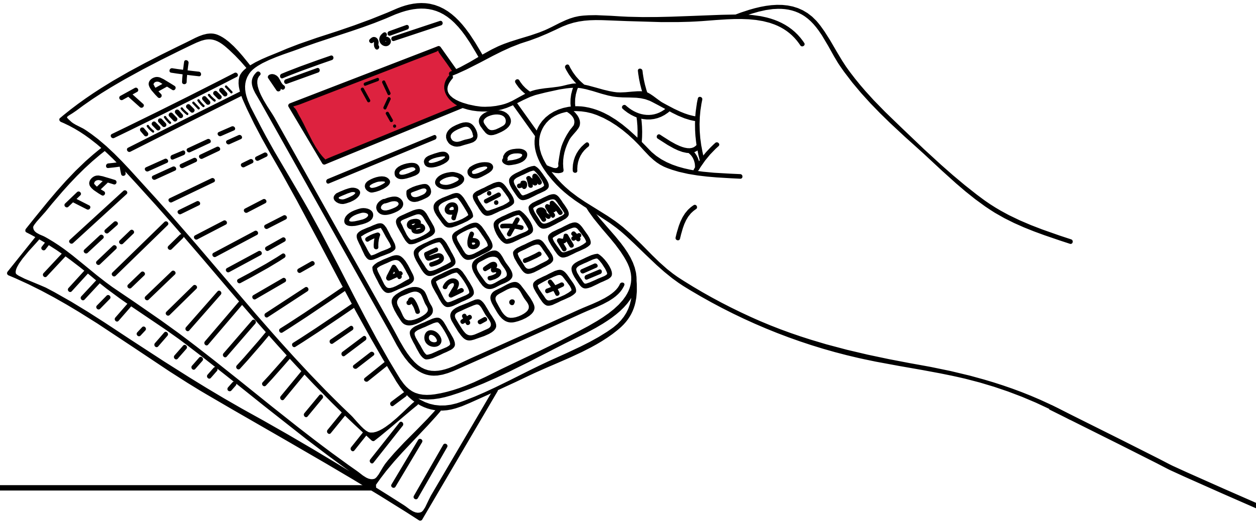
Year End Tax Planning



Tax: C24

Here is a list of things that you can consider before the end of the tax year.

This guide is split between individuals and companies but there should be something for everyone

Individuals

Surplus Funds: Put them to good use or lose the tax benefit.

ISA's

- £20,000 per person can be invested tax-free in an ISA.
- £9,000 can also be invested in a Junior ISA for children under 18.

Pension contributions

- Pension contributions enjoy tax relief at your highest marginal rate of income tax.
- The relief is restricted to the lower of your annual allowance or net relevant earnings.
- The Annual Allowance (AA) is £60,000 but is restricted for higher earners.
- You may also be able to utilise unused AA from earlier years.
- Please contact us as this can get very complicated.

Tax-efficient investments

There are annual limits on investments in

Seed Enterprise Investment Scheme (SEIS)

- A maximum of £200,000 per tax year (from 2023) can be made in start-up companies that qualify for the SEIS.
- Income tax relief is available at 50%.
- No tax on gains made on a future sale if the investment is held for over three years.
- Dividends taxable.

Venture Capital Trusts (VCTs)

- A maximum of £200,000 per year.
- Income tax relief on 30% of investment.
- No tax on gains made on a future sale.
- Dividends are tax free

Enterprise Investment Scheme (EIS)

- A maximum of £1 million per year. (up to £2 million if at least £1 million is invested in knowledge intensive companies).
- Income tax relief at 30%.
- No tax on gains made on a future sale if the investment is held for over three years.
- Dividends taxable.

Gift Aid

- Taxpayers donating through Gift Aid means charities can claim 25p for every £1 donated.
- Higher rate taxpayers get tax relief on the difference between the rate paid and basic rate.
- In certain circumstances, the contribution can be carried back to the earlier year.

Employees: Working from home

- If employees are required to work from home, employees may be able to claim tax relief for their working from home expenses.
- Employees may be able to claim tax relief if they have to work from home because their employer doesn't have an office, or the job requires the employee to live far away from the office.
- Employees cannot claim tax relief if the employee chooses to work from home, for example: The employee's employment contract lets the employee work from home for some or all of the time.

The employer has an office, but the employee cannot go there because it is full.

- If the working from home tax relief is available:

  Employers can pay employees up to £6 a week tax free to cover their working from home expenses.

  Where this is not paid, employees can apply to receive the tax relief directly from HMRC.

Loss of personal allowance for higher earners

- Your Personal Allowance is reduced by £1 for every £2 your income ~ exceeds £100,000.
- This can create an effective tax rate of 60%.
- You may wish to consider Pension and/or Gift aid contributions mentioned above
- Consider transferring income earning assets to the lower earning spouse.

Trading and property allowances

- Many may have started a small trade or decided to let property recently.
- Up to £1,000 each tax year in tax-free allowances for property or trading income.
- If you have both types of income, you can get a £1,000 allowance for each

Trading losses

- There is a temporary extension to the loss carry back rules for trading losses.
- For tax years 2020/21 and 2021/22, unrelieved losses can be carried back longer.
- They can be set against profits of the same trade for 3 years before the tax year of the loss.

CGT Annual exemption

- Capital Gains Tax is only payable on your overall gains above the Annual Exempt Amount.
- This Annual Exempt Amount is £6,000 for individuals and £3,000 for most trustees. From April 2024 and subsequent tax years the AEA will be permanently fixed at £3,000 for individuals and £1,500 for most trustees.
- The 28% CGT rate for gains on residential properties is falling to 24% in 24/25.
- Consider selling assets standing at a gain to use the allowance and deferring residential property sales until 24/25.

Companies

Bonuses

- Bonuses can be accrued so that they fall within the current accounting period
- The bonus must be both due and payable before the year end
- The bonus must be actually paid within nine months of the year end.
- Note that payment after 5 April 2022 will incur increased NI EE and NI ER

Pensions

- Employees may prefer a contribution into their pension scheme instead of a bonus

Electric cars

- Electric cars used for business benefit from enhanced capital allowances compared to their petrol/diesel counterparts.
- They also provide an affordable benefit in kind for the employee

Building repairs and decorating

- Revenue expenditure is deductible against profits.
- Consider whether any such work can be done before the year end

Capital Allowances

- If capital expenditure is incurred
- Take advantage of the beneficial deductions that exist for capital allowances.
- Annual Investment Allowance is permanently set at £1m.

R&D

- R&D is a generous tax relief.
- For accounting periods starting on/after 1 April 2023, SME's incurring qualifying R&D can claim a deduction of 86% of the relevant costs. If SME incurs a trading loss, it can surrender all or part of that loss for a tax credit of 10%.
- For accounting periods beginning on/after 1 April 2023, Companies submitting R&D claims must pre-notify of the intent to claim within 6 months of the period end. Some exemptions do exist to this rule if claims have been made within the last 3 years.
- A new merged R&D scheme for SME's and Large Companies replaces the old R&D schemes for accounting periods beginning on or after 1 April 2024.
- The effective credit for loss making companies will be 16.2%.

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Disclaimer: This note does not contain a full statement of the law and it does not constitute legal advice. Please contact us if you have any questions about the information set out above.