George Hay
Chartered Accountants

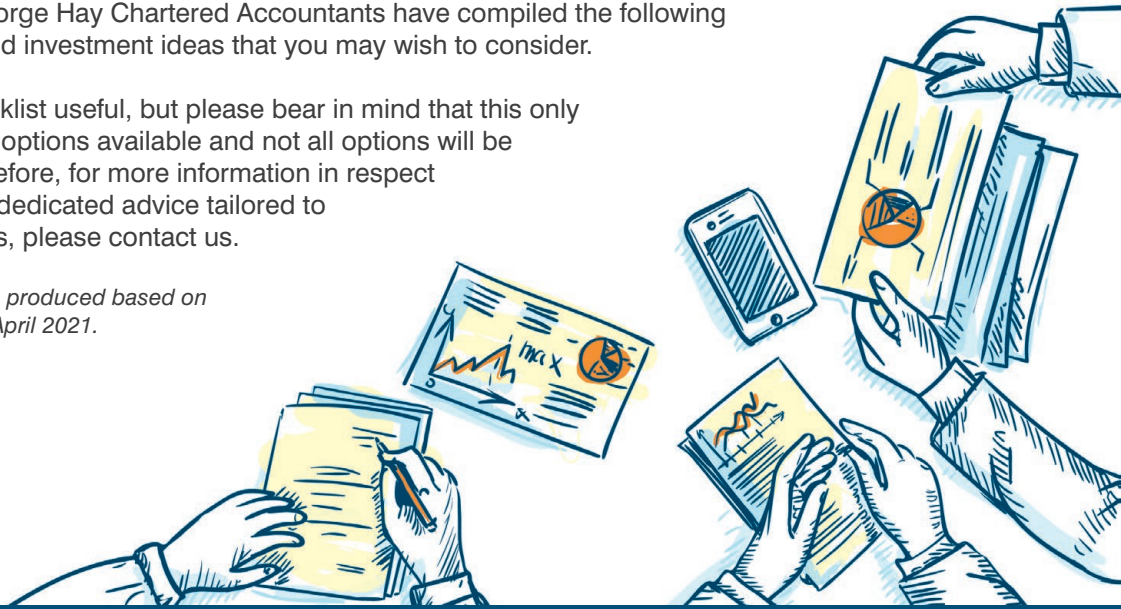
Tax Planning Checklist

With the current tax year having begun on 6 April 2021, the clock is ticking and it is important to utilise all the tax reliefs and allowances available to you before 5 April 2022, in order to minimise your liabilities.

That is why the team at George Hay Chartered Accountants have compiled the following checklist of tax planning and investment ideas that you may wish to consider.

We hope you find this checklist useful, but please bear in mind that this only provides a summary of the options available and not all options will be suitable for everyone. Therefore, for more information in respect of the ideas outlined or for dedicated advice tailored to your specific circumstances, please contact us.

Please note that this checklist is produced based on tax legislation in existence at 6 April 2021.



Tax planning

	Yes	No
Business Tax		
Share transfers: Can you transfer shares to lower earning members of your household to facilitate the payment of dividends?	☐	☐
Salaries: Consider payment of salaries to owner managers at tax efficient levels.	☐	☐
Dividends and bonuses: Consider early or deferred payment in order to benefit from lower income tax rates.	☐	☐
Corporation tax: At Spring Budget 2021, the Corporation Tax rate was set at 19 per cent for 2021/22 and 2022/23. From 6 April 2023, the Corporation Tax rate will increase to 25 per cent for those with turnover exceeding £250,000. A Small Profits Rate of 19 per cent will remain for businesses with turnover below £50,000 and a marginal rate of 26.5 per cent will be introduced for all those in between. Have you considered how this will affect your business?	☐	☐
Accounting dates: Have you considered changing your business' financial year-end to utilise any overlap relief?	☐	☐

Tax planning *(continued)*

	Yes	No
Business Tax *(continued)*		
Incorporation: If you are trading as a sole trader, partnership or limited liability partnership have you considered incorporation to a limited company as a potentially more tax efficient business structure?	☐	☐
Capital allowances: Have you considered the timing of investments, taking into account the 130 per cent 'super-deduction' available to companies, on any qualifying expenditure on plant and machinery, from 1 April 2021 through to 31 March 2023? Furthermore, the Annual Investment Allowance (AIA) limit remains at £1,000,000 until 31 December 2021.	☐	☐
Research & development: Have you claimed for all your eligible R&D projects to take advantage of the significant benefits available? HMRC will allow an extra 130 per cent of identified costs to be written off against taxable profits.	☐	☐
Business Asset Disposal Relief (BADR): Where you are disposing of qualifying assets, have you taken advantage of Business Asset Disposal Relief? The Lifetime Allowance was reduced from £10m to £1m, from 11 March 2020.	☐	☐

Tax planning *(continued)*

	Yes	No
Personal Tax		
Capital gains: Have you used your annual exemption for 2021-22 of £12,300?	☐	☐
Inter-spousal transfers: Have you maximised capital gains exemptions and income tax allowances by transferring assets to your spouse or civil partner?	☐	☐
Salary sacrifice: Consider exchanging part of your salary for payments into an approved share scheme or additional pension contributions.	☐	☐

Tax planning *(continued)*

Inheritance Tax Planning	Yes	No
Business and agricultural property: Inheritance Tax (IHT) must be paid on the value of any estate above £325,000, or £1 million for married couples. However, certain business assets, including shares and farmland, in private trading companies can qualify for 100 per cent relief from IHT.		
Residence nil rate band (RNRB): This allowance was introduced in 2017 and is available when a main residence is passed on death to a direct descendant. The allowance, which has now reached its limit, is £175,000. When combined with the nil rate band of £325,000 this provides a total IHT exemption of £500,000 per person, or £1 million per married couple.		
Charitable and personal gifts: If you leave at least 10 per cent of your net estate to charity a reduced IHT rate of 36% applies rather than the usual 40%. Other exemptions apply for inter-spousal transfers, transfers of unused annual income, business and agricultural assets, and for various other fixed, small amounts.		
Passing on your pension: Consider writing pension death benefits in trust.		
Trust funds: There are many ways that a formal trust fund can protect and maximise your family's assets. There have been a number of changes to the treatment of trust funds recently which are complex and could affect some people. If you are considering setting up a trust, seek advice.		

Pensions

	Yes	No
Protecting a large pension: The lifetime allowance (LTA) reduced from £1.5 million to £1.25 million in 2014. The LTA has since been reduced further and is currently £1,073,100 for 2021-22.		
Stakeholder pensions: All UK residents including children can make annual net contributions of £2,880 per year (£3,600 gross) regardless of whether they have any earnings. There are ways of using these payments to keep below the £50,000 income threshold to retain child benefit. It is also a very beneficial way of giving your children a helping hand for the future. If pension investments were to grow at a rate of nine per cent every year, investing £2,880 a year for your 10 year old child could result in a maximum pension pot of £1 million by the time he or she is 68 years old.		
Pension drawdown: If you are 55 or over, you may be able to start drawing down pension benefits now from a personal pension such as a SIPP, even if you are still working. You may take up to 25 per cent tax-free with the rest taxed at your marginal rate. Anyone who is entitled to flexible drawdown and who is considering retiring overseas should seek advice on potential additional tax savings available to them.		
Pensions annual allowance: Unless you are an additional rate taxpayer, or have already accessed pension benefits then you are entitled to make up to £40,000 of contributions per tax year. You can utilise any unused allowances from the three previous tax years.		
Employer contributions: Pension contributions by an employer are tax efficient for the business. If you own the company you can claim a corporation tax reduction in most circumstances. Where employees exchange some of their salary in return for a pension contribution made by the employer both parties can save on national insurance contributions.		

Investment ideas

	Yes	No
ISAs: Have you used your maximum annual investment of £20,000?		
Junior ISAs or Child Trust Fund: Has £9,000 been invested for any child under the age of 18?		
Help-to-buy ISAs: This ISA was available to first time buyers over the age of 16. Savings of up to £1,200 in the first month and thereafter a maximum of £200 per month attract a 25 per cent tax-free bonus from the Government, providing £3,000 cashback on a maximum saving of £12,000. New accounts were closed from 30 November 2019, but those with existing accounts can still save but must make use of savings by 30 November 2029.		
Lifetime ISAs (LISAs): Introduced in April 2017, you must be aged between 18 and 40 to open a Lifetime ISA. The Government will provide a bonus of 25 per cent on the money you invest up to a maximum of £1,000 per year. You can save up to £4,000 a year, and can continue to pay into it until you reach 50.		
Tidying-up your investments: Have you realised investments and bond gains or closed deposit accounts where funds may be attracting negligible rates of interest?		
Take advantage of share schemes: If your company offers a share scheme, such as a share incentive plan (SIP) or a save as you earn scheme (SAYE) there are usually price discounts and tax incentives for taking part.		
EIS investment: Have you considered these investments, which offer income tax relief of 30 per cent as well as possible capital gains tax deferral?		

The information on this page relates to the tax implications of certain investments, but is for general guidance only. Where investments are concerned, a financial adviser should be contacted.

Investment ideas *(continued)*

	Yes	No
Venture capital trusts (VCT): Have you considered VCTs, which provide 'front end' income tax relief on subscriptions of up to £200,000, as well as tax-free dividends and capital gains tax reliefs?		
Seed enterprise investment schemes (SEIS): Although investing in an SEIS can carry more risk than an EIS or VCT, there is substantial tax relief available to offset a large part of potential losses.		
Community investments: Share purchases or loans to a community development finance institution (CDFI) qualify for tax relief. Over a period of five years, tax relief is provided at five per cent making 25 per cent relief in total.		
Social enterprise investments: Investing in certain 'social impact' organisations can attract social investment tax relief (SITR) of 30 per cent. The amount of qualifying investment a qualifying social enterprise can raise has, in most cases, increased to a maximum of £1.5 million over its lifetime.		
Life assurance bonds: Insurance backed bonds allow five per cent of the original capital to be withdrawn each year without incurring an immediate tax charge. Although you need to consider commissions, management costs and basic rate tax charges within the bond, the five per cent withdrawal is still attractive to anyone whose level of income means they will lose their personal allowance and pay 45 per cent income tax.		
Offshore bonds: As with UK bonds, five per cent of the original capital invested can be withdrawn each year tax-free. Although they are taxed in full when disposed of they provide a useful way of deferring tax.		

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