Grunberg & Co.

Chartered Accountants

Tax Planning Checklist 2023/24

Year-end tax planning checklist

With the start of the new tax year, now is the time to be thinking about how to make the most of the tax reliefs and allowances that are available to you in 2023/24.

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	Yes	No
Dividend Taxation: Have you utilised the zero per cent Dividend Tax Band of £1,000? Don't forget that this allowance is being reduced from April 2024 to £500.	☐	☐
Corporation Tax: The rate of Corporation Tax increased from April 2023 for companies with profits of more than £50,000 to as much as 25 per cent for businesses with profits exceeding £250,000. Businesses with profits between these thresholds benefit from marginal rate relief to reduce their effective rate of Corporation Tax. You may also want to carry over losses into the new accounting period to reduce your overall levels of profitability. If you face a higher rate of tax you could, for example, increase your pension contributions or fund the purchase of a company car so that your profits remain below £50,000. You may also wish to consider whether it will still be tax-efficient to run your business as a corporate body.	☐	☐
Accounting Dates: Did you know if your business is unincorporated and your accounting year is different to the tax year you will need to transition this year under the new basis period, which will most likely result in additional tax. You can offset your overlap profit and it may be worth considering any planned expenditure into the current transitional year.	☐	☐
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?	☐	☐

Tax planning

	Yes	No
Business Tax (continued)		
Capital Allowances: Have you purchased any required items before your business year end to ensure these allowances are available a year earlier? The Annual Investment Allowance will now remain at £1 million, so you should make sure you make use of this and the other capital allowance schemes, including the new full expensing scheme.	☐	☐
Research and Development Tax Credits for SME: Currently R&D relief allows companies to deduct an extra 86 per cent of their qualifying costs from their yearly profit, as well as the normal 100 per cent deduction, to make a total 186 per cent deduction. A company can claim a tax credit if the company is loss-making, worth up to 10 per cent of the surrenderable loss but those SMEs that spend 40 per cent of total expenditure on qualifying R&D, eligible loss-making companies will be able to claim a cash repayment of 14.5 per cent.	☐	☐

Tax planning

Personal Tax	Yes	No
Income Tax: The threshold for the additional rate of Income Tax has fallen from £150,000 to £125,140 in April 2023 – this will put thousands of more people into the 45 per cent rate of tax and 39.35 per cent for dividend tax. Will this change affect you?	☐	☐
Child Benefit Threshold: If you or your partner has an income exceeding £50,000, child benefit payments are reduced and withdrawn entirely if your income is more than £60,000. If you find yourself in this situation,have you considered seeking professional tax advice?	☐	☐
Company Car: Time for a new car? Have you thought about how switching to an electric vehicle could reduce of benefit in kind tax that you pay?	☐	☐
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 £125,140 this is an ideal way of reducing your tax liabilities.	☐	☐
Exchange your Salary for Benefits: Consider exchanging part of your salary for share options in an approved share scheme or additional pension contributions, to take you below the £100,000 threshold.	☐	☐

Tax planning

	Yes	No
Personal Tax (continued)		
Capital Gains: Review assets held and crystalise capital gains to utilise the annual exemption of £6,000 for 2023/24.	☐	☐
Stamp Duty Land Tax: If you are looking to purchase a home, or second home, have you considered stamp duty? If you are purchasing an additional property to your main home you may face a three per cent surcharge on top of the current rates of stamp duty. Recent changes have seen the nil-rate band for Stamp Duty Land tax (SDLT) on residential property purchases in England and Northern Ireland double from £125,000 to £250,000. The nil-rate bands for first-time buyers has also been increased.	☐	☐
Tax Freeze: The Government has further extended the tax freeze on personal tax allowances until 2028. This means that millions of taxpayers are likely to be pushed into higher tax bands as inflation affects their wages and income. Have you considered how this will affect you?	☐	☐

Tax planning

Personal Tax (continued)

	Yes	No
Spouses and civil partners who are in the process of separating should be aware of recent changes to the capital gains rules:	☐	☐

Legislation introduced in Spring Finance Bill 2023 ensure that:

- Separating spouses or civil partners be given up to three years after the year they cease to live together in which to make no gain/no loss transfers.
- No gain/no loss treatment will also apply to assets that separating spouses or civil partners transfer between themselves as part of a formal divorce agreement.
- A spouse or civil partner who retains an interest in the former matrimonial home to be given an option to claim private residence relief (PRR) when it is sold.
- Individuals who have transferred their interest in the former matrimonial home to their ex-spouse or civil partner and are entitled to receive a percentage of the proceeds when that home is eventually sold, be able to apply the same tax treatment to those proceeds when received that applied when they transferred their original interest in the home to their ex-spouse or civil partner.

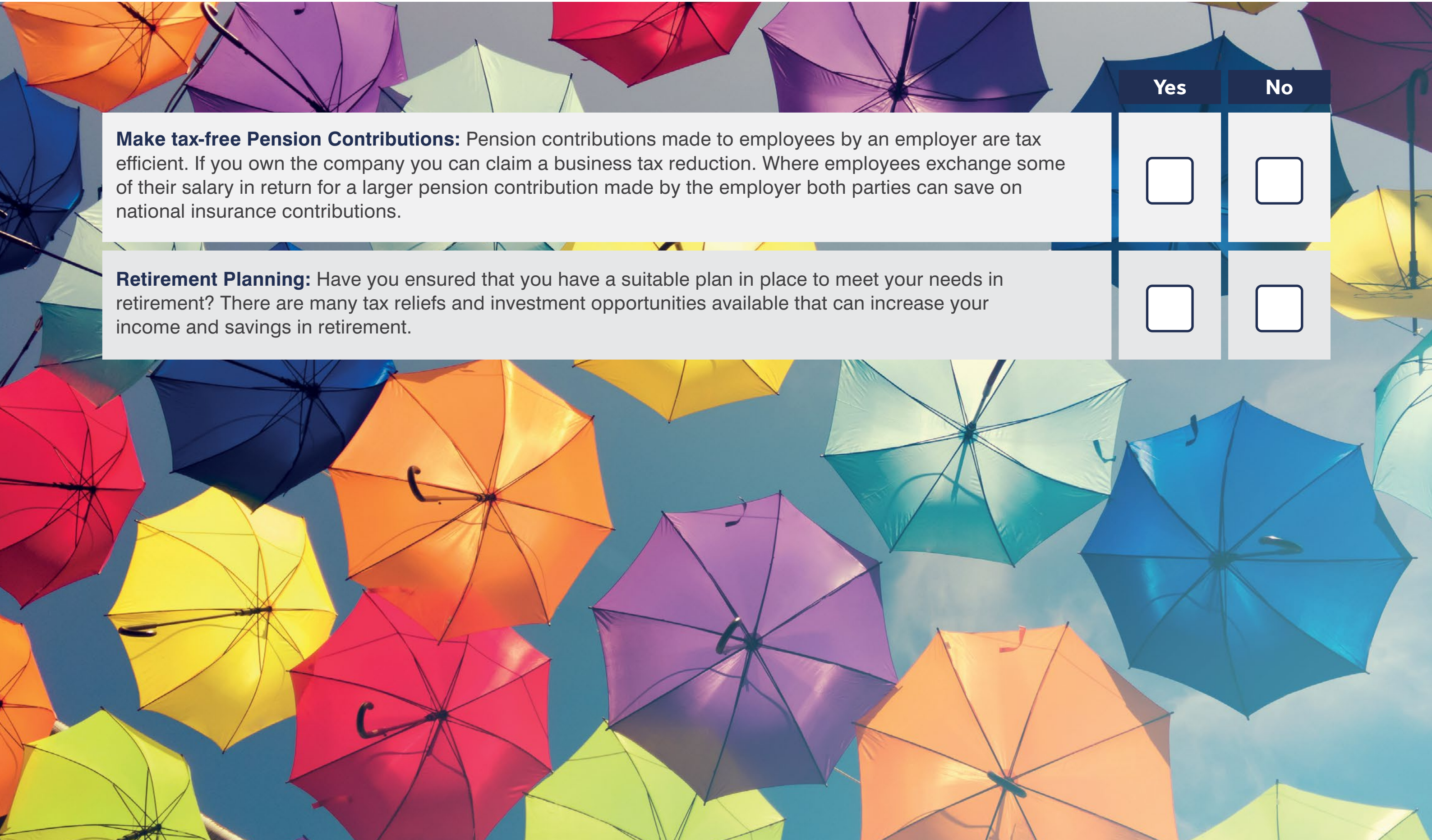
Tax planning

Inheritance Tax Planning	Yes	No
Personal Gifts: Making gifts reduces the size of your estate, hence the inheritance tax payable. Have you made gifts up to the annual inheritance exemption of £3,000 and if none was made in the previous year you can make a gift up to £6,000 before the end of the tax year. In addition, you can make a small gift of up to £250 to various individuals. There are exemptions for gifts on occasion of marriage/civil partnerships that vary from £5,000 made by a parent to £1,000 for other person.	☐	☐
Estate Planning: A Will is an important element to managing your estate and final wishes. However, if no Will has been made, you should seek advice on how to structure your assets in a tax-efficient manner, including benefits from Business Relief and pension assignments.	☐	☐
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.	☐	☐

Pensions

	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. It is also a very beneficial way of giving your children a helping hand for the future. If pension investments were to grow at a rate of nine per cent every year, investing £2,880 a year for your 10 year old child could result in a maximum pension pot of £1 million by the time he or she is 68 years old.	☐	☐
Pension Drawdown: If you are 55 or over, you may be able to start drawing down pension benefits now from a personal pension such as a SIPP, even if you are still working. You may take up to 25 per cent tax-free with the rest taxed at your marginal rate. Anyone who is entitled to flexible drawdown and who is considering retiring overseas should seek advice on potential additional tax savings available to them.	☐	☐
Annual Pension Allowance: Have you used your full pension allowance? You can invest up to £60,000 a year into a pension tax-free. This amount can be carried over three years, allowing you to use unused allowance to top up your pension. This applies to most individuals but those earners in the 45 per cent tax bracket should seek advice as the pension allowance may be reduced dependent on income level. Also, the pension lifetime allowance will have an impact on the amount you can contribute into the scheme this year but from 6 April 2023 the life allowance limit is removed.	☐	☐

Pensions



	Yes	No
Make tax-free Pension Contributions: Pension contributions made to employees 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.	☐	☐
Retirement Planning: Have you ensured that you have a suitable plan in place to meet your needs in retirement? There are many tax reliefs and investment opportunities available that can increase your income and savings in retirement.	☐	☐

Investment Ideas

	Yes	No
ISAs: Have you used your maximum annual investment of £20,000?	☐	☐
Junior ISAs or Child Trust Fund: Has £9,000 been invested for any child under the age of 18?	☐	☐
Help-to-buy ISAs: 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.	☐	☐
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 per cent on the money you invest up to a maximum of £1,000 per year. You can save up to £4,000 a year, and can continue to pay into it until you reach 50.	☐	☐
Take Advantage of Share Schemes: If your company offers a share scheme, such as a share incentive plan (SIP) or a sharesave (SAYE) there are usually price discounts and tax incentives for taking part.	☐	☐
EIS Investment: Have you considered this tax-efficient scheme, which offer income tax relief (please note that income tax relief is only available if tax has been paid to reclaim) of 30 per cent on investments of up to £1 million. A £2 million limit is only for investments in knowledge intensive companies, as well as possible capital gains tax deferral.	☐	☐

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

Investment Ideas

	Yes	No
Venture Capital Trust investment: Have you considered VCTs. These provide 'front end' income tax relief (please note that income tax relief is only available if tax has been paid to reclaim) of 30 per cent on subscriptions of up to £200,000, as well as tax-free dividends and capital gains tax reliefs?	☐	☐
Seed Enterprise Investment Schemes: Although investing in an SEIS can carry more risk than an EIS or VCT, there is substantial tax relief available to offset a large part of potential losses. This includes 50 per cent income tax relief (please note that income tax relief is only available if tax has been paid to reclaim) on investments of up £200,000.	☐	☐
Life Assurance Bonds: Insurance backed bonds allow five per cent 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 five per cent tax-free withdrawal is still attractive to anyone whose level of income means they will lose their personal allowance and pay 45 per cent income tax.	☐	☐

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Succession Planning

Personal Tax	Yes	No
Selling a Business: Are you thinking about selling a business or part of a business as part of your succession plan? You need to consider the personal and business tax implications of a sale. The sale of shares could lead to capital gains while selling part of your business or assets could create chargeable gains for corporation Tax.		
Management Buyout: If you are seeking a management buyout the structure of the transaction could have a substantial impact on how much tax each party pays. Have you considered how the new management will be remunerated? Will the sale be achieved through shares or assets? Are deal costs tax-deductible? Is Stamp Duty due on the transfer or sale of property?		
Business Asset Disposal Relief: If you are looking to sell your business or shares in your business and this leads to a capital gain you could be taxed at a rate of up to 20 per cent, depending on your marginal tax rate. Business Asset Disposal Relief, formerly known as Entrepreneurs' Relief, could reduce this rate of tax to just 10 per cent.		
Passing a Business on to a Family Member: Gifting a business or shares in a business to a family member is still considered a disposal for Capital Gains Tax. However, the capital gain can be deferred. Depending on when you pass on after gifting a company, the value of its shares and assets could also be included in calculations for Inheritance Tax but you could take advantage of Business Relief which reduces the value of a business or its assets by up to 100 per cent. Have you considered the tax implication of transferring your business to family? Please seek advice in relation to business relief as certain criteria must be meet, to obtain it.		

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