TAX & FINANCIAL STRATEGIES 2013/14

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Tax and Financial Strategies 2013/14

Making the most of your money and achieving your financial goals in a world of complex and ever-changing tax legislation requires careful planning and expert advice.

Through tax and financial planning it may be possible to lower and defer the tax you pay, enabling you to free up cash for business or personal purposes and provide long-term financial security for you and your family.

This guide introduces some of the key areas to consider when planning to maximise your business and personal wealth, although your exact requirements will depend on your individual circumstances. Please contact us for one-to-one advice tailored to your needs.

How to benefit from our services:

- Please read those chapters which are relevant to you as soon as possible
- Take note of the key points arising from this guide, and any action you may wish to consider
- Contact us to discuss your action points, and to evaluate your long-term financial plans.

We would welcome the opportunity to assist you.

The general effect of the Civil Partnership Act is to treat registered civil partners on a consistent basis with married couples. For the purposes of this guide we have on occasions referred only to spouses.

'HMRC' refers to HM Revenue & Customs.

This guide is based on current understanding of legislation and the Government's proposals at the time of publication and under no circumstances should action be taken without first seeking appropriate professional advice.

Financial planning throughout your lifetime

Proper financial planning plays an essential role in helping you to achieve your lifetime goals and provide long-term financial security for you and your family, throughout your own lifetime and beyond.

After another unsettling year, and with the economy likely to remain sluggish for the foreseeable future, a robust tax and financial planning strategy is vital in order to protect both your business and your personal finances. Despite the current economic climate, steps can still be taken to help preserve your wealth and boost your income, now and in the longer term.

Helping to maximise your business finances…

Effective tax and financial planning is an essential part of good business management.

Your business planning strategy might include the following key areas:

- Choosing the most appropriate business structure
- Capitalising on allowances and reliefs
- Claiming tax deductible expenses
- Deciding on your year end
- Reducing your liability to capital gains tax (CGT)
- Considering the role of family members
- Strategies for exiting your business when the time comes.

…and safeguarding your personal wealth

The judicious use of tax and financial planning strategies can also have a significant impact on your personal wealth. We can help to ensure that your finances are as tax-efficient as possible, making sure that you are taking advantage of the available allowances and reliefs and that you are paying no more tax than you need to.

Key areas that could form part of your personal financial planning strategy may include:

- A tax-efficient remuneration package
- Extracting profit from your business
- Retirement planning
- Estate and inheritance tax planning
- Tax-efficient gifting strategies.

New measures for businesses

The Government has put forward a number of measures with the aim of offering support to businesses in the light of the ongoing economic challenges. Some of the key changes, which are referred to in this guide, are outlined below.

Employee shareholder status

Individuals adopting the new employee shareholder status will be exempt from CGT on the disposal of up to £50,000 of shares acquired under the employee shareholder agreement. In addition, on acquisition of the shares the first £2,000 of share value received by the employee shareholder will not be subject to income tax or national insurance contributions (NICs). These measures will apply to shares received from 1 September 2013, when the new status comes into force.

Tax and tax reliefs

The main rate of corporation tax has been reduced to 23% for 2013/14 and will fall by a further 2% in 2014/15, to reach 21%. In 2015/16 the rate will be reduced once again and amalgamated with the small profits rate, giving a new unified rate of 20%.

New corporation tax reliefs will be introduced for the video games, animation and high-end television industries. These reliefs came into effect on 1 April 2013. The video games tax relief will be introduced following State Aid approval. As these reliefs closely follow the existing Film Tax Relief, HMRC is expanding the existing Film Tax Unit to cover the new creative industry tax reliefs.

From April 2013, a disincorporation relief will also apply for five years. The relief allows a company to transfer goodwill and an interest in land to its shareholders so that no corporation tax charge arises on the transfer. It is available to businesses with total qualifying assets not exceeding £100,000.

Record keeping and accounting

From 6 April 2013 all unincorporated businesses can choose to deduct certain expenses on a flat rate basis.

In addition, a new voluntary cash basis for calculating tax for small businesses is being introduced. The new cash basis will allow eligible self-employed individuals and partnerships to calculate their profits on the basis of the cash that passes through their business. Businesses will be eligible if they have annual receipts of up to £79,000 and they will be able to continue to use the cash basis until receipts reach £158,000.

Businesses in the scheme will generally not need to distinguish between revenue and capital expenditure.

Eligible barristers will be able to choose either to use the new cash basis and simplified expenses or the current accruals basis. The existing cash basis legislation for barristers will be repealed (except for barristers already using it, for the remainder of their qualifying period).

We can help with all of your tax and financial planning needs. For a strategic review of your finances, please contact us.

Planning for yourself and your family

Achieving your objectives

Every individual will have a variety of goals in life, which may include raising children and saving for their education, caring for and supporting ageing parents, attaining a desired standard of living for themselves and their family, and financing their retirement. As your accountants, we can help you to put in place strategies that will help you to achieve your objectives throughout your lifetime.

Whatever your own personal goals may be, there are some fundamental strategies that can be applied within the family, and we begin with these.

Capitalising on allowances and exemptions

Every individual within your family is taxed separately, and is entitled to his or her own allowances and exemptions. The basic personal allowance for 2013/14 is £9,440.

A series of rate bands and allowances are assigned first to your earned income (which includes pensions), then to your savings income, and finally to any UK dividend income.

Are you 65+?

The personal allowance for 2013/14 for those born between 6 April 1938 and 5 April 1948 is £10,500, and for those born before 6 April 1938 it increases to £10,660. Both higher allowances are scaled back if income exceeds £26,100, but in any event the minimum personal allowance is £9,440. The £7,915 married couple's allowance applies where at least one spouse was born before 6 April 1935 and is given as a tax reduction at 10% of the allowance. It may be reduced if the husband's income exceeds £26,100. However the minimum tax relief is £304. For marriages taking place on or after 5 December 2005 and for civil partners, it is the income of the spouse or civil partner with the most income which governs the scale back.

Date of birth	Personal allowance	Maximum married couple's allowance
To 5 April 1938	£10,660	
6 April 1938 to 5 April 1948	£10,500	
6 April 1948 onwards	£9,440	
Elder spouse		Tax reduction
Born before 6 April 1936		£791.50
Minimum		£304.00

A family affair?

By using the available personal allowances and gains exemptions, a couple and their two children could have income and gains of at least £81,360 tax-free, and income up to £165,800 before paying any higher rate tax. Through careful tax planning, we could help you and your family to benefit from more of your wealth.

Your tax planning objectives should include taking advantage of tax-free opportunities, keeping marginal tax rates as low as possible, and maintaining a spread between income and capital.

Income tax and capital gains tax rates for 2013/14					
Rate Band	Taxable Income	Earnings etc	Savings	Dividends	
Basic	Up to £32,010	20%	10%/20%*	10%	
Higher	Over £32,010	40%**	40%**	32.5%**	
Additional	Over £150,000	45%	45%	37.5%	
	Capital Gains				
	First £10,900	Tax-free			
	Remainder	18%/28%***			

* There is a 10% starting rate for savings income up to the starting rate limit (£2,790) within the basic rate band. Where taxable non-savings income does not fully occupy the starting rate limit the remainder of the starting rate limit is available for savings income.

** Personal allowance is reduced by £1 for every £2 that adjusted net income exceeds £100,000. The effective marginal rate in this band is 60% (dividends 48.75%).

*** Depends on the level of income and gains.

The 45% (or additional) top income tax rate

The top rate of income tax, for those with taxable income in excess of £150,000, is 45% (37.5% for dividends). Contact us now for up-to-date advice on minimising the impact of the top tax rates.

A '60% tax rate'?

Personal allowances are scaled back if income exceeds £100,000, giving an effective tax rate on an £18,880 slice of income of 60%.

It may be possible to reduce your taxable income and retain your allowances, if approached with due consideration, eg. by making pension contributions.

Cap on reliefs

There is a 'cap' on certain otherwise unlimited tax reliefs (excluding charitable donations) of the greater of £50,000 and 25% of your income.

Transferring assets

Planning can be hindered by the potential for tax charges to arise when assets are moved between members of the family. Most gifts are potentially taxable as if they were disposals at market value, with a resulting exposure to CGT and IHT.

However, special rules govern the transfer of assets between spouses. In many cases for both CGT and IHT there is no tax charge, but there are some exceptions – please contact us for further advice.

Gifts must be outright to be effective for tax, and must not comprise a right only to income. Careful timing and advance discussion with us are essential.

Case Study 1

David is a single person with a gross 2013/14 income of £45,000 (made up of £25,000 earnings, £5,000 of interest and grossed-up UK dividends of £15,000) and capital gains of £11,000 (assuming no other reliefs, etc). He would have a tax liability of £6,438.75 (2012/13 £6,559.12).

	Earnings	Interest	UK Dividends	Gains
Income and gains	25,000	5,000	15,000	11,000
Deduct: Personal allowance	– 9,440			
Deduct: CGT exemption				–10,900
Taxable	15,560	5,000	15,000	100
Tax at:				
20% on	15,560	5,000		
10% on			11,450	
32.5% on			3,550	
28% on				100
Totals	£3,112.00	£1,000.00	£2,298.75	£28.00
			Total tax liability £6,438.75	

Investing in your children's future

A prominent financial challenge facing children today is the amount of debt they will have amassed by the time they leave university. With the advent of higher tuition fees, student debt is likely to increase significantly in the coming years, and the latest studies are suggestive of debts in the region of £60,000 for a student starting university in 2013.

For younger family members, the Child Trust Fund (CTF) created the opportunity for parents, grandparents and other family members to build a fund to help offset university expenses and minimise debt at the start of the child's working life. The CTF closed to new entrants at the beginning of 2011, to be replaced by the new **Junior Individual Savings Account (JISA)**. Further details are provided in this guide.

All children have their own personal allowance, meaning that income up to £9,440 escapes tax this year, as long as it does not originate from parental gifts. If income from parental gifts exceeds £100 (gross), the parent is taxed on it unless the child has reached 18, or married. Consequently parental gifts should perhaps be invested to produce tax-free income, or accumulate income, or in a cash or stocks and shares JISA. The £100 limit applies per parent but not to gifts into CTFs, JISAs or National Savings Children's Bonds.

Considering your grandchildren

If your child is grown up and financially secure, it may be worth 'skipping' a generation as income from capital gifted by grandparents or more remote relatives will usually be taxed as the child's, as will income distributions from a trust funded by such capital.

Marriage breakdown

Maintenance payments do not usually qualify for tax relief. Similarly, maintenance payments received under orders or agreements are not taxable. However, tax relief worth up to £304 this year is given on maintenance paid to a former spouse under court orders or enforceable agreements, if at least one of the former parties to the marriage was born before 6 April 1935.

The special CGT and IHT treatment for transfers between spouses applies throughout the tax year in which a separation occurs. For CGT, transfers in subsequent years are dealt with under the rules for disposals between connected persons, with the disposal treated as a sale at market value, which could result in substantial chargeable gains. For IHT, transfers remain exempt until the decree absolute.

Careful consideration as to the timing of such transfers is essential. We can provide advice and assistance in this matter.

Your contingency plan

Proper contingency planning can help to ensure that your spouse and/or children would be able to cope financially if you died or were incapacitated.

There are several initial steps you can take to ensure that your loved ones would be taken care of, if something were to happen to you. Taking out adequate insurance cover, perhaps with life assurance written into trust for your spouse or children to ensure quick access to funds, would be one sensible measure. However, it is also important to make a Will. We also strongly recommend that you:

- **Make a living Will (also called 'advance decisions')**: so that your wishes are clear in the event that, for example, you were to be pronounced clinically dead following an accident

- **Execute a lasting power of attorney**: so that if you become incapacitated and unable to manage your affairs, whether as a result of an accident or illness, responsibility will pass to a trusted person of your choosing.

Remember to consider similar family protection measures for your spouse as well, in the event that you were both to be simultaneously killed or incapacitated.

It is also useful to make sure that you tell your spouse, your parents, and your business partners where your Will and any related documents are kept. It is your choice whether to discuss with them the contents of the documents, but if you are passing on responsibility for managing your affairs, it might be advisable to talk matters through with them in advance.

Do you have unclaimed assets?

There are billions of pounds worth of assets lying unclaimed in the UK. To see if you have any lost assets contact the Unclaimed Assets Register on **0844 481 8180.**

To find out whether you have an unclaimed Premium Bond prize, call **0500 007 007** or visit **www.nsandi.com.**

Taxation of non-domiciliaries (non-doms) and others entitled to claim the remittance basis

The rules are complex and a full analysis is beyond the scope of this guide, so please talk to us if you are affected. But as a brief summary of the position for 2013/14:

- If your unremitted foreign income or gains exceed £2,000, you will have to decide whether to include them in your self assessment return for 2013/14, or not include them and report on a remittance basis and lose the income tax personal allowance and CGT annual exemption.
- If you are an adult caught by the 'years of residence rule' you will have to decide whether to include them in your self assessment return for 2013/14 and pay UK tax or pay the £30,000/£50,000 'Remittance Basis Charge' (RBC). This decision is made when you complete your 2014 Tax Return, and the tax will be due as 2013/14 tax.
- Credit for the UK tax or RBC may be claimable against your liability elsewhere in the world, and possibly against the UK liability when the income or gains are finally remitted.
- The definition of a remittance goes beyond money you bring into the UK. For example, tax will be due on the remittance to the UK by certain close family members of income or gains gifted by you to them outside the UK, and on the import of assets bought outside the UK using untaxed income or gains (subject to limited exemptions).
- However, the RBC will not apply where non-doms remit foreign income or gains to the UK for the purpose of commercial investment in UK businesses, nor (subject to conditions) when certain property is brought to, and sold in, the UK and the proceeds are then taken offshore.
- 2013 sees a reform to the IHT treatment of transfers between UK-domiciled individuals and their non-UK domiciled spouse or civil partner in two ways: the cap (was £55,000) will be increased to the level of the prevailing nil-rate band level and, under a new election regime, individuals domiciled other than in the UK and who are married or in a civil partnership with a UK domiciled person will be able to elect to be treated as UK-domiciled for IHT purposes.
- Where an individual chooses not to elect for UK domicile treatment their overseas assets would, as now, be exempt from IHT but any transfers from their UK domiciled spouse or civil partner would be subject to the increased 'cap'. Individuals who choose to make an election would benefit from uncapped IHT-exempt transfers from their spouse or civil partner, but subsequent disposals would be liable to IHT (subject to their own nil-rate band), irrespective of the location of the assets.
- The ability to identify and track capital, income and gains is essential for effectively managing your tax liabilities. Those who are affected should seek advice on keeping different types of funds separate, how to remit 'clean' and 'tax-paid' income and gains, and on how money brought into the UK from mixed funds will be taxed.

Checklist: Financial protection strategies	Self ✔	Spouse ✔
Essential:		
Will/Living Will		
Lasting power of attorney		
Life assurance		
Keep papers in a safe place – and make sure other people know where they are!		
Seriously consider:		
Income, mortgage and loan protection insurance		
Estate planning to minimise the tax due on your estate		
Planning for the transfer of your business		
Other points to think about:		
Funeral arrangements and expenses		
A tax-efficient gift strategy		

Follow-up – Contact us about...

- **Making the most of tax-free opportunities**
- **Ensuring that tax rates are as low as possible**
- **Using savings, capital and other vehicles to give your children a better start in life**
- **Drafting a Will**
- **Insuring your life and obtaining disability and critical illness insurance**
- **Saving for income and investing for capital growth**

Strategies for your business

Starting a new business

Embarking on a new business venture is both an exciting and a challenging task, which carries with it an element of risk. Key decisions need to be made, and there are many factors to consider, some of which include: the type of business and its attributes; your target market and competitors; the business's profit potential; your process for extracting those profits; the rate of business growth; the impact on your life; any potential risks; and how you plan to exit the business when the time comes.

Your business plan: A comprehensive business plan is paramount to ensuring that you make the best decisions. Your business plan should include: the business structure that best meets your needs (be it sole owner, partnership, limited liability partnership or limited company); your intended funding sources; tax-efficient borrowings; whether a PAYE scheme is necessary; and whether the business should be VAT registered.

We can guide you through these important decision making processes and help you to make the appropriate registrations. We can assist with cash flow forecasts, helping you to spot potential cash shortfalls, and offering regular updates to enable you to monitor your business's performance.

Choosing the right business structure: Deciding on the business structure that best suits your needs can be difficult. There are both advantages and disadvantages for each trading structure, and each has implications for control, perception, support and costs. For example, careful consideration is needed regarding whether or not to retain personal ownership of any freehold property on an incorporation. We can help you to decide on the best structure for your business.

Considering your year end: It is also important to choose a year end that suits your business. Is there a time of year when it will be more convenient to close off your accounting records, ready for us? What time of year would be best for stock-taking? How seasonal is your business? From a tax perspective, choosing a year end early in the tax year for an unincorporated business usually means that an increase in profits is more slowly reflected in an increased tax bill, and over time the delay between earning profits and paying the tax can create a source of working capital for the business. On the other hand, a decrease in profits will more slowly result in a lower tax bill. Speak to us for advice on your year end.

Registering with HMRC: When setting up a business, there are a multitude of issues to consider. While notifying HMRC of your employment status may seem low on your agenda in those crucial first weeks and months, we recommend that you inform HMRC of your new self-employed status as soon as possible. You are likely to be liable to pay Class 2 national insurance contributions (NICs) and failure to notify HMRC may attract a penalty if tax or NICs are unpaid as a result.

Regional employers' NICs holiday for new businesses

This is a scheme intended to support new businesses that start up during the period between 22 June 2010 and 5 September 2013 in certain targeted areas of the UK. Eligible employers may not have to pay the first £5,000 of Class 1 employers' NICs due in the first 12 months of each employment. This applies for each of the first 10 employees hired in the first year of business.

The targeted countries and regions are: Scotland, Wales, Northern Ireland, the North East, Yorkshire and the Humber, the North West, the East and West Midlands and the South West.

Looking ahead: Employment Allowance

In addition, a new Employment Allowance will be available from April 2014 for businesses and charities. Employers will need to confirm their eligibility through their regular payroll process. This confirmation will ensure that up to £2,000 will be deducted from their employers' NICs liability over the course of the year's PAYE payments.

Starting a Business – Action plan	✔
Prepare a robust business plan	
Ensure that you have access to suitable funding	
Check your right to use your chosen trading name	
Choose the right business structure	
Register with HMRC	
Register for VAT	
Register your business name	
Trade and professional registrations	
Choose your year end	
Plan to reduce your tax liability	
Develop your branding	
Involve the family	
Plan to avoid fines and penalties	

Claiming deductible expenses

It is our role to work with you to reduce the amount of tax you are liable to pay, and it is important that you benefit from all of the opportunities available to you.

You will pay tax on your taxable profits, so it is vital to claim all deductible expenses, many of which will be included in your accounting records. If you are self-employed and carry on your business from home you can claim tax relief on part of your household expenses, including insurance, repairs and utilities.

You may also be able to claim for the cost of travel and accommodation when you are working away from your main place of business, so you should keep adequate business records, such as a log of business journeys. In addition to ensuring that your accounts are accurate, these records may also be requested by HMRC.

An appropriate computer package might be worth considering, to aid concise and effective record keeping.

You may also wish to consider the new voluntary cash basis for calculating taxable income for small businesses, introduced from April 2013. As mentioned earlier, the new cash basis will allow eligible self-employed individuals and partnerships to calculate their profits on the basis of the cash that passes through their business. Businesses will be eligible if they have annual receipts of up to £79,000 and they will be able to continue to use the cash basis until receipts reach £158,000. This is something we should discuss with you in detail if you are eligible.

Businesses in the scheme will generally not need to distinguish between revenue and capital expenditure.

If you are an unincorporated business, you are now able to choose to deduct certain expenses on a flat rate basis should you wish to do so.

Making the most of capital allowances

'Capital allowances' is the term used to describe the deduction we are able to claim on your behalf for expenditure on business equipment, in lieu of depreciation.

Annual Investment Allowance (AIA): The annual allowance is £250,000 for the two years to 31 December 2014. This means up to the first £250,000 of the year's investment in plant and machinery, except for cars, is allowed at 100%. However, transitional rules may restrict the maximum amount claimable (see below). The AIA applies to businesses of any size and most business structures, but there are provisions to prevent multiple claiming. Businesses are able to allocate their AIA in any way they wish; so it is quite acceptable for them to set their allowance against expenditure qualifying for a lower rate of allowances (such as long-life assets or integral features) – see below.

Enhanced Capital Allowances (ECA): In addition to the AIA, a 100% first year allowance is also available on new energy saving or environmentally friendly equipment. Where companies (only) have losses arising from ECAs, they may choose how much they wish to carry forward and how much they wish to surrender for a cash payment (tax credit payable at 19% but subject to limits).

A separate ECA scheme is available for electric and low CO_2 emission (up to 95 g/km) cars, new zero-emissions goods vehicles (for five years from 1 April 2010 (corporates) or 6 April 2010 (others)) and natural gas/hydrogen/biogas refuelling equipment. They still qualify for the 100% first year allowance, but do not qualify for the payable ECA regime.

Writing Down Allowance (WDA): Any expenditure not covered by the AIA (or ECAs) enters either the main rate pool or a special rate pool, attracting WDA at the appropriate rate – 18% and 8% respectively. The special rate 8% pool applies to long-life assets and integral features of buildings, specifically:

- Electrical systems (including lighting systems)
- Cold water systems
- Space or water heating systems, powered systems of ventilation, air cooling or purification and any floor or ceiling comprised in such systems
- Lifts, escalators and moving walkways
- External solar shading
- Active facades (climate-responsive features).

For most other plant and equipment, including some cars (see below), the main rate applies.

A WDA of up to £1,000 may be claimed by businesses, where the unrelieved expenditure in the main pool or the special rate pool is £1,000 or less.

Transitional rules for AIA and WDA

Transitional rules apply where basis periods contain any changes in the AIA maximum or WDA percentages.

Enterprise Zones: The Enterprise Zones in assisted areas qualify for enhanced capital allowances. In these areas, 100% First Year Allowances will be available for expenditure incurred by trading companies on qualifying plant or machinery. The qualifying expenditure must be incurred between 1 April 2012 and 31 March 2017.

Cars: For cars with CO_2 emissions exceeding 95 g/km, the main rate of 18% applies. However, cars with CO_2 emissions above 130 g/km will be restricted to the special rate of 8%. Expenditure incurred before April 2009 on 'expensive' cars still falls under the old regime (£3,000 per year cap on capital allowances). For non-corporates, cars with a non-business use element continue to be dealt with in single asset pools, so the correct private use adjustments can be made but the rate of WDA will be determined by the car's CO_2 emissions.

Buildings: When a building is purchased for business use, capital allowances can be claimed on plant elements contained therein, eg. air conditioning, subject to certain conditions. A maximum 100% initial business premises renovation allowance is available for converting or renovating unused business premises within designated assisted areas. WDA of 25% (on a straight line basis) applies to expenditure on which an initial allowance is not claimed.

Investing in Research and Development

Tax relief is available on research and development (R&D) revenue expenditure at varying rates. Current rates of relief are:

- For small and medium-sized companies paying tax at 20%, the maximum rate of tax relief is 45% (that is a tax credit on 225% of the expenditure)
- For small and medium-sized companies not yet in profit, the relief can be converted into a tax credit payment worth 24.75%
- For larger companies paying tax at 23%, the maximum rate of relief is 29.9% (that is tax relief on 130% of the expenditure)

- A 10% 'Above the Line' (ATL) credit exists for large company R&D expenditure incurred on or after 1 April 2013. The credit is fully payable, net of tax, to companies with no corporation tax liability. The ATL credit scheme will be optional until it becomes mandatory on 1 April 2016. Companies that do not elect to claim the ATL credit will be able to continue claiming R&D relief under the current large company scheme until 31 March 2016.

SMEs barred from claiming SME R&D tax credit by virtue of receiving some other form of state aid (usually a grant) for the same project will be able to claim the large company R&D tax credit. Therefore they will qualify for relief on 130% of their R&D expenditure.

Your business and your family

Providing that the package is commercially justifiable, you can employ family members in your business. They can be remunerated with a salary, and possibly also with benefits such as a company car or medical insurance. You can also make payments into a registered pension scheme.

Family members may also be taken into partnership, thereby gaining more flexibility in profit allocation. Taking your non-minor children into partnership and gradually reducing your own involvement can be a very tax-efficient way of passing on the family business. However, be aware that bringing family members into your business may put family wealth at risk if, for example, the business were to fail.

Meanwhile, a van might be a tax-efficient alternative to a company car. The maximum annual tax bill on the use of a company van with unlimited private use is only £1,350 or £1,603.80 including employer provided fuel.

It is worth noting that HMRC may challenge excessive remuneration packages or profit shares for family members, so seek our advice first. In most cases, if you operate your business through a trading limited company, under current tax law you can pass shares on to other family members and thus gradually transfer the business with no immediate tax liability.

However, a tax saving for the donor usually impacts on the donee, and you need to steer clear of the 'settlements legislation', so again, contact us for advice before taking any action.

Unincorporated businesses

Business profits are charged to income tax and Class 4 NICs on the current year basis. This means that the profits 'taxed' for each tax year (ending 5 April) are those earned in the accounting period ending in the tax year.

Case Study 2
Ruth, a sole trader, draws up her accounts to 31 July each year. Her profits for the year ended 31 July 2013 will normally be taxed in 2013/14. There are special rules for the early and final years of a business, and for partnership joiners and leavers.

A growing number of 'fines' are being administered for those who fail to comply with the rules and regulations set by Government departments. We have already mentioned income tax and Class 2 NICs, but other possible 'traps' to avoid are:

- Late VAT registration and late filing penalties
- Late payment penalties and interest
- Penalties for errors in returns
- Penalties for failing to operate a PAYE or sub-contractors scheme.

In order to help you to steer clear of these traps, we must receive all of the details for your accounts and Tax Returns in good time, and be kept informed of any changes in your business, financial and personal circumstances.

Employed or self-employed?

As there is no statutory definition of 'employment' or 'self-employment', determining whether someone is employed or self-employed is not as straightforward as it might first appear.

HMRC apply a series of 'tests' in order to ascertain whether someone is classified correctly.

As large amounts of both tax and NICs can be at stake, HMRC often take quite an aggressive line with regard to this issue, and errors can be costly, so seeking advice that is tailored to your situation is essential. Please contact us for assistance in this matter.

Under the 'IR35' rules, businesses must consider each and every contract they enter into for the provision of services. The test is whether or not the contract is one which, had it been between the owner or partner and the customer, would have required the customer to treat the owner or partner as an employee and therefore be subject to PAYE.

The contract 'passes' if the owner/partner would have been classified as self-employed; it fails if the owner/partner would have been classified as an employee. If the contract 'fails', the business is required to account for PAYE and NICs on the 'deemed' employment income from the contract at the end of the tax year. This is done using specific rules. We can advise you about these, so please contact us for further information.

Whose risk?

If the question is whether an individual is an employee or self-employed, the risk lies with the 'engager' or payer – with a potential liability for the PAYE which should have been paid over without right of recourse to the 'employee'. If the question is whether or not IR35 applies, the question (and any liability due) is for the individual and his/her company (the payee).

Debtors and unbilled work

As we have already discussed, small businesses may opt into the cash basis and calculate their profits on the basis of the cash passing through the business. However, it is a feature of the tax system that other businesses (including all corporates) must

include in their turnover for the year the value of incomplete work, of unpaid bills (debtors) and of work completed but not yet billed, all as at the end of the year.

We will need to discuss with you exactly what needs to be identified and the basis of valuation. Whatever stage your business may be at, keeping an eye on debtors and unbilled work is crucial to your cash flow. We can advise you in all of these areas.

Considering incorporation?

Forming a limited company may be a consideration if the limitation of liability is important, but it should be noted that banks and other creditors often require personal guarantees from directors for company borrowings.

Trading through a limited company can be an effective way of sheltering profits. Profits paid out in the form of salaries, bonuses, or dividends may be liable to top tax rates, whereas profits retained in the company will be taxed at rates from as low as 20%.

Funds retained by the company can be used to buy equipment or to provide for pensions – both of which are eligible for tax relief. They could be used to fund dividends when profits are scarce (spreading income into years when you might be liable to a lower rate of income tax?) or capitalised and taxed at 10% or 18%/28% on a liquidation or sale.

The number of incorporated businesses is on the increase, but there are important implications to consider. We would be happy to discuss these with you, before you decide whether or not to incorporate your business.

National insurance contributions (NICs)

Leaving profits in the company may be tax-efficient, but you will need money to live on, so you should consider the best ways to extract profits from your business.

A salary will meet most of your needs, but you should not overlook the use of benefits, which could save income tax and could also result in a lower NIC liability.

Six NIC-saving strategies:

1. Increasing the amount the employer contributes to company pension schemes. However, you should watch the annual and lifetime investment limits and discuss with us if the proposed payment will bring the total for the current accounting period to more than 210% of the amount paid in the previous accounting period into the spreading rules. (In certain circumstances situations the corporation tax relief has to be spread over two, three or four years)
2. Share incentive plans (shares bought out of pre-tax and pre-NIC income)
3. For some companies, disincorporation and instead operating as a sole trader or partnership may be beneficial
4. Instead of an increased salary, paying a bonus to reduce employee (not director) contributions
5. Paying dividends instead of bonuses to owner-directors
6. Other tax-free benefits, such as the provision of childcare.

Owner-director? Increasing your net income

As an example, consider how much you might save if, as an owner-director, you wanted to extract the £10,000 profit (pre-tax) your company makes in 2013/14 by way of a dividend rather than a bonus.

Case Study 3

As you can see in this case study, the net income is increased by more than 17% by opting to declare a dividend. Be sure to discuss this with us, as this is a complex area of tax law.

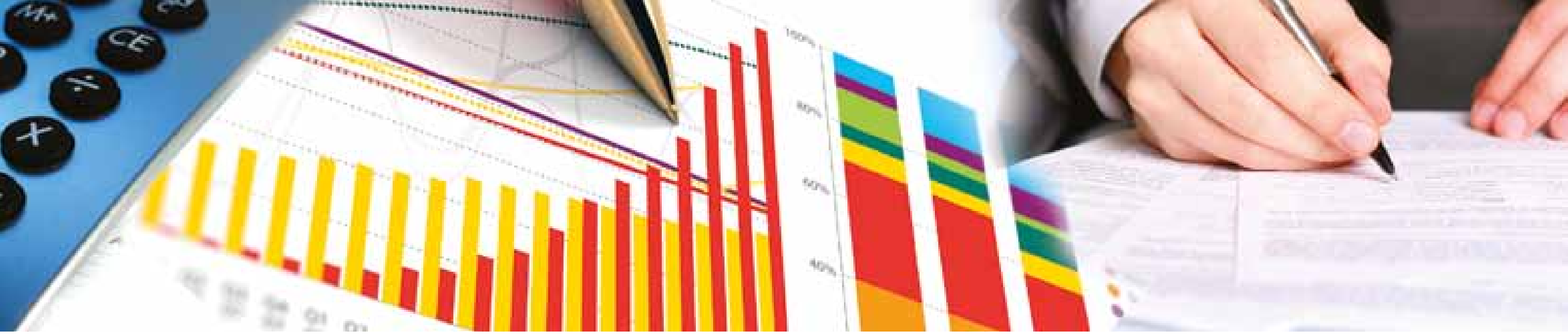
	Bonus £	Dividend £
Profit to extract	10,000	10,000
Employers' NICs	-1,213	
Gross bonus	8,787	
Corporation tax		-2,000
Dividend		8,000
Employees' NICs	-176	
Income tax @ 40%	-3,515	
Additional tax		-2,000
Net amount extracted	5,096	6,000

Remember that dividends are usually payable to all shareholders and are not earnings for pension contributions and certain other purposes. It is possible to waive dividends, although this can result in tax complications. A better option may be to have different classes of share. Finally, you need to consider with us the effect of regular dividend payments on the valuation of shares in your company.

Planning ahead of the year end

Taking action before the year end is essential. Tax and financial planning should not be left until the end of the tax or financial year, but undertaken before the end of YOUR business year. Some of the issues to consider include:

- The impact that accelerating expenditure into the current financial year, or deferring it into the next, might have on your tax position and financial results
- Making additional pension contributions or reviewing your pension arrangements
- How you might take profits from your business at the smallest tax cost, and how the timing of payment of dividends and bonuses can reduce or defer tax
- Strategies to avoid overvaluing stock and work in progress



- Improvements to your billing systems and record keeping system, or a general review of your current systems to improve profitability and cash flow
- National insurance efficiency and employee remuneration.

Late filing – avoid the penalties

If you want to keep the amount you pay to HMRC to a minimum, it is important to keep your tax affairs in order so that you avoid incurring any late filing penalties. The cut-off dates are shown in the calendar on page 24, but the current penalties are:

Return one day late	£100
Return 3 months late	An additional £10 for each following day up to 90 days
Return 6 months late	Add £300 or 5% of the tax due
Return one year late	Add £300 or 5% of the tax due*
**In more serious cases, this penalty may be increased to 100% of the tax due.*	

Meeting the payment deadlines

The timetable for making tax payments is relatively straightforward for the self-employed:

- 31 January in the tax year, first payment on account
- 31 July after the tax year, second payment on account
- 31 January after the tax year, balancing payment.

To encourage prompt payment, a system of interest and penalties again applies.

For example, if any balance of tax due for 2012/13 is not paid within 30 days after 31 January 2014, HMRC will add a 5% late payment penalty as well as the interest that will be charged from 1 February 2014.

A further 5% penalty will be added to any 2012/13 tax unpaid after 31 July 2014, with a final 5% penalty added to any 2012/13 tax still unpaid after 31 January 2015. Interest is also charged on outstanding penalties, as well as on unpaid tax and NICs.

If your business is incorporated, it will be liable to corporation tax. Corporation tax is usually payable nine months and one day after the end of the business's accounting period.

If there are cash flow issues, HMRC might be persuaded to accept a spreading of your next business tax payment – you will have to pay interest at the HMRC rate, but keep to the agreed schedule and late payment penalties will be waived.

Arrangements need to be put in place before the due date for paying the tax, so talk to us in good time if you wish to apply.

Reducing payments on account

Payments on account are normally equal to 50% of the previous year's net liability.

A claim can be made to reduce your payments on account, if appropriate, although interest will be charged if your actual liability is more than the reduced amount paid on account.

Please keep us informed of any factors which might affect your tax liability – don't wait until it's too late!

If you tell us in good time about any issues facing your business, we can offer solutions.

Payments on account are not due where the relevant amount is less than £1,000 or if more than 80% of the total tax liability is met by income tax deducted at source. In these cases, the balance of tax due for the year, including capital gains tax, is payable on 31 January following the end of the tax year.

Case Study 4

Richard is self-employed. His accounts are made up to 31 August each year. When we prepare the 2013 Return we will be including his profit for the year ended 31 August 2012, and that is the profit which will be taxed for 2012/13.

Richard's payments on account for 2013/14 will automatically be based on the 2012/13 liability.

Providing we know that Richard's profits for the year to 31 August 2013 are significantly less than the previous year, we can examine the figures, perhaps even prepare the annual accounts and, taking into account any other sources of taxable income, make a claim to reduce Richard's 2013/14 payments on account, easing his cash flow by reducing the tax payments due in January and July 2014.

Follow-up – Contact us about…

- **Starting up and obtaining finance**
- **Timing capital and revenue expenditure to maximum tax advantage**
- **Minimising employer and employee NIC costs**
- **Improving profitability and developing a plan for tax-efficient profit extraction**

Tax and employment

Is your PAYE code correct?

Over the course of a tax year, the PAYE system aims to collect approximately the right amount of tax from your earnings. A tax code, or sometimes a series of tax codes, will be used by your employer to calculate the tax that is to be deducted from your earnings.

However, many people can go for years paying the wrong amount of tax – either too much or, perhaps more worryingly, too little – because they have an incorrect tax code. In particular, they may not have notified the tax office of changes in their circumstances that would affect their tax position, such as a change in jobs or losing the benefit of a company car, or they may have started investing in a personal pension plan.

It is important that we check your PAYE code now, because it is much easier to rectify mistakes before the tax year ends. As a first step, though, you can look at your salary slip to see which code is currently being applied.

The letter in the code tells us whether your code includes one of the standard allowances, and you can see if this is right for your circumstances:

L includes the basic personal allowance

P includes the full higher rate personal allowance for those born between 6 April 1938 and 5 April 1948 (assumes income less than £26,100)

Y includes the full personal allowance for those born on 5 April 1938 and earlier (assumes income less than £26,100)

T there is usually an adjustment in your code which requires manual checking by HMRC each year – for example, you might be older, with income over the limit for the full higher rate of personal allowance and therefore your allowance needs to be re-calculated every time the rates and limits change.

K HMRC may try to increase the tax you pay on one source of income to cover the tax due on another source which cannot be taxed directly – for example, the tax due on your taxable employment benefits might be collected by increasing the amount of tax you would otherwise pay on your company salary. A K code applies when the 'other income' adjustment reduces your allowances to less than zero – in effect, it means that the payer has to add notional income to your real income for PAYE purposes. The maximum tax which can be deducted using a K code is 50% of the source income.

HMRC will often try to collect tax on other income through your PAYE code but you may prefer to pay the tax through self assessment – contact us, as we can arrange for the adjustment to be removed.

Employer loans

Where loans from an employer total more than £5,000 at any point during the tax year (£10,000 from 2014/15), tax is chargeable on the difference between any interest actually paid and interest calculated at the official rate (currently 4%).

Expense payments

Your employer is required to report expenses payments to HMRC using form P11D each year. To avoid paying tax on these payments you have to claim a deduction on your Tax Return – your employer should provide you with a copy of your 2013/14 P11D no later than 6 July 2014.

This arduous process of reporting and claiming may be avoided if your employer has been granted a dispensation.

Expense payments covered by the dispensation do not have to be reported to HMRC and do not have to be included, with a counter-claim, on your own Tax Return. Payments covered by dispensations will be subject to review from time to time, including during an employer compliance visit from HMRC.

You may be able to claim tax relief for other expenses you incur in connection with your job, but the rules are fairly restrictive.

An attractive remuneration package can include any of the following:

- Salary
- Bonus schemes and performance-related pay
- Reimbursement of expenses
- More generous expenses – business travel in first or business class, or a better quality hotel on business trips
- Pension provision
- Life assurance and/or healthcare
- Mobile phone, including smartphones, such as iPhones and BlackBerrys
- Childcare
- Salary sacrifice options
- Share incentive arrangements
- Choice of a company car or additional salary and reimbursement of car expenses for business travel in your own car
- Contributions to the additional costs of working at home
- Other benefits including, for example, an annual function costing not more than £150 (including VAT) per head, or long service awards.

Most benefits are fully taxable, but some attract specific tax breaks. Combining benefits with a properly arranged salary sacrifice can mean considerable savings for both employer and employee.

If you get the package right, it can be very beneficial – especially for those with income of more than £100,000 who will lose their personal allowances. If you fall into this marginal category, please talk to us to find out how we can help.

Travel and subsistence

Site-based employees may be able to claim a deduction for travel to and from the site at which they are working, plus subsistence costs when they stay at or near the site.

Employees working away from their normal place of work can claim a deduction for the cost of travel to and from their temporary place of work, subject to a maximum period.

Approved business mileage allowances – own vehicle		
Vehicle	**First 10,000 miles**	**Thereafter**
Car/van	45p	25p
Motorcycle	24p	24p
Bicycle	20p	20p

Contributions to a pension scheme

Employer contributions to a registered employer pension scheme or your own personal pension policies are not liable for tax or NICs.

Please be aware that while your employer can contribute to your personal pension scheme, these contributions are combined with your own for the purpose of measuring your total pension input against the annual allowance (£50,000 for 2013/14). Further information is provided in this guide.

The company car

The company car continues to be an important part of the remuneration package for many employees, despite the increases in the taxable benefit rates over the last few years.

Employees and directors pay tax on the provision of the car and on the provision of fuel by employers for private mileage. Employers pay Class 1A NICs at 13.8% on the same amount.

This is payable by the 19 July following the end of the tax year.

The amount on which tax and Class 1A NICs are paid in respect of a company car depends on a number of factors. Essentially, the amount charged is calculated by multiplying the list price of the car, including most accessories, by a percentage. The percentage is set by reference to the rate at which the car emits carbon dioxide (CO_2) – please see the table below.

Going green?

There are special reduced car benefit rates for environmentally-friendly cars – either those incapable of emitting CO_2 or those emitting up to 75 g/km.

Pooled cars

Some employers find it convenient to have one or more cars that are readily available for business use by a number of employees. The cars are only available for genuine business use and are not allocated to any one employee. Such cars are usually known as pooled cars. HMRC's definition of a pooled car is very specific, but if a car qualifies there is no tax or NIC liability.

CO_2 emissions (g/km)	Appropriate percentage		CO_2 emissions (g/km)	Appropriate percentage		CO_2 emissions (g/km)	Appropriate percentage	
	Petrol %	Diesel %		Petrol %	Diesel %		Petrol %	Diesel %
Zero	0	0	130 - 134	18	21	175 - 179	27	30
Up to 75	5	8	135 - 139	19	22	180 - 184	28	31
76 - 94	10	13	140 - 144	20	23	185 - 189	29	32
95 - 99	11	14	145 - 149	21	24	190 - 194	30	33
100 - 104	12	15	150 - 154	22	25	195 - 199	31	34
105 - 109	13	16	155 - 159	23	26	200 - 204	32	35
110 - 114	14	17	160 - 164	24	27	205 - 209	33	35
115 - 119	15	18	165 - 169	25	28	210 - 214	34	35
120 - 124	16	19	170 - 174	26	29	215 and above	35	35
125 - 129	17	20						

The above rates are subject to change; please check with us for any subsequent rate changes

<table>
<tr><th colspan="4">Car – fuel only advisory rates</th></tr>
<tr><td>Engine capacity</td><td>Petrol</td><td>Gas</td><td>Diesel</td></tr>
<tr><td>1400cc or less</td><td>15p</td><td>10p</td><td rowspan="2">13p</td></tr>
<tr><td>1401cc - 1600cc</td><td rowspan="2">18p</td><td rowspan="2">12p</td></tr>
<tr><td>1601cc to 2000cc</td><td>15p</td></tr>
<tr><td>Over 2000cc</td><td>26p</td><td>18p</td><td>18p</td></tr>
<tr><td colspan="4">Rates from 1 March 2013 and are subject to change. Note the advisory fuel rates are revised in March, June, September and December. Please contact us for any updated rates.</td></tr>
</table>

Free fuel or mileage allowance?

Q. Would I be better off giving up the company car and instead claiming mileage allowance for the business travel I do in a car that I buy myself?

A. The rule of thumb answer is that you are more likely to be better off if your annual business mileage is high.

Q. Would I be better off having my employer provide me with fuel for private journeys, free of charge, and paying tax on the benefit, or bearing the cost myself?

A. The rule of thumb answer is that you are only likely to be better off taking the free fuel if your annual private mileage is high.

Every case should be judged on its own merits, and considered from both the employees' and the employers' point of view. While cost is an important factor, it is not the only one. As an employee, using a company car removes the need to worry about bills or the cost of replacement. As an employer, running company cars allows you to retain control over what may, for your business, be key operating assets.

Fuel for private mileage

If your employer provides fuel for any private travel, there is a taxable benefit, calculated by applying the same percentage to the fuel benefit charge multiplier of £21,100.

You can avoid the car fuel charge either by paying for all fuel yourself and claiming the cost of fuel for business journeys at HMRC's fuel only advisory rates, or by reimbursing your employer for fuel used privately using the same rates.

Consider a company van

Many employers and employees have benefitted from significant savings by replacing company cars with employee-owned cars part-funded by mileage allowances at HMRC rates. Where a company vehicle is still appropriate, a 'van' rather than a car is worth considering. (Why the inverted commas? You might be pleasantly surprised by some of the vehicles that qualify as 'vans'!)

Unrestricted use of a company van results in a taxable benefit of £3,000, with a further £564 benefit if free fuel is also provided. The resulting tax bill can be up to £1,603.80, with an NIC bill for the employer of £491.83. Limiting the employee's private use to only home to work travel could reduce both figures to zero.

Case Study 5

Sally is an owner-director. For her company car she had chosen one with a list price of £25,785. The car runs on petrol and emits CO_2 at a rate of 148 g/km.

Sally's company is successful and she pays tax at 45%. Her 2013/14 tax bill on the car is therefore £2,437 (£25,785 x 21% x 45%). Sally's company will pay Class 1A NICs of £747 (£25,785 x 21% x 13.8%).

The company also pays for all of Sally's petrol. Because she does not reimburse the cost of fuel for private journeys, she will pay tax of £1,994 (£21,100 x 21% x 45%) and the company will pay Class 1A NICs of £611 (£21,100 x 21% x 13.8%).

The total tax and NIC cost is £5,789.

Furthermore, as well as paying for the fuel, the company will also need to pay a gross amount of over £8,360 to provide Sally with the funds to pay the tax.

When employers' national insurance is taken into account, the gross cost before tax relief of funding Sally's tax and the NIC liabilities will be over £10,872.

Changes in the pipeline

For 2014/15 – The lowest appropriate percentages will remain at 0% and 5%. The appropriate percentage will increase by 1% for all vehicles with CO_2 emissions between 76 g/km and 210 g/km, to a maximum of 35%.

For 2015/16 – There will be two new appropriate percentage bands for company cars emitting 0-50g/km CO_2 (5%) and 51-75g/km CO_2 (9%). The remaining appropriate percentages will be increased by 2% for cars emitting more than 75g/km CO_2 to a new maximum of 37%.

For 2016/17 – All the appropriate percentages will be increased by 2% up to the maximum of 37%. The 3% diesel supplement differential will be abolished, making diesel cars subject to the same level of tax as petrol cars.

Follow-up – Contact us about…

- **Checking your PAYE code**
- **Putting together an attractive and tax-efficient remuneration package**
- **Cutting the cost of company cars, and reviewing the alternatives**
- **Minimising NIC costs and understanding the tax implications of company cars**

Exiting your business

Your exit planning strategy

When starting a new business venture, few people give consideration to how they will exit the business when the time comes. Nevertheless, it is essential to think about your exit strategy in advance, so that you can maximise the personal financial gains, as well as ensuring a smooth onward transition for the business.

Developing appropriate strategies at each stage of your business's lifecycle is crucial if you wish to obtain the maximum rewards for your efforts.

Every business owner should develop a personal exit strategy, and some important issues to consider include:

- Passing on your business to your children or other family members, or a family trust
- Selling your share in the business to your co-owners or partners
- Selling your business to some or all of the workforce
- Selling the business to a third party
- Public flotation or sale to a public company
- Winding up
- Minimising your tax liability
- What you will do when you no longer own the business.

Selling your business

If you consider your business has a market value, or if you are looking to your business to provide you with a lump sum on sale, it is important to start planning in advance how you will realise that value.

This is especially important if you envisage realising the value of your business in the next 20 years.

Selling your business is a major personal decision and it is vital to plan now in order to maximise the net proceeds from its sale.

You will need to consider:

- The timing of the sale
- The prospective purchasers
- The opportunities for reducing the tax due following a sale.

Let us help you maximise the net proceeds arising from your 'ultimate sale'.

Maximising the sale price

Anyone who is considering buying your business will want to be clear about the underlying profitability trends – are profits on the increase or declining?

Up-to-date management accounts and forecasts for the next 12 months and beyond will be close to the top of the list of the information which you will need to make available to prospective purchasers.

Historical profits drive the value attributable to many businesses, and therefore a rising trend in profitability should result in an increase in the business's value.

This means that profitability planning is particularly important in the years leading up to the sale. So, what is the range of values for your business?

A professional valuation will put you on more solid ground than educated guesswork. We can work with you to determine how you can add value to your business.

Business valuation: key questions to consider

- Are sales declining, flat, growing only at the rate of inflation, or exceeding it?
- Are stock and equipment a large part of your company's value, or is yours a service business with limited fixed assets?
- To what extent does your business depend on the health of other industries?
- To what extent does your business depend on the health of the economy in general?
- What is the outlook for your line of business as a whole?
- Are your company's products and services diversified?
- How up-to-date is your technology?
- Do you have an effective research and development programme?
- How competitive is the market for your company's goods or services?
- Does your company have to contend with extensive regulation?
- What are your competitors doing that you should be doing, or could do better?
- How strong is the company's staff base that would remain after the sale?
- Have you conducted a thorough review of your overheads, to identify areas where costs can be reduced?
- Have contracts with your suppliers and customers been formalised?

Timing the sale

It is important to consider a number of factors when deciding on the best time to sell your business. These could be factors that may influence potential buyers as well as your own personal circumstances.

Personal factors to take into account might include:

- When are you planning to retire?
- Do you have any health issues?
- Do you still relish the challenges of running your business?

- Does your business have an heir apparent?
- Will your income stream and wealth be adequate, post-sale?

You will also need to consider **business-related issues** including:

- What are the current trends in the stock market?
- To what extent is your business 'trendy' or at the leading edge?
- Is your business forecasting increases to the top and bottom lines?
- How well is your business performing when compared to other, similar businesses?
- Is your business running at, or near, its full potential?

Minimising the capital gains tax bill

Taxes are one of the less welcome, but inevitable, aspects of a business person's life. When you raise that final sales invoice and realise the proceeds from the sale of your business, you should be completing one of the last steps in a strategy aimed at maximising the net return by minimising the capital gains tax (CGT) on sale.

CGT basics: As a basic rule, CGT is charged on the difference between what you paid for an asset and what you receive when you sell it, less your annual CGT exemption if this has not been set against other gains. There are several other provisions, which may also need to be factored into the calculation of any CGT liability.

Valuable CGT reliefs may be available: It is possible that reliefs can reduce a 28% CGT bill to zero. To maximise your net proceeds it is vital that you consult with us about the timing of a sale, and the CGT reliefs and exemptions which you might be entitled to.

The rules governing CGT

The taxable gain is measured simply by comparing net proceeds with total cost (including costs of acquisition and enhancement expenditure). The rate of tax depends on your overall income and gains position for 2013/14. Gains will be taxed at 18% to the extent that your taxable income and gains fall within the upper limit of the income tax basic rate band and 28% thereafter.

A special tax relief, Entrepreneurs' Relief, is available for those in business, which may reduce the tax rate on the first £10m of qualifying lifetime gains to 10%. Generally, the relief will be available to individuals on the disposal (after at least one complete qualifying year) of:

- All or part of a trading business carried on alone or in partnership
- The assets of a trading business after cessation
- Shares in the individual's 'personal' trading company
- Assets owned by the individual used by the individual's personal trading company or trading partnership where the disposal is associated with a main qualifying disposal of shares or partnership interest.

All planned transactions require careful scrutiny to ensure that the available Entrepreneurs' Relief is maximised. Remember to keep us in the picture – we are best placed to help and advise if you involve us at an early stage.

CGT and non-residents

CGT is normally only chargeable where the taxpayer is resident in the UK at the time the gain arose, though the provisions of any double taxation treaty need to be checked. CGT may be avoided, provided the taxpayer leaves the UK before the disposal and remains non-resident for tax purposes for five complete tax years.

CGT and death – There is no liability to CGT on any asset appreciation at your death.

Inheritance tax (IHT) – planning your legacy

Lifetime transfer(s): For the business owner, the vital elements in the IHT regime are the reliefs on business and agricultural property (up to 100%), which continue to afford exemption on the transfer of qualifying property, or a qualifying shareholding.

Transfers on your death: Remember to take into account your business interests when you draw up your Will. While reliefs may mean that there is little or no IHT to pay on your death, your Will is your route to directing the value of your business to your chosen heir(s) unless the disposition of your business interest on your death is covered by your partnership or shareholders' agreement.

Follow-up – Contact us about…

- **Preparing your business for sale and minimising the tax due**
- **Identifying successors within the business**
- **Exploring possible purchasers**
- **Valuing your business**
- **Timing the sale and maximising the sale price**
- **Planning your transition to your next venture**
- **Providing for a smooth transfer of your business interests at your death or if you become incapacitated**

A comfortable retirement

Laying the foundations for financial security

Research shows that an increasing number of individuals are failing to put away sufficient funds to enable them to retire at the time and in the manner of their choosing. With the UK facing ongoing economic challenges, and many pension schemes remaining underfunded, a significant proportion of Britons face the prospect of continuing to work well beyond the state pension age.

While retirement may not currently be high on your priority list, you should take steps now to ensure that you will have the freedom and the means to achieve a comfortable retirement when the time comes. You could spend a third of your life as a retired person, and by taking action now, you can help to make this period as financially secure as possible.

Your retirement planning strategy

Your retirement planning strategy will be determined by a number of factors, including your age and the number of years before retirement. However, there are some other key issues to consider:

- Do you have a company pension scheme?
- Are you self-employed?
- How much can you invest for your retirement?
- How much state pension will you receive?

You can request a State Pension statement (formerly known as a State Pension forecast) by logging on to the Gov UK website: www.gov.uk/browse/working/state-pension.

However, relying on your state pension, which this year is just over £9,000 for a married couple, is an unrealistic proposition at best.

The overall lifetime limit on tax-advantaged pension funds is £1.5m (2013/14) reducing to £1.25m from 6 April 2014. There is to be protection for those who have more than £1.25m but no more than £1.5m at that date. There is a tax charge for fund values in excess of the 'lifetime allowance' at retirement, and for excess contributions or increases (set at £50,000 in a pension input period (PIP) ending in 2013/14 reducing to £40,000 from 6 April 2014).

Company pensions

There are two kinds of company pension scheme, into which you and your employer may make contributions. A defined benefit scheme pays a retirement income related to the amount of your earnings, while a defined contribution scheme instead reflects the amount invested and the underlying investment fund performance. In both cases, you will have access to tax-free cash as well as to the actual pension.

The impact of the early-noughties stock market downturn was one key factor that resulted in many final salary schemes being underfunded and a decision was taken by many firms to close such defined benefit schemes. Many experts consider that this type of scheme will cease to exist over the next few years, as a result of the current situation. Where companies do provide company pensions these are now almost always defined contribution schemes.

Those already in company pension schemes should be aware that the rate at which personal contributions can qualify for tax relief is now limited to the greater of £3,600 and total UK relevant earnings, subject to scheme rules.

Compulsory workplace pensions

In order to encourage more people to save for their retirement, the Government is introducing compulsory workplace pensions for eligible workers. The changes are being phased in between 2012 and 2018 (starting with larger employers).

All employers will have to enrol automatically all eligible workers into a qualifying pension scheme or NEST (National Employment Savings Trust), a simple low-cost, opt-out pension scheme that is being introduced by the Government.

There will ultimately be a minimum overall contribution rate of 8% of each employee's qualifying earnings, of which at least 3% must come from the employer. The balance is made up of employees' contributions and associated tax relief.

Those employees with, or considering, lifetime allowance protection may wish to think about opting out of auto enrolment to avoid the protection being invalidated by further pension contributions.

Private pension schemes

If you are not in a company scheme, you should make your own arrangements, since relying on the state pension is already questionable, and will become more so with each passing year.

SIPPs

In response to poor performances from pension fund managers, some retirement savers have switched their pension savings into Self Invested Personal Pension policies (SIPPs) – a form of personal pension plan which gives the investor more control over how the funds are invested.

Personal pensions

To qualify for income tax relief, investments in personal pensions are limited to the greater of £3,600 and the amount of your UK relevant earnings, but subject also to the annual allowance (£50,000 for 2013/14 reducing to £40,000 from 2014/15) in all years.

Where pension savings in any of the last three years' PIPs were less than £50,000, the 'unused relief' carries forward, but you must have been a pension scheme member during a tax year to bring forward unused relief from that year. However, please note that where premiums in one year are less than the annual allowance, followed by premiums exceeding the annual allowance in a later year, the unused relief carrying forward is reduced.

Case Study 6

Sean invested £20,000 in his pension policy in the PIP ending in 2010/11, £60,000 in the 2011/12 PIP and £20,000 in the 2012/13 PIP.

He can carry forward to 2013/14 £20,000 of unused relief from 2010/11 and £30,000 from 2012/13.

Sean's maximum pension investment is therefore set at £100,000 for his 2013/14 PIP.

Note that the annual allowance charge will claw back all tax relief on premiums in excess of the maximum. Where the charge exceeds £2,000, arrangements can be made for the charge to be paid by the pension trustees and recovered by adjustment to policy benefits.

Where pension savings exceed the £1.5m lifetime allowance at retirement (and fixed, primary or enhanced protection is not available) a tax charge arises:

Tax charge (excess paid as annuity)	Tax charge (excess paid as lump sum)
25% on excess value, then up to 45% on annuity	55% on excess value

Premiums on personal pension policies and stakeholder pensions are payable net of basic rate tax relief at source, with any appropriate higher or additional rate relief usually being claimed via the PAYE code or self assessment Tax Return. See Case Study 7 below for an example of this.

You will normally have selected one fund, or a spread of funds, for your pension savings. Would a switch give you more security or the scope for more growth?

Case Study 7

Fiona will earn £60,000 in 2013/14. She will invest £12,500 into her personal pension policy. She claims only the basic personal allowance and has no other income.

Fiona will pay her pension provider a premium, net of basic rate tax relief of £10,000. She is also entitled to higher rate tax relief on the gross premium, amounting to £2,500.

As Fiona is an employee, we can ask HMRC to give the relief through her PAYE code. Otherwise, we would claim in Fiona's 2014 Tax Return. Thus the net cost to Fiona of a £12,500 contribution to her pension policy is just £7,500.

Stakeholder pensions

Stakeholder pension policy providers are required to accept premiums of a minimum of £20 per month, although some will accept less.

Providers must meet a number of 'standards', including a cap on charges – for new policies of 1.5% per annum for the first ten years, then 1%. Additional premiums are subject to the same rules as for personal pension policies. Stakeholder premiums can be paid on behalf of another person – for example, by a grandparent for an infant grandchild.

Retirement annuities

Unlike personal pension providers, most retirement annuity providers – personal pension schemes set up before July 1988 – do not offer a 'relief at source' scheme whereby they claim back tax at the basic rate.

Instead we claim the tax relief you are due through your self assessment Tax Return, or if you do not complete a Tax Return by contacting HMRC on your behalf.

Two strategies to boost your finances

Although they might not suit everyone, there are at least two ways to boost your retirement finances, through your home. The first option is down-sizing – selling your current home and buying something cheaper, to release value tied up in your property for other purposes.

If you do not wish to move from your current property, 'equity release' might be an alternative approach. However, you should discuss all of the implications with us and your other financial advisers before deciding whether this is a suitable avenue to take.

Act now!

The earlier you begin planning for your retirement, the more chance there is of it being financially comfortable. The sooner you start saving, the more chance you will have to accumulate the funds you need.

In today's financial climate, your investments will need time to grow, so whether you choose to focus on pension savings, alternative savings and investment strategies, or a combination of both, start planning today.

Follow-up – Contact us about…

- **Working out how much you need to save to secure a comfortable retirement**
- **Tax-advantaged saving for your pension**
- **Saving in parallel to provide more readily accessible funds**
- **Saving in company and personal pension schemes**
- **Investing in a SIPP for more control over your savings**
- **Investing in stakeholder pensions**
- **Using your business to help fund your retirement**
- **Freeing capital now tied up in your home to help fund your retirement**

Making the most of savings and investments

Investing in your financial future

Financial planning is an ongoing process, and your plans should be monitored and adjusted regularly to reflect any changes in your circumstances, and to ensure that you are continuing to move in the right direction.

Being realistic about your objectives is important when putting together any financial plan. We can help you with this process.

Defining your objectives

Putting together a realistic plan can be a balancing act between your head (financially prudent strategies) and your heart (emotionally acceptable thresholds).

You need to bridge the gap between what you can expect financially and what you dream of achieving.

Try setting a number of short, medium and long-term goals and prioritise them within each category, in order to meet your objectives.

Some key financial goals

- Increase the assets going to your heirs by using various estate planning techniques, perhaps including a lifetime gifts strategy
- Accumulate a sizeable estate to pass on to your heirs
- Tie in charitable aims with your own family goals
- Raise sufficient wealth to buy a business, a holiday home, etc
- Develop an investment plan that may provide a hedge against market fluctuations and inflation
- Be able to retire comfortably
- Have sufficient funds and insurance cover in the event of serious illness or loss
- Minimise taxes on income and capital.

Saving or investing?

When defining your financial strategy, it is important to understand the difference between saving and investing.

If you save money on deposit with a bank or building society, you will earn interest. If you buy shares or invest in a share-backed plan such as a unit trust or a life assurance policy, you will have the opportunity to earn dividend income and benefit from capital growth as the investments increase in value.

Records show that in the long term the best share investments outperform the best building society accounts in terms of the total returns they generate.

However, it is important to remember that shares can go down in value as well as up, and dividend income can fluctuate. If you choose the wrong investment you could get back less than you invested.

You will need to consider the most important factors that apply to you, as part of your investment strategy.

Some tax-efficient products

Paying tax on your savings and investment earnings is obviously to be avoided if at all possible. There are a number of investment products that produce tax-free income, including some National Savings products.

National Savings

Although the products on offer from National Savings may not be at the cutting edge, they are nevertheless worth careful consideration. Premium bonds may be quoted as offering a modest 'interest equivalent', but there is a chance of winning a tax-free million!

Investment bonds

If you have a lump sum to invest, you might consider an investment bond. This is a life assurance product and the norm is to draw an annual tax-free sum equal to 5% of the original investment for the life of the bond. On maturity, usually after 20 years, any surplus is taxable, but with a credit for basic rate tax. Higher rate tax might be payable, but a special relief (known as 'top slicing' relief) may be available to reduce the burden.

Stocks and shares

Historically, investment in stocks and shares has provided the best chance of long-term growth. On the other hand, it can be a volatile market, and should perhaps be avoided by those looking for more security. Investment in unit trusts and investment trusts are designed to spread the risk and add an element of management for the small investor, without the expense of broker advice. Capital gains and dividends are charged to tax.

Bank and building society accounts

While history records that long-term investment in shares should outperform savings with a bank or building society, you should not overlook (a) the higher degree of certainty over investment return (spread large amounts over several banks, though), and (b) the (usually) ready access to your funds. Remember that interest is liable to income tax.

Considering property

Property is generally considered a long-term investment, whether commercial or residential.

'Buy to let' mortgages will generally be available to fund as much as 75% of the cost or property valuation, whichever is the lower.

Those investing in property seek a net return from rent which is greater than the interest on the loan, while the risk of the investment is weighed against the prospect of capital growth.

Investing in an Individual Savings Account (ISA)

Up to £11,520 can be invested in an ISA this tax year.

Those investing have the option to invest the full £11,520 in stocks and shares, or up to £5,760 in cash and deposits, with the balance up to the maximum in stocks and shares.

Investors may choose to invest up to the limit with a single plan manager who can provide both elements, or to invest with separate managers, each handling separate elements.

16 and 17-year-olds are able to invest up to £5,760 in a cash ISA.

Following the closure of the Child Trust Fund (CTF) to new entrants early in 2011, a tax-free Junior ISA (JISA) is now available to all UK resident children under the age of 18 who do not have a CTF account, as a cash or stocks and shares product. However, annual contributions are capped at £3,720. Funds placed in a JISA will be owned by the child but investments will be locked in until the child reaches adulthood.

Although most income accruing in an ISA does so tax-free, the tax credit on UK dividend income cannot be recovered. All investments held in ISAs are free of CGT.

There is no minimum investment period for funds invested in ISAs – withdrawals can be made at any time without loss of tax relief.

However, some plan managers offer incentives, such as better rates of interest, in return for a commitment to restrictions such as a 90-day notice period for withdrawals. It is worth shopping around online for the best deals, particularly with interest rates for many ISAs currently being relatively low.

Alternative investments

Investments under the Enterprise Investment Scheme (EIS), the Seed Enterprise Investment Scheme (SEIS) and investments in Venture Capital Trusts (VCTs) are, generally, higher risk.

However, tax breaks aimed at encouraging new risk capital mean that EIS and VCT investments may have a place in your investment strategy.

The Enterprise Investment Scheme: Subject to various conditions, such investments attract income tax relief, limited to a maximum 30% relief on £1m of investment per annum. The effective maximum investment for 2013/14 is £2m, if £1m is carried back for relief in 2012/13 – speak to us for more details, as restrictions apply.

In addition, a deferral relief is available to rollover any chargeable gain where all or part of the gain is invested in the EIS shares.

Although increases in the value of shares acquired under the EIS up to the £1m limit are not chargeable to CGT (as long as the shares are held for the required period), relief against chargeable gains or income is available for losses.

The gross value of the company must not exceed £16m after the investment and there are many restrictions to ensure that investment is targeted at new risk capital. Companies must also have fewer than 250 full-time employees (or the equivalent), and have raised less than £5m under any of the venture capital schemes in the 12 months ending with the date of the relevant investment.

The **Seed Enterprise Investment Scheme (SEIS)** provides income tax relief of 50% for individuals who invest in shares in qualifying companies, with an annual investment limit for individuals of £100,000 and a cumulative investment limit for companies of £150,000, and provides a 50% CGT relief on gains realised on disposal of an asset in 2013/14 and invested through the SEIS in the same or following year. A gain on the disposal of SEIS shares will be exempt from CGT as long as:

- the shares obtained income tax relief, which has not been withdrawn, and
- the shares are held for at least three years.

Venture Capital Trusts: With similar restrictions on the type of company into which funds can be invested, VCTs allow 30% income tax relief on investments up to £200,000 each tax year but no CGT deferral.

Gains and dividends on VCT shares within the investment limits are tax exempt, although tax credits are not repayable and losses are not allowable.

Follow-up – Contact us about…

- **Creating a wealth building strategy**
- **Establishing and achieving your savings goals**
- **The difference between saving and investing**
- **Tax on income and gains**
- **Investing for your retirement**
- **Tax-free investments**
- **The tax consequences of different investments**
- **Tax shelter investments**

Tax-efficient estate planning

An estate planning strategy

Your financial planning strategy should include a tax-efficient estate plan. If your estate is large it could be subject to inheritance tax (IHT). However, even if it is small, planning and a well-drafted Will can help to ensure that your assets will go to your chosen beneficiaries. IHT is currently payable where a person's taxable estate is in excess of £325,000.

Estimate the tax on your estate	£
Value of: Your home (and contents)	
Your business[1]	
Bank/savings account(s)	
Stocks and shares	
Insurance policies	
Car	
Jewellery	
Other assets	
Total assets	
Deduct: Mortgage	
Loans	
Other debts	
Total liabilities	
Net value of assets	
Add: Gifts in last seven years[2]	
Deduct	– 325,000
Taxable estate £	
Tax at 40%[3] is £	

1 If you are not sure what your business is worth, we can help you value it. Most business assets currently qualify for IHT reliefs

2 Exclude exempt gifts (eg. spouse, civil partner, annual exemption)

3 Subject to a taper relief for gifts between 3 and 7 years before death

Your Will, your way

If you own such possessions as a home, car, investments, business interests, retirement savings, collectables, personal belongings, etc, then you need a Will. A Will allows you to specify who will distribute your property after your death, and the people who will benefit. However, many individuals either do not appreciate its importance, or do not see it as a priority. If you have no Will, your property could be distributed according to the intestacy laws.

Formulating an estate plan that minimises your tax liability is essential. The more you have, the less you should leave to chance.

We can work with you to ensure that more of your wealth passes to the people you love, through planned lifetime gifts and a tax-efficient Will.

Drafting your Will

Start by considering the following questions:

Who?

Who do you want to benefit from your wealth? What do you need to provide for your spouse? Should your children share equally in your estate – does one or more have special needs? Do you wish to include grandchildren? Would you like to give to charity?

What?

Should your business pass to all of your children, or only to those who have become involved in the business, and should you compensate the others with assets of comparable value? Consider the implications of multiple ownership.

When?

Consider the age and maturity of your beneficiaries. Should assets be placed into a trust restricting access to income and/or capital? Or should gifts wait until your death?

Some important IHT exemptions

You should ensure that you make the best use of the available IHT exemptions, which include:

- The £3,000 annual exemption
- Normal expenditure gifts out of after-tax income
- Gifts in consideration of marriage (up to specified limits)
- Exemption for gifts you make of up to £250 per person per annum to any number of persons
- Exemption for gifts between spouses, facilitating equalisation of estates. But transfers on or within seven years of death to a spouse domiciled outside the UK, and without a domicile election in place, are exempt only to the extent of £325,000.

Liabilities

IHT is normally charged on the net value of the estate after taking into account liabilities outstanding at the date of death. Changes to what is allowed to be deducted mean that revisiting previous IHT planning may be appropriate; in particular where the liability has been incurred to acquire assets on which Business Property Relief or Agricultural Property Relief is due or where the assets are excluded from the charge to IHT. The latter point will be of particular concern to non-domiciliaries.

Spouses and civil partners

On the first death, it is often the case that the bulk of the deceased spouse's (or partner's) assets pass to the survivor. In the past this has meant that some or all of the nil-rate band (the IHT 'exemption', £325,000 for 2013/14 – frozen until April 2018) was wasted unless a nil-rate band trust had been included in the Will.

The percentage of the nil-rate band not used on the first death is added to the nil-rate band for the second death.

Case Study 8	
Luke and Jack were civil partners. Luke died in May 2008, leaving £50,000 to his more distant family but the bulk of his estate to Jack. If Jack dies in 2015/16 his estate will qualify for a nil-rate band of:	
Nil-rate band on Luke's death	£312,000
Used on Luke's death	£50,000
Unused band	£262,000
Unused percentage	83.97%
Nil rate band at the time of Jack's death - say -	£325,000
Entitlement	183.97%
Nil-rat band for Jack's estate	**£597,902**

This ability to carry forward the nil-rate band unused on the first death means that nil-rate band trusts no longer form such an important part of Will planning, but giving your executors some discretion over the destination of part of your estate will build in some flexibility.

If you die within seven years of making substantial lifetime gifts, they will be added back into your estate and may result in a significant IHT liability. You can take out a life assurance policy to cover this tax risk if you wish.

However, you can make substantial gifts out of your taxable estate into trust now, and as a trustee retain control over the assets (this may well be subject to CGT or IHT charges).

Reducing the liability through gifting

Business assets

Under current rules, there will be no CGT and perhaps little or no IHT to pay if you retain business property until your death. This is fine, as long as you wish to continue to hold your business interests until death, and recognise that the rules may change.

Alternatively, you may wish to hand your business over to the next generation. A gift of business property today will probably qualify for up to 100% IHT relief, and any capital gain can more than likely be held over to the new owner, so there will be no current CGT liability.

If business or agricultural property is included in the estate, it may be appropriate to leave it to someone other than your spouse; otherwise the special reliefs will be lost.

Appreciating assets

Gifts do not have to be in cash. You could save more IHT and/or CGT by gifting assets with the potential for growth in value. Gift while the asset has a lower value, and the appreciation then accrues outside your estate.

Gifts out of income

Another way to build up capital outside your own estate is to make regular gifts out of income, perhaps by way of premiums on an insurance policy written in trust for your heirs. Regular payments of this type will be exempt from IHT, but please note that your executors may need to be able to prove the payments were (a) regular and (b) out of surplus income so you will need to keep some records to support the claim.

Charitable gifts

Gifts to charity can take many forms. Perhaps you are already making regular donations to one or more charities, coupled with one-off donations in response to natural disasters or televised appeals. Here we look at some of the ways you can increase the value of your gift to your chosen charities through the various forms of tax relief available.

Gift Aid: Donations made under Gift Aid are made net of tax. What that means is that for every £1 you donate, the charity can recover 25p from HMRC. Furthermore, if you are paying tax at the 40% higher (45% additional) rate, you can claim tax relief equal to 25p (31p).

Consequently, at a net cost to you of only 75p (69p additional rate), the charity receives £1.25.

A payment made in the current tax year can, subject to certain deadlines, be treated for tax purposes as if it had been made in 2012/13. This may not appear important to many people, but if you paid additional rate tax in 2012/13 and do not expect to do so this year, a claim will allow you to obtain relief at last year's rate. (Note: The carry-back election must be made before we file your 2013 Tax Return – another example of the importance of keeping us 'in the loop'.)

You must pay enough tax in the relevant year to cover the tax the charity will recover (that is, 25p for every £1 you gift).

Payroll giving: You can make regular donations to charity through your payroll, if your employer agrees to operate the scheme.

The scheme operates by deducting an amount from your gross pay equal to the net cost to you of the monthly net donation you want to make.

Gifts of assets: Not all donations need to be money. You can make a gift of assets, and if the assets fall within the approved categories the gift can obtain a double tax relief. Any gain which would accrue on the gift is exempt from CGT, and you are

also entitled to income tax relief at up to 45% on the value of your donation.

Single and unmarried people

Single people might not have given much thought to estate planning, but you should make a Will to set out your preferred funeral arrangements, how you want your estate to devolve on your death, and who will have responsibility for it.

Your estate might pass to your parents or your siblings, but would you perhaps prefer to leave your wealth to your nieces and nephews – with the bonus of potential IHT savings through 'generation skipping'? A Will is also vital for anyone who, although legally 'single', has a partner they wish to benefit from their estate on their death.

Second marriages

Parents face a different set of challenges in second (or subsequent) marriages, with children from former and current marriages. If both partners are wealthy, you might want to direct more of your own wealth to children of your first marriage. If your partner is not wealthy, you might wish to protect him or her by either a direct bequest or a life interest trust (allowing your assets to devolve on their death according to your wishes). Should younger children receive a bigger share than grown up children, already making their own way in the world, and should your partner's children from the previous marriage benefit equally with your own?

If you are concerned about your former spouse gaining control of your wealth, consider creating a trust to ensure maximum flexibility in the hands of people you choose.

You need to plan to ensure that your partner is properly provided for. Look at your Will, pension provisions, life insurance and joint tenancies.

Generation skipping

Your children may be grown up and financially secure. If your assets pass to them, you will be adding to their estate, and to the IHT which will be charged on their deaths.

Instead, it might be worth considering leaving something to your grandchildren.

Keeping your estate plan up to date

Estate plans can quickly become out of date. Revisions could be due if any of these events have occurred since you last updated your estate plan:

- The birth of a child or grandchild
- The death of your spouse, another beneficiary, your executor or your children's guardian
- Marriages or divorces in the family
- A substantial increase or decrease in the value of your estate
- The formation, purchase or sale of a business
- Retirement
- Changes in tax law.

Your Will as a planning tool

A Will is a powerful planning tool, which enables you to:

- Protect your family by making provisions to meet their future financial needs
- Minimise taxes that might reduce the size of your estate
- Name an experienced executor who is capable of ensuring that your wishes are carried out
- Name a trusted guardian for your children
- Provide for any special needs of specific family members
- Include gifts to charity
- Establish trusts to manage the deferral of the inheritance of any beneficiaries
- Secure the peace of mind of knowing that your family and other heirs will receive according to your express wishes.

Having taken the time to make a Will and prepare an estate plan, you must review them regularly to reflect changes in family and financial circumstances as well as changes in tax law.

Wills can also be re-written by others within the two years after your death, in the event that some changes are agreed by all concerned to be appropriate.

With regular reviews we can help you to ensure that you make the most of estate planning tax breaks.

Follow-up – Contact us about…

- **Lifetime gifts of assets, including business interests**
- **Gifts to charity, and minimising tax on gifts and inheritances**
- **Disposition of your assets on death**
- **Using trusts in lifetime and estate tax planning**
- **Your choice of an executor**
- **Inheritance tax reduction planning and life assurance to cover any liabilities**
- **Naming a guardian for your children**
- **How your business interests should devolve if you die or become incapacitated**

Key planning points

Use this page to make a note of any key points arising from this guide, and any action you may wish to consider, and then contact us for further advice and assistance.

Notes	To follow up ✔	Action agreed ✔

Tax calendar

May 2013

M	Tu	W	Th	F	Sa	Su
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

June 2013

M	Tu	W	Th	F	Sa	Su
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

July 2013

M	Tu	W	Th	F	Sa	Su
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

August 2013

M	Tu	W	Th	F	Sa	Su
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

September 2013

M	Tu	W	Th	F	Sa	Su
30						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

October 2013

M	Tu	W	Th	F	Sa	Su
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

November 2013

M	Tu	W	Th	F	Sa	Su
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

December 2013

M	Tu	W	Th	F	Sa	Su
30	31					1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

January 2014

M	Tu	W	Th	F	Sa	Su
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

February 2014

M	Tu	W	Th	F	Sa	Su
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

March 2014

M	Tu	W	Th	F	Sa	Su
31					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

April 2014

M	Tu	W	Th	F	Sa	Su
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

May 2013

1 Start of daily penalties for 2012 online Tax Return not yet filed. Additional penalties may apply for further delay.

3 Submission date of P46 (Car) for quarter to 5 April.

19 Last day for filing forms P14, P35, P38, and P38A – 2012/13 PAYE returns – without incurring penalties.

31 Last day to issue 2012/13 P60s to employees.

June 2013

30 End of CT61 quarterly period.

Annual adjustment for VAT partial exemption calculations (March VAT year end).

July 2013

6 Deadline for submission of Form 42 (transactions in shares and securities).

Deadline for submission of EMI40 (EMI Annual Return).

Deadline for entering into a PAYE Settlement Agreement for 2012/13.

File Taxed Award Scheme Returns, file P11Ds, P11D(b)s and P9Ds. Issue copies of P11Ds or P9Ds to employees.

14 Due date for income tax for the CT61 period to 30 June 2013.

19/22 Quarter 1 2013/14 PAYE remittance due.

Final date for payment of 2012/13 Class 1A NICs.

31 Second payment due date for 2012/13 Class 2 NICs.

Second Self Assessment payment on account for 2012/13.

Annual adjustment for VAT partial exemption calculations (April VAT year end).

Liability to 5% penalty on any tax unpaid for 2011/12.

Deadline for tax credit Annual Declaration (if estimated, final figures required by 31/01/14).

August 2013

2 Submission date of P46 (Car) for quarter to 5 July.

31 Annual adjustment for VAT partial exemption calculations (May VAT year end).

September 2013

30 End of CT61 quarterly period.

Last day for UK businesses to reclaim EC VAT chargeable in 2012.

October 2013

1 Due date for payment of Corporation Tax for period ended 31 December 2012.

5 Individuals/trustees must notify HMRC of new sources of income/ chargeability in 2012/13 if a Tax Return has not been received.

14 Due date for income tax for the CT61 quarter to 30 September 2013.

18/22 Quarter 2 2013/14 PAYE remittance due.

PAYE Settlement Agreement payment dates for 2012/13.

31 Deadline for paper submission of 2013 Tax Return without incurring penalties.

November 2013

1 £100 penalty if 2013 paper Tax Return not yet filed. Additional penalties may apply for further delay. No penalties will apply if online return filed by 31 January 2014.

2 Submission date of P46 (Car) for quarter to 5 October.

December 2013

30 Last day for online submission of 2013 Tax Return for HMRC to collect tax through clients' 2014/15 PAYE code, where they owe less than £3,000.

31 Last day for non-EU traders to reclaim recoverable UK VAT suffered in the year to 30 June 2013.

End of relevant year for taxable distance supplies to UK for VAT registration purposes.

End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for period ended 31 December 2012.

January 2014

1 Due date for payment of Corporation Tax for period ended 31 March 2013.

14 Due date for income tax for the CT61 quarter to 31 December 2013.

17/22 Quarter 3 2013/14 PAYE remittance due.

31 First self assessment payment on account for 2013/14.

Capital gains tax payment for 2012/13.

Balancing payment – 2012/13 income tax/ Class 4 NICs.

Last day to renew 2013/14 tax credits.

First payment due date for 2013/14 Class 2 NICs.

Deadline for amending 2011/12 Tax Return.

Last day to file the 2013 Tax Return online without incurring penalties.

February 2014

1 £100 penalty if 2013 Tax Return not yet filed online. Additional penalties may apply for further delay. Interest starts to accrue on 2012/13 tax not yet paid.

2 Submission date of P46 (Car) for quarter to 5 January.

14 Last date (for practical purposes) to request NIC deferment for 2013/14.

March 2014

2 Last day to pay any balance of 2012/13 tax and Class 4 NICs to avoid an automatic 5% late payment penalty.

31 End of Corporation Tax financial year.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for the period ended 31 March 2013.

April 2014

5 Last day of 2013/14 tax year.

Deadline for 2013/14 ISA investments.

Last day to make disposals using the 2013/14 CGT exemption.

14 Due date for income tax for the CT61 period to 31 March 2014.

18/22 Quarter 4 2013/14 PAYE remittance due.

20 Interest will begin to accrue on unpaid PAYE/NI for 2013/14.

30 Normal annual adjustment for VAT partial exemption calculations (monthly returns).