Grunberg & Co.

Chartered Accountants

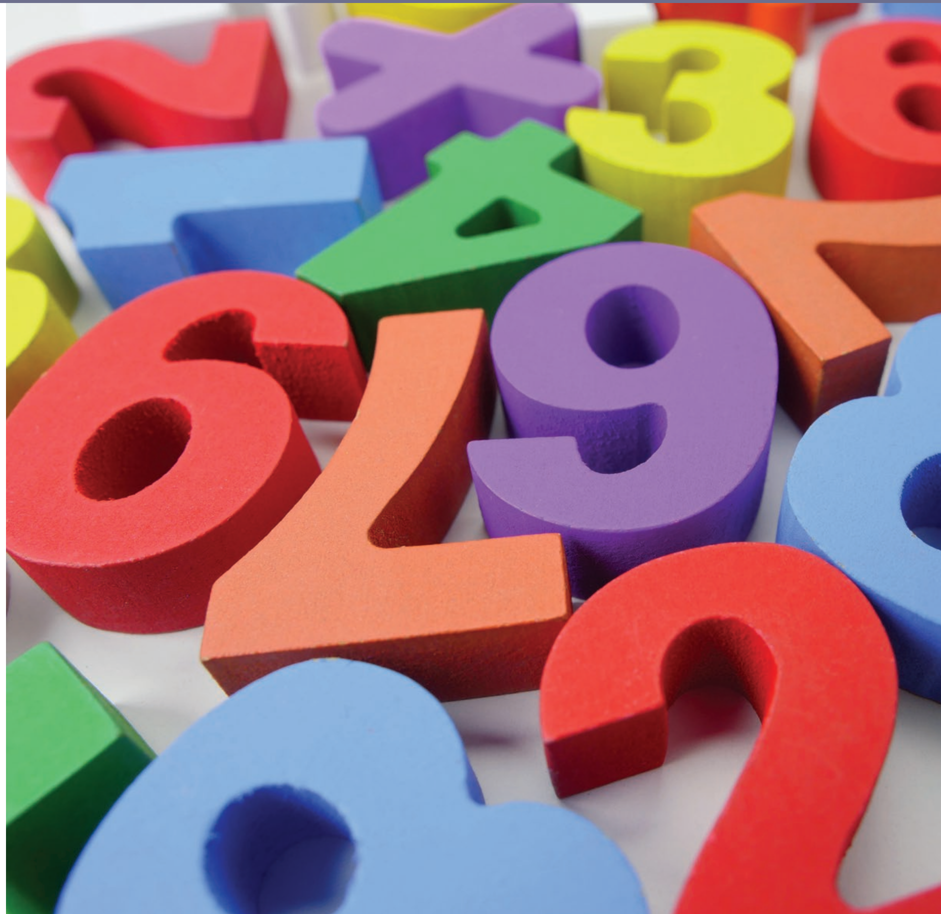
Year-end tax planning checklist

Year-end tax planning checklist

With the current tax year having begun on 6 April 2020, the clock is ticking and it is important to utilise all the tax reliefs and allowances available before 5 April 2021 in order to minimise your liabilities.

That is why the team at Grunberg & Co has compiled the following checklist of the key investment and tax planning ideas that you should be considering.

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



Tax planning

Business Tax

- **Dividend taxation:** Have you utilised the 0% dividend allowance of £2,000? Yes No
- **Salaries:** Consider payment of salaries to owner managers at tax efficient levels following the reduction of the dividend allowance. Yes No
- **Capital Gains:** Have you used your annual exemption for 2020-21 of £12,300? Yes No
- **Business Asset Disposal Relief (formerly Entrepreneurs' Relief):** Under this relief, qualifying capital gains are taxed at 10% instead of the normal 20% rate. This relief has a current lifetime limit of up to £1 million. Yes No
- **Accounting dates:** Have you considered changing your accounting dates, and taking advantage of the tax benefits of overlap relief or incorporation? Yes No

- **Incorporation:** If you are trading as a sole trader, partnership or Limited Liability Partnership should you consider incorporation to a Limited company as a more tax efficient business structure?

Yes No

- **Research & Development tax credits:** Have you claimed for all your eligible R&D projects to take advantage of the significant benefits available? HMRC will allow up to an extra 130% of identified costs to be written off against taxable profits.

  From 1 April 2021 a new PAYE cap will be introduced for the SME scheme, which will restrict the ability for some businesses to make a claim, particularly where a significant proportion of R&D activity is undertaken by outside experts or contractors instead of employees and directors.

Yes No

Personal Tax

- **Inter-spouse transfers:** Have you maximised capital gains and income tax rates and allowances through these exempt transfers? For individuals whose annual income is between £100,001 and £125,000 this is an ideal way of reducing your tax liabilities.

Yes No

- **Exchange your salary for benefits:** Consider exchanging part of your salary for payments into an approved share scheme or additional pension contributions, to take you below the £100,000 threshold.

Yes No

- **Inheritance tax:** Have you used your maximum gift allowances?

Yes No

- **Charity:** Making donations to charity under Gift Aid.

Yes No

Inheritance Tax Planning

- **Switch your assets:** Inheritance Tax (IHT) must be paid on the value of any estate above £325,000. However certain assets including business and agricultural as well as shares in private trading companies qualify for 100% relief from IHT.

  The Resident Nil Rate Band (RNRB) was introduced in 2017 and applies to a residence passed, on death, to a direct descendant. It is being introduced in stages – £150,000 initially, rising to £175,000 (2020). Since April 2020 the nil rate band is £325,000 plus RNRB of £175,000, – which, in total, provides an IHT allowance of £500,000 per person, so a married couple could have a £1 million allowance. Estates worth more than £2 million will start to lose the RNRB, with it being withdrawn at a rate of £1 for every £2 over £2 million.

  Yes No

- **Charitable and personal gifts:** If you leave at least 10% of your net estate to charity a reduced rate of 36% rather than 40% applies and could save your family money. Gifts to a spouse can be made now to use up his or her nil rate band and could help you to reduce the value of the part of your estate above the £325,000 band. Other gifts may be free of IHT but it is important to seek advice first.

  Yes No

- **Passing on your pension:** Following the change to pension rules in 2015, if you have not already done so, you should revisit your current plans and update your Will to ensure that your family receives the full benefit of any remaining pension fund when you die.

  Yes No

- **Trust Funds:** There are many ways that a formal trust fund can protect and maximise your family's future assets. There have been a number of changes to the treatment of trust funds recently which are complex and could affect some people. If you are considering setting up a trust, seek advice.

  Yes No

Pensions

- **Protecting a large pension:** The Lifetime Allowance (LTA) reduced from £1.5 million to £1.25 million in 2014 and has since been reduced further. For 2019/20 the limit was £1,055,000, rising to £1,073,100 in 2020/21. The LTA will increase again in the 2021/22 tax year to £1,078,900. If this is likely to affect you, we urge you to take advice as there are ways of protecting your funds.

Yes No

- **Stakeholder Pensions:** All UK residents including children can make annual net contributions of £2,880 per year (£3,600 gross) regardless of whether they have any earnings. There are ways of using these payments to keep below the £50,000 income threshold to retain child benefit. It is also a very beneficial way of giving your children a helping hand for the future. If pension investments were to grow at a rate of 9% every year, investing £2,880 a year for your 10 year old child could result in a maximum pension pot of £1 million by the time he or she is 68 years old.

Yes No

- **Pension Drawdown:** If you are 55 or over, you may be able to start drawing down pension benefits now from a personal pension such as a SIPP, even if you are still working. You may take up to 25% tax-free with the rest taxed at your marginal rate. Anyone who is entitled to flexible drawdown and who is considering retiring overseas should seek advice on potential additional tax savings available to them.

Yes No

- **Carry forward benefits:** Have you claimed your higher or additional tax relief? Have you used the carry forward rules in order to benefit from any unused allowance from the previous three tax years?

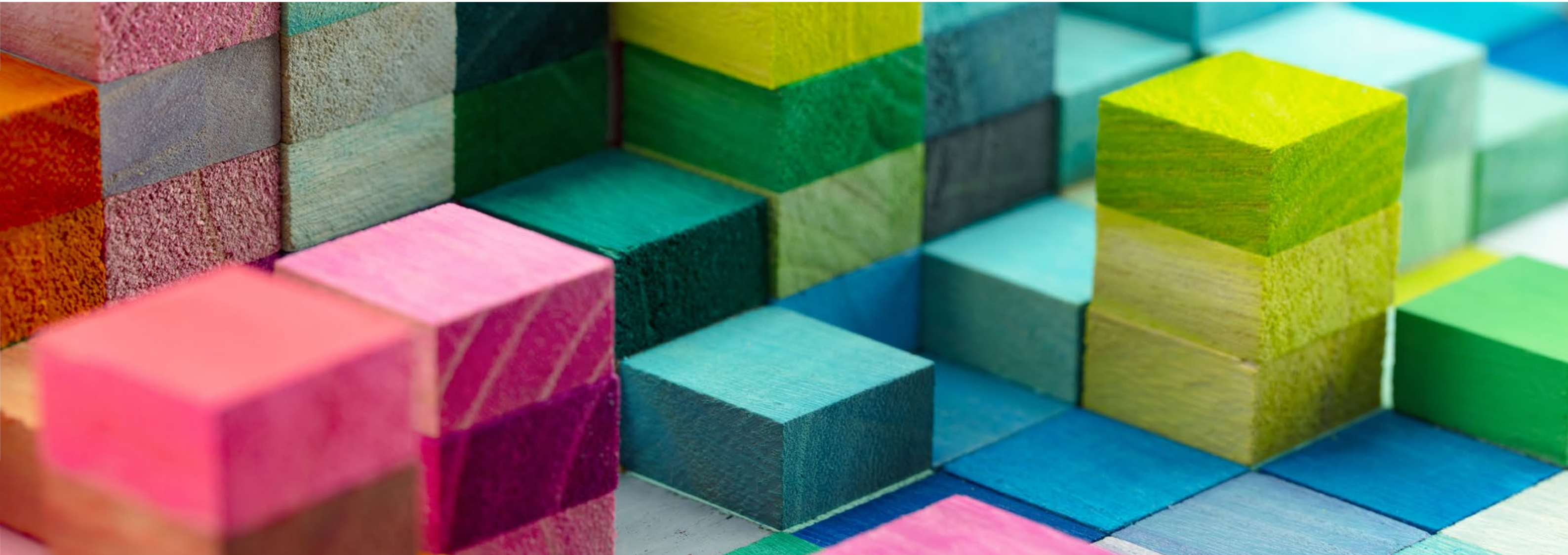
Yes No

- **Make tax-free pension contributions:** Pension contributions made to an employee's pension by an employer are tax efficient. If you own the company you can claim a business tax reduction. Where employees exchange some of their salary in return for a larger pension contribution made by the employer both parties can save on national insurance contributions.

Yes No

- **Existing pensions:** Reviewing existing pensions and retirement planning.

Yes No



Investment ideas

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

- **Enterprise Investment Schemes:** Have you considered these investments, which offer income tax relief of 30%, as well as possible capital gains tax deferral?

Yes No

- **Seed Enterprise Investment Schemes:** Although investing in an SEIS can carry more risk than an EIS or VCT, there is substantial income tax relief of 50% available to offset a large part of potential losses and capital gains tax reduction.

Yes No

- **Community Investments:** Share purchases or loans to a Community Development Finance Institution (CDFI) qualify for tax relief. Over a period of five years relief is provided at a 5%, providing 25% relief in total.

Yes No

- **Social Enterprise Investments:** Investing in certain 'social impact' organisations can attract social investment tax relief (SITR) of 30%. The maximum amount of investment an enterprise can currently receive during its lifetime is £1.5 million.

Yes No

- **Life Assurance Bonds:** Insurance backed bonds allow 5% of the original capital to be withdrawn each year tax-free. Although you need to consider commissions, management costs and basic rate tax charges within the bond, the 5% tax-free withdrawal is still attractive to anyone whose level of income means they will lose their personal allowance and pay 45% income tax.

Yes No

- **Offshore bonds:** As with UK bonds, 5% of the original capital invested can be withdrawn each year tax-free. Although they are taxed in full when disposed of they provide a useful way of deferring tax.

Yes No

Contact us

Grunberg & Co Limited

Head Office

5 Technology Park
Colindeep Lane
London
NW9 6BX

T: 020 8458 0083
E: robertb@grunberg.co.uk

A member of
REANDA