Grunberg & Co.

CHARTERED ACCOUNTANTS

# Tax Planning Checklist 2023/24

# Year-end Tax Planning Checklist

**As the current tax year begins to wind down and another one commences from April, now is the time to be thinking about how to make the most of the tax reliefs and allowances that are available to you.**

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

| | Yes | No |
|---|---|---|
| **Business Tax** | | |
| **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 end does not end 31 March to 5 April because the year end date falls in the middle of the fiscal 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:** Have you claimed for all your eligible R&D projects to take advantage of the significant benefits available? Under the SME scheme, HMRC will allow an extra 86 per cent of identified costs to be written off against taxable profits on projects which have scientific uncertainty and seeks to advance technology that have led to the creation of new products, processes or services or modifying an existing product, process or service.<br>Claims can even be made against innovations that resulted in a loss. If you intend to make a claim for accounting periods beginning on or after 1 April 2023, you must submit a claim notification form where you are claiming for the first time or your last claim was made more than three years before the last date of the claim notification period.<br>The SME and R&D Expenditure Credit (RDEC) schemes will now become merged from 1 April 2024, significantly simplifying the process. Under the scheme, the notional tax rate applied to loss-makers will be reduced from 25 per cent to 19 per cent. Additional SME relief will be made available for loss-making small businesses considered to be R&D intensive, if they devote 30 per cent or more of expenditure to R&D, a reduction from 40 per cent in 2023/24, making around 5,000 more SMEs eligible. | ☐ | ☐ |
| **Self-employment:** From April 2024, compulsory Class 2 National Insurance (NI) will be abolished, and the rate of Class 4 NI contributions will fall to eight per cent – delivering an average saving of £350. | ☐ | ☐ |

# 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 these will be withdrawn entirely if the income level exceeds £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 the benefit in kind that you pay tax on? | ☐ | ☐ |
| **Inter-spouse transfers:** Have you maximised capital gains and Income Tax rates and allowances through these exempt transfers? For spouses in different tax brackets (particularly when one spouse has an annual income between £100,001 and £125,140) this is an ideal way of reducing your tax liabilities. | ☐ | ☐ |
| **Exchange your Salary for Benefits:** Consider the tax-efficiency of exchanging part of your gross salary for share options in an approved share scheme or additional pension contributions, especially if this could bring your taxable income under £100,000. | ☐ | ☐ |

# Tax Planning

| Personal Tax (continued) | Yes | No |
|---|---|---|
| **Directors Loans:** Have you used the tax-free interest amount on any loans to your business? | ☐ | ☐ |
| **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. | ☐ | ☐ |
| **Marriage Allowance:** Have you considered whether you or your spouse are entitled to claim the marriage allowance? This enables an individual to transfer 10 per cent of their tax-free personal allowance to their spouse (if the donee is a Basic Rate Taxpayer), saving up to £252 in Income Tax. | ☐ | ☐ |
| **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? | ☐ | ☐ |
| **Capital Gains:** Have you used your annual exemption for 2023-24 of £6,000? Be aware that the annual exemption is being halved to £3,000 from April 2024. | ☐ | ☐ |

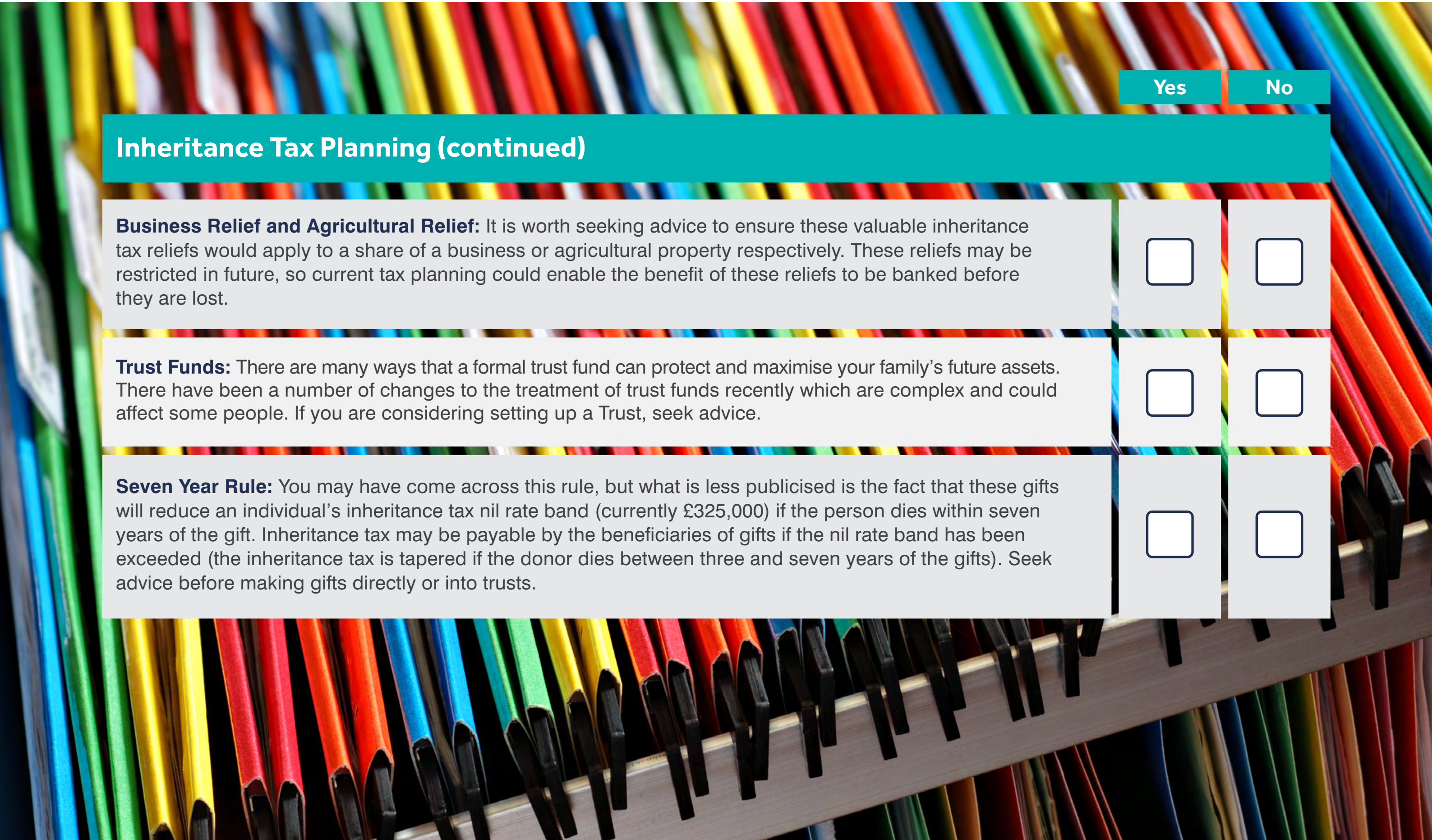
# Tax Planning

| Personal Tax (continued) | Yes | No |
|---|---|---|
| **National Insurance:** From 6 January 2024, Class 1 Employee National Insurance will be charged at a reduced rate of 10 per cent, instead of 12 per cent. Are you paying the right amount? | ☐ | ☐ |
| **Childcare:** There are a range of reliefs to support the cost of childcare. However, if your adjusted net income exceeds £100,000, you won't qualify for the extended 30 free childcare hours or the Tax-Free Childcare scheme. | ☐ | ☐ |

# Tax Planning

| Inheritance Tax Planning | Yes | No |
| --- | --- | --- |
| **Switching Assets:** Transfers between spouses is exempt from capital gains so switching assets that are held jointly and are placed on sole names would benefit the surviving spouse who inherits the asset inheritance tax-free but has an uplift in the value to the market value as at date of death. | ☐ | ☐ |
| **Personal Gifts:** Making gifts reduces the size of your estate for inheritance tax purposes. Have you made gifts up to the annual inheritance tax exemption of £3,000 (£6,000 if none were made in the previous tax year). You can make a small gift of up to £250 to an unlimited number of individuals. You can also make regular gifts out of your surplus income (remaining after normal expenditure) tax-free, e.g. towards a grandchild's school fees. Wedding gift allowances are also available. Please note that gifts that are not covered by allowances and exemptions may be partially or fully liable to inheritance tax if you die within seven years of making the gift. It is recommended to seek advice to ensure qualifying gifts are being made. | ☐ | ☐ |
| **Estate Planning:** A Will is an important element to managing your estate and final wishes. It is also important to seek advice on how to structure your assets in a tax-efficient manner, including benefits from Business Relief, the Residence Nil Rate Band, life insurance policies, pension assignments, trusts, and obtaining lower inheritance tax rates through charitable legacies. | ☐ | ☐ |
| **Residence Nil Rate Band:** Where an estate may be worth over £2 million or a family home is not being left to direct descendants, then it is worth considering planning to preserve this valuable additional Nil Rate Band. | ☐ | ☐ |

# Tax Planning

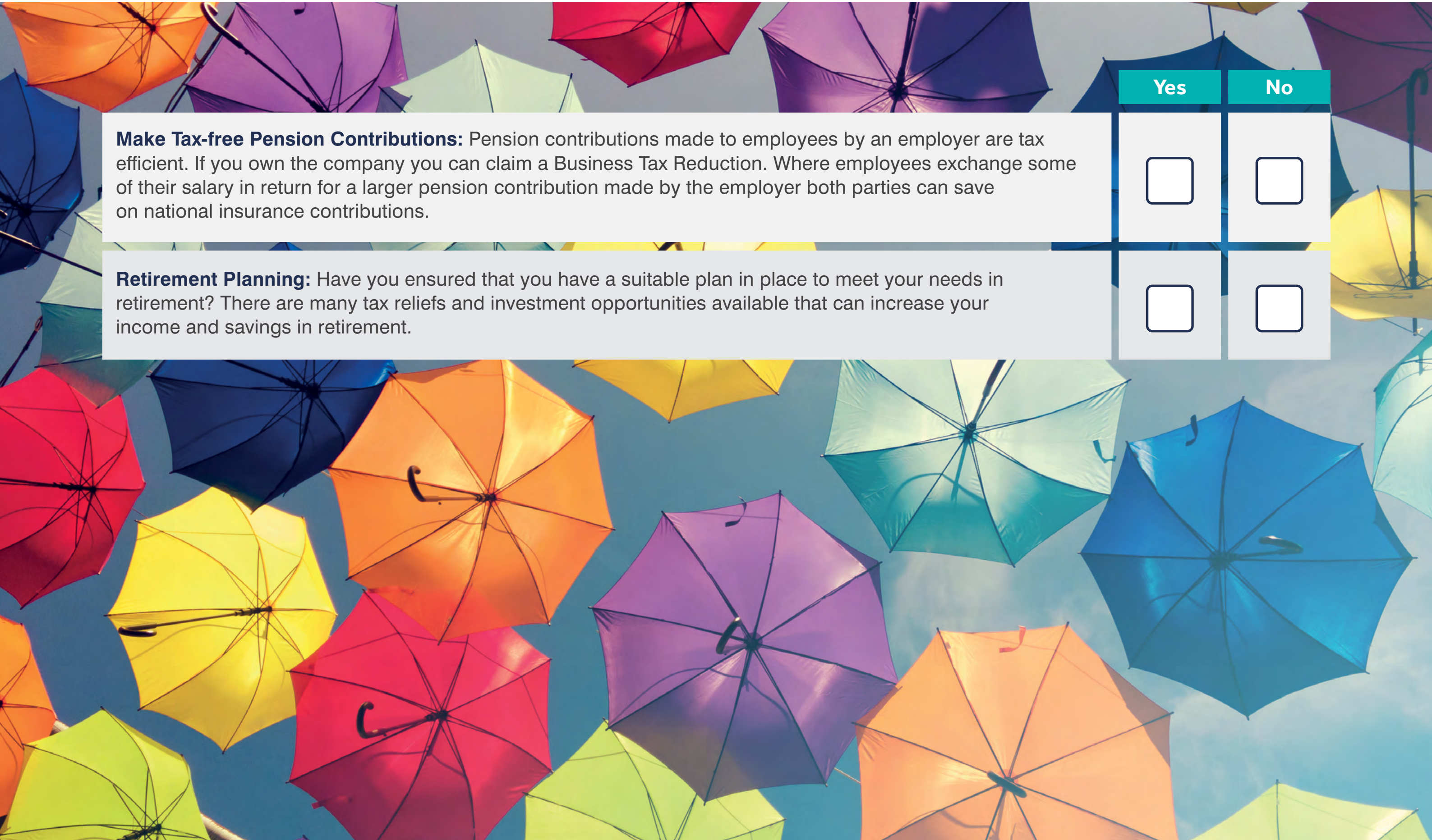


| Inheritance Tax Planning (continued) | Yes | No |
|---|---|---|
| **Business Relief and Agricultural Relief:** It is worth seeking advice to ensure these valuable inheritance tax reliefs would apply to a share of a business or agricultural property respectively. These reliefs may be restricted in future, so current tax planning could enable the benefit of these reliefs to be banked before they are lost. | ☐ | ☐ |
| **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. | ☐ | ☐ |
| **Seven Year Rule:** You may have come across this rule, but what is less publicised is the fact that these gifts will reduce an individual's inheritance tax nil rate band (currently £325,000) if the person dies within seven years of the gift. Inheritance tax may be payable by the beneficiaries of gifts if the nil rate band has been exceeded (the inheritance tax is tapered if the donor dies between three and seven years of the gifts). Seek advice before making gifts directly or into trusts. | ☐ | ☐ |

# Pensions

| | Yes | No |
|---|---|---|
| **Protecting a Large Pension:** The LTA has been abolished entirely as of April 2023. You should consider how this affects your current later life plans. | ☐ | ☐ |
| **Stakeholder Pensions:** All UK residents including children can make annual net contributions of £2,880 per year (£3,600 gross) regardless of whether they have any earnings. There are ways of using these payments to keep below the £50,000 income threshold to retain child benefit. It is also a very beneficial way of giving your children a helping hand for the future. If pension investments were to grow at a rate of nine per cent every year, investing £2,880 a year for your 10 year old child could result in a maximum pension pot of £1 million by the time he or she is 68 years old. | ☐ | ☐ |
| **Pension Drawdown:** If you are 55 or over (raising to 57 from in 2028), 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. Please note that accessing pension benefits will result in restrictions on future pension contributions. | ☐ | ☐ |
| **Annual Pension Allowance:** Have you used your full pension allowance? You can invest up to £60,000 a year into a pension tax-free (subject to having sufficient pensionable income). Relief from the previous three tax years (capped at the previous rate of £40,000 for years before 2023/24) can be carried forward (with unused allowances from previous years being lost). Earners in the 45% tax bracket should seek advice as their pension allowance may be reduced dependent on income level. | ☐ | ☐ |

# 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:** 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 age 50, provided the first contribution was made before age 40. Can be withdrawn tax-free from age 60 for use in retirement. | ☐ | ☐ |
| **Tidying-up your Investments:** Have you realised investments and bond gains or closed deposit accounts where funds may be attracting negligible rates of interest? | ☐ | ☐ |
| **Take Advantage of Share Schemes:** If your company offers a share scheme, such as a share incentive plan (SIP) or a sharesave (SAYE) there are usually price discounts and tax incentives for taking part. | ☐ | ☐ |

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 |
|---|---|---|
| **Enterprise Investment Scheme:** Have you considered tax-efficient EIS investments? These relatively risky investments offer Income Tax Relief of 30 per cent on investments (please note that Income Tax Relief is only available if tax has been paid to reclaim) of up to £2 million (depending on the nature of the company). If conditions are satisfied, then the EIS shares can be sold free of Capital Gains Tax. In addition, subscribing for EIS shares can enable Capital Gains Tax due on disposals of other assets to be deferred. Many of these EIS reliefs can be utilised in multiple tax years. We recommend obtaining tax advice to ensure the reliefs are maximised and the relief conditions are fulfilled. | ☐ | ☐ |
| **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 SEIS investments can carry more risk than EIS and VCT investments, there are substantial tax reliefs available for disposals in these relatively new companies. This includes: 50 per cent Income Tax Relief on investments of up £200,000, disposals of SEIS investments being free of Capital Gains Tax, and SEIS subscriptions exempting 50% of capital gains on the disposals of other assets (as opposed to how EIS investments allow capital gains to be deferred). We recommend obtaining tax advice to ensure the reliefs are maximised and the relief conditions are fulfilled. | ☐ | ☐ |
| **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 five per cent, providing 25 per cent relief in total. | ☐ | ☐ |

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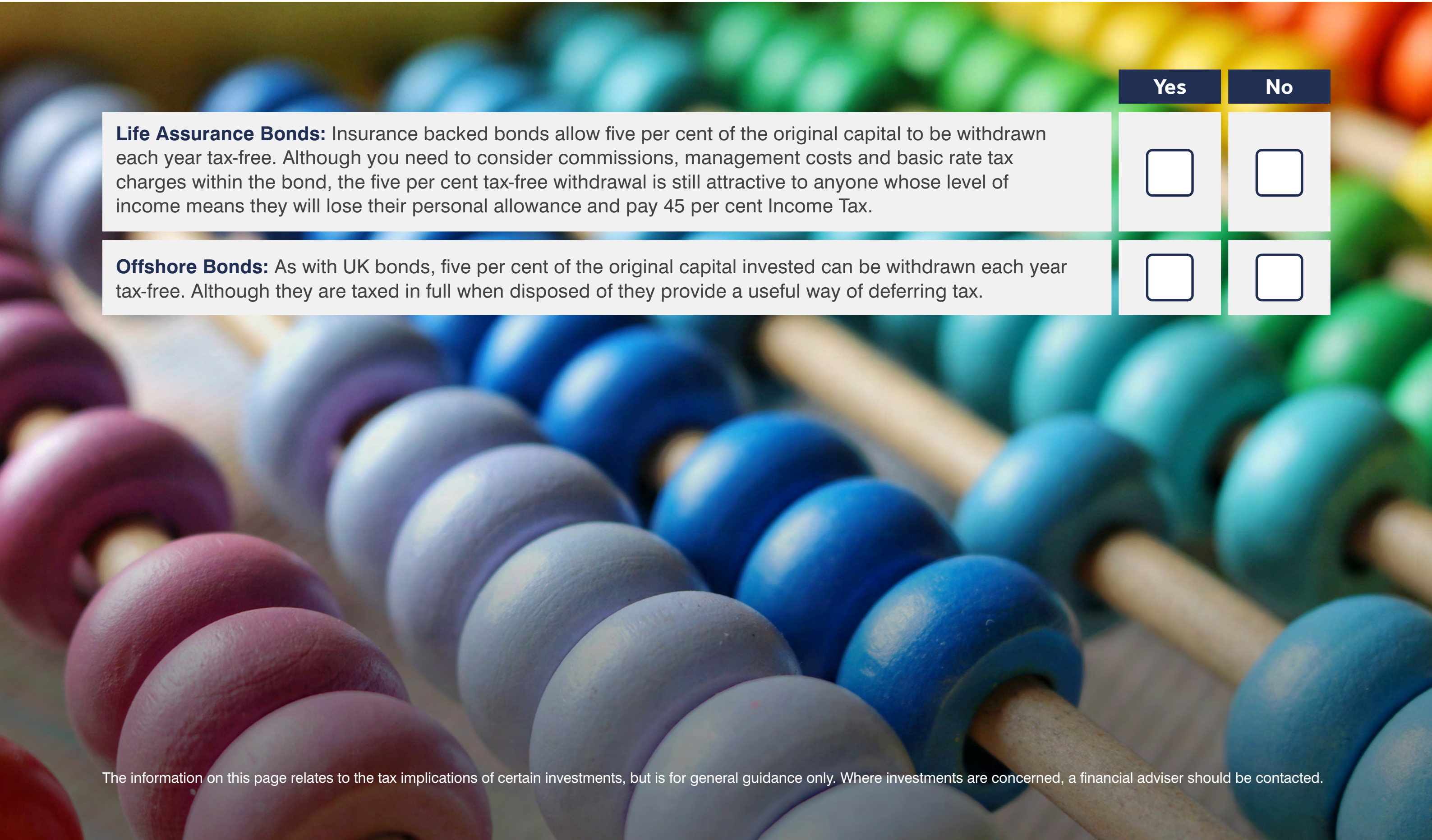
# Investment Ideas



| | Yes | No |
|---|---|---|
| **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. | ☐ | ☐ |
| **Offshore Bonds:** As with UK bonds, five per cent of the original capital invested can be withdrawn each year tax-free. Although they are taxed in full when disposed of they provide a useful way of deferring tax. | ☐ | ☐ |

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# 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 a business you work for, then any arising capital gains may 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 on gains (subject to a lifetime limit of £1 million). Seek tax advice to ensure that the conditions of the relief are fulfilled. | ☐ | ☐ |
| **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. 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? | ☐ | ☐ |

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