STRAIGHT TALKING FLEXIBLE THINKING

2015/16 Year End Tax Planning

PKF Cooper Parry
Discover the difference

SMART WAYS TO SAVE...

The end of the tax year (5 April) is fast approaching. So good planning is essential to make you more tax efficient. That's why we're here.

This planning guide provides an overview on how to effectively manage your tax. It'll help you identify and overcome issues that you may not have considered. Most importantly, our strategies aim to save you money.

Doing nothing isn't an option – you could lose valuable allowances and potentially have to pay more tax.

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#1 INCOME TAX

Your income tax strategy

> If your income exceeds £100,000, your tax-free personal allowance reduces by £1 for every £2 above £100,000. For income between £100,001–£121,200, the effective tax rate is 60%.

> If your income exceeds £150,000, you'll be taxed at the additional rate of 45% (dividend income is taxed at 37.5%).

> If you or your partner's taxable income exceeds £50,000 (and either of you have received child benefit), you may have to pay the high income child benefit charge.

Why not consider:

> **Transferring income-yielding assets** to your spouse/civil partner if they're taxed at a lower rate.

> In some circumstances transferring up to £1,050 of your unused personal allowance.

> Making **pension contributions** that lower your tax bill.

> Making **gifts** to registered charities under 'Gift Aid'.

> Investing in **assets providing income tax reliefs** such as SEIS, EIS and VCTs.

> If you're an additional rate taxpayer, rearranging your investments to produce a **capital return** (taxed at 28%) rather than an income return (taxed at 45%).

> As a company shareholder, **reviewing your 2015/16 gross taxable income**? If you expect this to be below your personal allowance and basic rate band (total: £42,385), you can potentially pay some dividends to yourself tax-free.

> Taking advantage of the current **annual investment allowance**? You may be able to claim capital allowances when you buy assets that you use in your business – this allowance is now £200,000.

Are you a Trustee?:

> If you're a trustee, the tax position of discretionary beneficiaries. You could make an **income distribution** and they may receive a tax refund.

Are you a Director or an employee?:

> From 6 April, the dividend tax rate increases by 7.5%. Consider the benefit of paying a dividend before this date.

> Will your employer **swap cash payments** for approved share options, childcare vouchers, pension contributions – this could keep you below the £100,000 threshold.

> Do you have a **company car**? Can you change this for a more tax efficient car e.g. lower co_2 emissions, electric, hybrid vehicle?

> Did you know that **tax deductible expenses** include professional subscriptions, business travel and specialist clothing? You might be able to claim if your employer hasn't fully reimbursed you. Remember that any claims for 2011/12 are due by 5 April.

TOP TIPS - CONSIDER:

1. Paying dividends before 6 April
2. Maximising pension contributions pre Budget
3. Making the most of tax deductible work expenses

Talk to our income tax expert:
Sarah Axe: 01332 411163

#2 CAPITAL GAINS TAX

USE IT OR LOSE IT - Can you use your 2015/16 capital gains tax annual exemption of £11,100.

Entrepreneurs' Relief is available on the first £10m of an individual's lifetime qualifying gains. This means that capital gains tax is due at 10% rather than 28%. Watch this space as the Chancellor may change his mind in the forthcoming Budget.

Why not consider:

> If you haven't already used your **annual exemption**, can you sell assets before 6 April. However, if you've already used your annual exemption, defer any sales until after 5 April.

> As married couples and civil partners, **transferring assets** between one another.

> If you own a **second home** and have occupied this as your main residence, making an election to nominate one as your main residence.

> By letting a previous main residence you may be able to benefit from **lettings relief**. This could exempt up to £40,000 of any gain from tax.

> Gains can be realised by **selling shares which are immediately repurchased** by your spouse/ civil partner or within an ISA.

> You may be able to claim for **capital losses** within the last four years – so you must make any claims for 2011/12 by 5 April.

> Qualifying for the lower tax rate for **Entrepreneurs' Relief** is complicated – so it's important to check an asset qualifies before making a disposal.

> If you've sold an asset that's been used in your business and realised a gain, it may be possible to **'rollover' the gain** by buying another qualifying asset within three years.

> If you've gifted an asset, it may be possible to **'holdover' the gain**. You must make an election by 5 April 2016 for transfers that took place in 2011/12.

> Investing in assets that qualify for capital gains tax relief or **capital gains tax deferral relie**f, such as SEIS or EIS.

TOP TIPS - CONSIDER:

1. Using your annual exemption
2. Making a main residence election
3. Confirming that assets qualify for Entrepreneurs' Relief

Talk to our capital gains tax expert:
Sarah Axe
01332 41163

#3 INHERITANCE TAX

Inheritance Tax (IHT) can be charged at 40% on your estate and on gifts you've made. There are IHT reliefs available – but you must use them in time.

The rules for distributing the estate of a deceased person who died without a Will changed in 2014. It means that their estate might not pass in line with their wishes and could create additional tax liabilities.

Why not consider:

- Making **gifts of up to £3,000pa**, which are exempt from IHT. If you haven't used your previous year's allowance, you can also claim it.
- Making **small gifts of up to £250pa** to as many people as you like.
- Making **regular gifts** out of any surplus income.
- **Making a Will** - dying without one may mean that assets are not distributed as you wished and increase tax.
- **Reviewing your existing** Will to make sure it still meets your wishes. Recent legal changes may mean it needs updating.
- **Using Trusts** to save IHT and protect your wealth.
- **Investing in assets** that qualify for IHT reliefs.

TOP TIPS - CONSIDER

1. Using available exemptions
2. Making a Will (if you haven't already done so)
3. Using Trusts to save IHT

Talk to our IHT expert:
Sarah Axe
01332 411163

#4 PENSIONS

The pension lifetime allowance (LTA) reduces from £1.25m to £1m from 6 April 2016.

Special transitional rules are in place for pension contributions in 2015/16. The maximum annual allowance for the input period ending 5 April is £40,000.

You can utilise any unused annual allowances for the three previous tax years as well as the current year's annual allowance if you've been a member of a registered pension scheme during the period.

From 6 April the annual allowance for individuals with income >£150,000 will be reduced to a minimum of £10,000pa.

Why not consider:

> Applying for **'Fixed Protection'** to retain the higher lifetime allowance of £1.25m.

> Applying for **'Individual Protection 2016'** if you want to continue making contributions and your fund value is >£1m.

> Applying for **'Individual Protection 2014'** if you have made contributions after 5 April 2014 and your fund value was >£1.25m.

> If you haven't contributed up to the annual allowance in 2012/13, 2013/14 and 2014/15 you may be able to **carry forward any unused amount into 2015/16**.

> **A stakeholder pension** allows contributions by all UK residents, including children. Even without any earnings, you can **contribute up to £2,880 each year** for yourself or your family.

> Making contributions under **Salary Sacrifice arrangements** to reduce your taxable income.

TOP TIPS - CONSIDER

1. Seeking advice - this is an extremely complex area
2. Transitional Protection Elections
3. Using your 2015/16 annual allowance and carry forward allowances

Talk to our pensions expert:
Jonathan Elsigood
01332 411163

#5 INVESTMENTS

Tax efficient investments include:

Individual Savings Accounts (ISAs)

Enterprise Investment Scheme (EIS), Seed Enterprise Investment Scheme (SEIS), Venture Capital Trusts (VCTs)

Pension Contributions

Why not consider:

> Using your 2015/16 **ISA allowance of £15,240**

> Using the 2015/16 **Junior ISA allowance of £4,080**. Children aged between 16 and 18 years can also contribute up to £15,240 into a cash ISA.

> Help to Buy ISAs are now available for first time property buyers. You can **save a maximum £12,000** and get a 25% tax-free bonus (£3,000) from the Government.

> Investing in EIS qualifying assets may attract **30% income tax relief and capital gains tax deferral relief**.

> Investing in SEIS qualifying assets may attract **50% income tax relief and capital gains tax relief**.

> VCT relief: **Income tax relief at 30%** may be available on such investments.

EIS, SEIS and VCT investments often carry comparatively higher investment risk. Talk to us about potential risks and rewards.

TOP TIPS - CONSIDER

1. Maximising ISA allowances
2. EIS/SEIS/VCT Investments
3. Speaking to your Wealth Planner before investing

Talk to our investments expert:

Jonathan Elsigood
01332 411163

#6 STAMP DUTY LAND TAX

Changes to Stamp Duty Land Tax (SDLT) on additional residential properties will be introduced from 1 April. From this date a 3% SDLT surcharge will apply. Therefore it makes sense to complete purchases before that date where possible.

Talk to our stamp duty tax expert:
Sarah Axe
01332 411163

OUR TOP 10 CHECKLIST

1. **£100,000 or more taxable income?** Have you considered all options to reduce the loss of your tax-free personal allowance?
2. **Overpaid tax in 2011/12?** Claim by 5 April!
3. **Consider dividends before 6 April –** this could save the additional 7.5% tax
4. **£11,100 capital gains tax annual exempt amount –** have you used yours?
5. **Capital losses in 2011/12?** Claim by 5 April!
6. **£3,000 IHT annual exemption –** have you used yours?
7. **£1.25m pension lifetime allowance –** close to the limit? If so, should you consider making an election?
8. **Maximise pension contributions pre Budget –** have you used your 2015/16 allowance and any carry forward allowances?
9. **£15,240 ISA allowance –** have you used yours?
10. **£4,080 Junior ISA allowance –** have you used yours?

And remember: we're here to help you with all things tax. That's why we're the No. 1 adviser to successful individuals and businesses with a £5m+ turnover than any other accountancy firm in the Midlands.

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