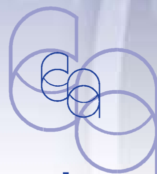
Tax and Financial Strategies

2011/12



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Tax and Financial Strategies 2011/12

We live in a world of complex and ever-changing tax legislation, in which making the most of your money and achieving your financial goals 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.

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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 publication has been based on current understanding of legislation. It is for general information only and under no circumstances should action be taken without first seeking appropriate professional advice

Overview: Careful planning gets results

In an age of austerity and with economic growth expected to remain sluggish, planning to maximise your net income, business and family assets should be a key priority.

The importance of business planning

Are you planning to start your own business or are you an existing business owner? Failure to plan for business taxes can cost you money. Although you should never let tax breaks persuade you to make a poor business decision, it is essential that as part of your planning you build in steps to minimise taxes.

What does business tax planning involve? Areas you will need to consider include:

- The structure of your business
- Claiming tax deductible expenses
- Taking advantage of capital allowances
- Making the most of tax reliefs
- Involving family members in your business
- Business year end planning
- Reducing your capital gains tax liability
- And eventually, planning for a tax-efficient exit from your business.

The start of the 2011/12 tax year saw a number of significant changes for businesses. Many of these points are referenced in this guide, but here is a brief summary:

Corporation tax – The main rate of corporation tax has fallen by 2% to 26% for 2011/12. It will be reduced to 25% for the financial year commencing 1 April 2012 and to 24% for the financial year commencing 1 April 2013, before reaching 23% by April 2014.

Entrepreneurs' Relief – On 6 April 2011 the lifetime limit for Entrepreneurs' Relief was increased to £10 million. The higher limit applies only to qualifying disposals on or after that date.

Research and Development (R&D) – The additional corporation tax deduction given to SMEs for qualifying R&D expenditure has increased from 75% to 100%, giving a total deduction of 200%. This applies for expenditure incurred on or after 1 April 2011. A further increase to 125% will have effect for expenditure incurred on or after 1 April 2012.

Business rate relief – Businesses located in any of the 21 new Enterprise Zones may receive up to a 100% business rate discount for five years. The small business rate relief 'holiday' is also extended by one year from 1 October 2011.

The Enterprise Investment Scheme & Venture Capital Trusts – The Enterprise Investment Scheme (EIS) and Venture Capital Trusts have been reformed. This includes raising the rate of EIS income tax relief to 30% from 6 April 2011.

Planning to maximise your personal wealth

Your income and personal wealth can be significantly reduced by regular income-related taxes, and more periodic taxes, such as inheritance tax and capital gains tax. As your accountants, we can work alongside you to help you: save money tax-efficiently; make the most of personal allowances; review your pension arrangements; and reduce your inheritance tax liability.

Some of the key changes for 2011/12 that may affect your personal financial planning include:

Income tax personal allowance – For 2011/12 the personal allowance for those aged under 65 increased by £1,000 to £7,475. However, the advantage to higher rate payers was countered by a lowering of the higher rate threshold, to £35,000 from 6 April 2011.

National insurance – National insurance contribution (NIC) rates for 2011/12 have risen from 11% to 12% for employees, from 8% to 9% for the self-employed and from 1% to 2% above the upper earnings, and upper profits limits. Meanwhile, the rate of employers' NICs has increased from 12.8% to 13.8% without any upper limit.

Pension savings – For 2011/12 the annual allowance is reduced from £255,000 to £50,000. However, where premiums paid in the pension input periods ending in the preceding three years are less than £50,000, unused relief may be carried forward.

Pension annuities – The pensions tax rules that make it obligatory for members of registered pension schemes to secure an income, usually by buying an annuity, by age 75 have been removed.

Stamp duty – As announced by the previous Labour Government, a new 5% rate of stamp duty land tax will now be levied on residential property purchases of more than £1 million.

Reduced childcare relief for higher earners – Those joining employer-supported childcare schemes providing childcare vouchers or directly-contracted childcare on or after 6 April 2011 will, if they are higher rate or additional rate taxpayers, have the value of their tax relief restricted to match the value for basic rate taxpayers.

Please contact us to arrange a review of your business and personal finances. We would be delighted to assist you.

Strategies for you and your family

Achieving your goals

No matter what your age, personal situation or financial status, you are likely to have many objectives for yourself and for your family. As your accountants, we can help you to put in place the necessary planning measures to make these goals a reality. At first this might seem like a daunting task, when you consider that you may need to include: raising young children and saving for their education; helping to care for and support ageing parents; achieving the standard of living you want for your household; and funding your retirement. However, as you will see in this guide, there are some definitive plans that you can make and steps you can take to help you achieve your ambitions.

We begin by looking at some of the useful strategies you could apply within the family.

Tax allowances and exemptions

Each member of your family is taxed as an individual, and so is entitled to his or her own allowances and exemptions.

Allowances and rate bands are allocated first to your earned income (which includes pensions), then to your savings income, and finally to any UK dividend income.

Aged 65 or over?

The personal allowance for 2011/12 for those aged 65 to 74 at 5 April 2012 is £9,940, and for those aged 75 or over it increases to £10,090. Both higher allowances are scaled back if income exceeds £24,000, but in any event the minimum personal allowance is £7,475. The £7,295 married couple's allowance applies where at least one partner is aged over 75 and is given as a tax reduction at 10% of the allowance. It may be reduced if the husband's income exceeds £24,000. This is subject to a minimum tax reduction of £280. For marriages 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.

Age at 5 April 2012	Personal allowance	Maximum married couple's allowance
65 - 74	£9,940	
75+	£10,090	
Elder spouse		Tax reduction
76+		£729.50
Minimum		£280.00

Tax planning objectives for the family

With careful planning, using the available personal allowances and gains exemptions, a couple with two children could have income and gains of at least £72,300 tax-free, and income up to £169,900 before paying any higher rate tax.

Planning objectives should include:

- Making the most of tax-free opportunities
- Keeping marginal tax rates as low as possible
- Maintaining a spread between income and capital.

Income tax and capital gains tax rates for 2011/12				
Rate Band	**Taxable Income**	**Earnings etc**	**Savings**	**Dividends**
Basic	Up to £35,000	20%	10%/20%*	10%
Higher	Over £35,000	40% **	40% **	32.5% **
Additional	Over £150,000	50%	50%	42.50%
	Capital Gains			
	First £10,600	Tax-free		
	Remainder	18%/28%***		

* There is a 10% starting rate for savings income up to the starting rate limit (£2,560) 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 50% (or additional) top income tax rate

The top rate of income tax, for those with taxable incomes in excess of £150,000, is 50% (42.5% for dividends). Talk to us now for our latest thoughts on minimising the impact of the 'temporary' top tax rates.

Avoiding the '60% tax rate'

Personal allowances are scaled back if income exceeds £100,000, giving an effective tax rate on a £14,950 slice of income of 60%.

With care, it might be possible to reduce your taxable income and retain your allowances – for example, through salary sacrifice or pension savings.

Transferring your assets

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

However, there are special rules for spouses on the transfer of assets. In many cases for both CGT and IHT there is no tax charge, but there are some exceptions we can advise you on.

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 is essential.

Case Study 1				
Scott is a single person with a gross 2011/12 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 £6,685.12.				
	Earnings	**Interest**	**UK Dividends**	**Gains**
Income and gains	25,000	5,000	15,000	11,000
Deduct: Personal allowance	– 7,475			
Deduct: CGT exemption				-10,600
Taxable	17,525	5,000	15,000	400
Tax at:				
20% on	17,525	5,000		
10% on			12,475	
32.5% on			2,525	
28% on				400
Totals	£3,505.00	£1,000.00	£2,068.12	£112.00
			Total tax liability £6,685.12	

Your children

One of the most notable financial challenges facing children today is the amount of debt they will have incurred by the time they leave university. Studies suggest that students going to university now could come out with debts in the region of £25,000. This figure is likely to rise further in the coming years.

For younger children, the Child Trust Fund (CTF) created the opportunity for parents, grandparents and other family members to build – with Government help – 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 but a new **Junior Individual Savings Account (ISA)** will be available during 2011. Further details are provided on page 19.

Every child has their own personal allowance, meaning that income up to £7,475 escapes tax this year, as long as it does not originate from parental gifts. If income from parental gifts exceeds £100, the parent is taxed on it unless the child has reached 18, or married. Thus parental gifts should perhaps be invested to produce tax-free income, or accumulate income, or in a cash ISA. The £100 limit does not apply to gifts into CTFs or National Savings Children's Bonus Bonds.

Generation skipping

Income from capital gifted by grandparents or more remote relatives will 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 £280 this year is given on maintenance paid to a former spouse under orders or enforceable agreements, as long as at least one of the former parties to the marriage was born before 6 April 1935.

The special CGT/IHT treatment for transfers between spouses applies throughout the tax year in which 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.

Therefore, careful consideration on the timing of such transfers is needed.

Planning for the unexpected

How would your spouse and/or children manage if you died or were incapacitated tomorrow?

Beyond taking the obvious step of ensuring you have adequate insurance cover, with life assurance perhaps written into trust for your spouse or children to ensure quick access to funds, you need to make a Will. We also strongly recommend that you:

- **Make a living Will:** so you can make clear your wishes in the event that, for example, you are pronounced clinically dead following an accident
- **Execute a lasting power of attorney:** so that if you become incapable of managing your affairs, whether as a result of an accident or illness, you can be assured that responsibility will pass to someone you choose and trust.

Of course, all of this also applies for your spouse. Make sure that your family protection planning considers the possibility that both parents may be simultaneously killed or incapacitated.

On a practical note, tell your spouse, your parents, and your business partners where your Will and any related documents are kept – it is still up to you to decide whether to tell them what the documents contain, but if you are passing responsibility for managing your affairs on to others, it would be advisable to talk matters through with them now.

Do you have unclaimed assets?

It is estimated that over £15 billion of assets lie unclaimed in the UK. To see if you have any lost assets contact the unclaimed assets register on **0870 241 1713**.

To see if you have an unclaimed Premium Bond prize, call **0845 964 5000** or visit **www.nsandi.com**.

Taxation of non-domiciliaries and others entitled to claim the remittance basis for UK taxation

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 very brief summary of the position for 2011/12:

- If you are an adult caught by the 'years of residence' rule, and your unremitted foreign income or gains exceeds £2,000, you will have to make a choice of whether to include them in your self assessment return for 2011/12 and pay UK tax or pay the £30,000 tax charge. The decision is made when you complete your 2012 Tax Return, and the tax will be payable as 2011/12 tax
- You may be able to claim credit for the UK tax or £30,000 charge against your liability elsewhere in the world, and against the UK liability when the income or gains are eventually remitted
- The concept of what constitutes a remittance goes beyond money you bring into the UK. For example, tax will be due on the remittance to the UK by 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)
- Key to managing your tax liabilities is the ability to identify and track capital, income and gains. People 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.

Changes announced

In the 2011 Budget the Chancellor announced two major changes, proposed for introduction with effect from April 2012:

- An increase in the annual Remittance Basis Tax Charge from £30,000 to £50,000 for those who have been resident in the UK for 12 or more years, and
- Provisions for those remitting foreign income or capital gains to the UK for the purpose of commercial investment in UK businesses to do so without incurring an income tax or capital gains tax charge.

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		

Please speak to us about the following:

- **Understanding the tax allowances and rates available to you**
- **Making the most of tax-free opportunities**
- **Ensuring that tax rates are as low as possible across the family**
- **Using savings, capital and other vehicles to give your children a better start in life**
- **Drafting a Will**
- **Making a living Will and giving someone you trust a lasting power of attorney over your affairs**
- **Insuring your life and obtaining disability and critical illness insurance**
- **Saving for income and investing for capital growth**

Effective business planning

Starting a new business venture

Starting a new business venture always carries an element of risk, regardless of the economic conditions. Of course, there are many factors to consider, including: the nature of the business; your target market and competitors; the potential for profit; how you will extract those profits; how fast the business will grow; how the business will impact on your life; the potential risks involved; and how you plan to exit the business when the time comes.

Business plan: A comprehensive business plan is essential. This should include: your sources of funding; tax-efficient borrowings; whether the business needs a PAYE scheme and/or to be VAT registered; and, not least, the business structure that will best meet your needs (sole owner, partnership, limited liability partnership or limited company). We can help you through the decision-making process – and to make the appropriate registrations. A good cash flow forecast can help you spot potential times when cash will be short, and regular updates will help you to determine how your business is performing.

Business structure: You will need to decide which business structure best suits your needs. 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 of business.

Choosing a year end: It is also important to choose the right year end for your business. Is there a time of year when it will be more convenient to close off your accounting records, ready for us? What would be the best time of year for stock-taking? To what extent is your business seasonal? From a tax viewpoint, the choice of 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. Conversely, a reduction in profits will more slowly result in a lower tax bill.

HMRC registration: Informing HMRC when you become self-employed, and probably liable to Class 2 national insurance contributions (NICs), may not be very high on your list of priorities in the first weeks and months of a new business. However, failure to notify will attract a penalty if tax or NICs are unpaid as a result. We recommend that you register as soon as possible to begin paying NICs and notify HMRC of your new self-employed status.

Regional employer NICs holiday for new businesses

This is a scheme intended to assist new businesses in targeted areas of the UK. Within a three year qualifying period, employers eligible for the scheme will not have to pay the first £5,000 of Class 1 employer NICs due in the first 12 months of employment. This will apply for each of the first 10 employees hired in the first year of business.

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

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	

Deductible expenses

Our role is to work with you to minimise your taxes, and it is important to take advantage of all the opportunities available.

You will pay tax on your taxable profits, so it is essential 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 can also claim for the cost of travel and accommodation when you are working away from your main place of business. You must keep adequate business records – including a log of business journeys – because in addition to ensuring your accounts are accurate, these records may be requested by HMRC.

You might want to consider using an appropriate computer package for record keeping.

Claiming 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 first £100,000 of the year's investment in plant and machinery, except for cars, is allowed at 100%. This applies to any size of business 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.

Please note that the maximum AIA reduces to £25,000 with effect from April 2012.

There are special rules which may disallow property loss relief against general income to the extent that the loss is attributable to the AIA. This provision will only apply where there are relevant tax avoidance arrangements. Contact us for more details.

Enhanced Capital Allowances (ECA): In addition to AIA, a 100% first year allowance is available on energy saving or environmentally beneficial 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%).

There is a separate ECA scheme for electric and low CO_2 emission (up to 110 g/km) cars, zero-emissions goods vehicles (the last proposed, for five years from 1 April 2010 (corporates) or 6 April 2010 (others)) and natural gas/hydrogen 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 additional expenditure not covered by the AIA (or ECAs) level enters either the main rate pool or a special rate pool, attracting WDA at the appropriate rate. These rates are set to reduce from 20% to 18% and 10% to 8% respectively, with effect from chargeable periods ending on or after 1 April 2012 (corporates) or 6 April 2012 (other businesses). The special rate 10% pool applies to long life assets, the addition of thermal insulation to existing commercial buildings, 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).

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

Businesses may claim a WDA of up to £1,000 where the unrelieved expenditure in the main pool or the special rate pool is £1,000 or less.

Cars: The main rate applies to cars with CO_2 emissions exceeding 110 g/km. However, cars with CO_2 emissions above 160 g/km will be restricted to the special rate. Expenditure incurred before April 2009 on 'expensive' cars continues 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: The phased withdrawal of industrial and agricultural buildings allowances ended during 2010/11.

A maximum 100% initial allowance is available for conversion of parts of business premises into flats and for business premises renovation allowance. 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. Maximum rates of relief for 2011/12 are as follows:

- For small and medium-sized companies paying tax at 20%, the maximum rate of tax relief is 40% (that is a tax credit on 200% of the expenditure)
- For small and medium-sized companies not yet in profit, the relief can be converted into a tax credit payment worth 28%
- For larger companies paying tax at 26%, the maximum rate of relief is 33.8% (that is a tax credit on 130% of the expenditure).

SME relief is capped at €7.5 million per project and subject to the most recent accounts having been prepared on a going concern basis.

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. This means that they will qualify for relief on 130% of their R&D expenditure.

Involving family members

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

Have you considered providing a van as an alternative to a company car? The maximum annual tax bill on the use of a company van with unlimited private use is only £1,500 or £1,775 including free fuel.

You can also take family members into partnership, thereby gaining more flexibility in profit allocation. In fact, 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 taking family members into your business may put the family wealth at risk if, for example, the business were to fail.

HMRC may challenge excessive remuneration packages or profit shares for family members, so seek our advice first. 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 in most cases.

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 first.

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

Susan, a sole trader, draws up her accounts to 31 July each year. Her profits for the year ended 31 July 2011 will normally be taxed in 2011/12.

There are special rules for the early and final years of a business, and for partnership joiners and leavers.

There is a growing number of 'fines' for those not complying with the rules and regulations of Government departments. We have already mentioned income tax and Class 2 NICs, but other 'pitfalls' to avoid are:

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

If we are to help you to steer clear of these pitfalls, you must let us have all the details for your accounts and Tax Returns in good time, and inform us of any changes in your business, financial and personal circumstances.

Employed or self-employed?

Determining whether someone is employed or self-employed is not as straightforward as it might first appear. There is no statutory definition of 'employment' or 'self-employment'. Rather, there is a series of 'tests' which HMRC will apply to ascertain whether someone is classified correctly.

Because large amounts of both tax and NICs can be at stake, HMRC can take quite an aggressive line and mistakes can cost you dearly, so advice tailored to your situation is essential.

'IR35' rules require businesses to 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 would welcome the opportunity to advise you about these.

Debtors and unbilled work

It is a feature of the tax system that businesses 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. This was not always the case, and thus HMRC has been 'catching up'.

We will need to discuss with you exactly what needs to be identified and the basis of valuation. And whether you are starting a new business or running a more mature business, keeping an eye on debtors and unbilled work is crucial to your cash flow.

Considering limited company status

You could form a limited company if the limitation of liability is an important consideration – but do bear in mind 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%.

Retained funds 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. Forming a partnership with your own limited company or introducing limited partners into your partnership or limited liability partnership (LLP) can create tax-saving opportunities.

An increasing number of businesses have incorporated, or introduced limited partners, but there are important implications which we would be happy to discuss with you, before you decide whether or not to incorporate your business.

Your national insurance liability

While leaving profits in the company can be tax-efficient, you need money to live on, so you should consider the best ways to extract profits.

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

Six ways to save NICs:

1. Increasing the amount the employer contracts to contribute to company pension schemes (subject to allowance not being exceeded)
2. Share incentive plans (shares bought out of pre-tax and pre-NIC income)
3. For companies, disincorporation and instead operating as a sole trader or partnership
4. Instead of more salary, paying a bonus to reduce employee (not director) contributions
5. Paying dividends instead of bonuses to owner-directors
6. Provision of childcare and other tax-free benefits.

Owner-directors: increasing 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 2011/12 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%	-3,514	
Additional tax		-2,000
Net amount extracted	5,097	6,000

Please note that in Case Study 3 we assume that you are paying higher rate tax at 40%, and that your earnings exceed the so-called 'upper limit' for NICs. There are many matters to be considered when deciding whether directors should be paid by dividend or salary/bonus. In practice, a combination of each is often an appropriate course.

Remember that dividends are usually payable to all shareholders. Although it is possible to waive dividends, this can result in tax complications, so 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.

Strategies to consider before the year end

Tax and financial planning should not be left until the end of the tax or financial year, but in advance of the end of YOUR business year. Issues to consider include:

- The impact on your tax position and financial results of accelerating expenditure into the current financial year, or deferring it into the next
- 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
- Avoiding overvaluing stock and work in progress
- Improvements to your billing systems and record keeping, or a general systems review to improve profitability and cash flow
- National insurance efficiency and employee remuneration packages with potential cost savings for both you and your employees.

Tax payment deadlines – beware the penalties

The timetable of 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.

There is also a system of interest and penalties to encourage prompt payment.

For example, if any balance of tax due for 2010/11 is not paid within 30 days after 31 January 2012, HMRC will add a 5% late payment penalty as well as the interest that will be charged from 1 February 2011. A further 5% penalty will be added to any 2010/11 tax unpaid after 31 July 2012, with a final 5% penalty added to any 2010/11 tax still unpaid after 31 January 2013. In addition interest is charged on outstanding penalties, as well as on unpaid tax and NICs.

If you have incorporated your business the company will be paying corporation tax. Corporation tax is normally payable nine months and one day after the end of the accounting period.

If cash flow is tight, HMRC could 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 need or wish to apply.

Reducing payments on your 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.

Do not wait until it's too late – please keep us informed of any factors which might affect your tax liability.

We can only suggest business solutions if you tell us in good time about any issues facing your business.

Payments on account will not be required where the net liability does not exceed £1,000, or where the self assessment tax/NIC is less than 20% of the previous year's total income tax/Class 4 NIC liability (instead, the full liability is due on 31 January after the tax year).

Case Study 4

Gavin is self-employed. His accounts are made up to 31 August each year. When we prepare the 2011 Return we will be including his profit for the year ended 31 August 2010, and that is the profit which will be taxed for 2010/11.

Gavin's payments on account for 2011/12 will automatically be based on the 2010/11 liability.

If we know that Gavin's profits for the year to 31 August 2011 are significantly less than the previous year, we can discuss the figures, perhaps even prepare the annual accounts, and make a claim to reduce Gavin's 2011/12 payments on account, easing his cash flow by reducing the tax payments due in January and July 2012.

Protecting your business

Planning to protect your business is always important, but in times of economic change it is even more vital to keep an eye on the essentials. Some of the key points you may want to consider include:

Controlling costs
Examine areas where the business might be able to cut its expenditure. For example, you might want to review your levels of stock – are you carrying more than is sensible?

Monitoring cash flow
Drawing up a realistic cash flow forecast is essential and will allow you to identify the likely peaks and troughs in net cash over the coming months. This will then enable you to take appropriate action if the business is expected to encounter difficulties.

Managing credit control
Late payment can pose a serious threat to a business. Minimise the risk by performing credit checks on new and potential customers, sending invoices in a timely manner, and enforcing a rigorous debt collection policy.

Planning ahead
Planning ahead could be key to your business's survival and growth, particularly in times of change and economic uncertainty. Through forward planning you can not only minimise the amount of tax you pay, but also protect and strengthen your business for the future.

Contact us for advice on:

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

Tax and employment

Is your PAYE code correct?

The PAYE system aims to collect, over the course of a tax year, approximately the right amount of tax from your earnings. This is done by the issue of one, or sometimes a series of, tax codes, which are used by your employer to calculate the tax 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 changing jobs and 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, look at your salary slip and 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 age 65-74 (assumes income less than £24,000)

Y includes the full personal allowance for age 75 or over (assumes income less than £24,000)

T there is usually an adjustment in your code which requires manual checking by HMRC each year – for example, you might be over 65 with income over the limit for the full higher rate of personal allowance and therefore your allowance has 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 direct – for example, the tax due on your taxable employment benefits might be collected through increasing the 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 – we can arrange for the adjustment to be removed.

Loans provided by employers

Where loans from an employer total more than £5,000 at any point during the tax year, tax is chargeable on the difference between any interest actually paid and interest calculated at the official rate.

Expense payments

Your employer is required to report expenses payments to HMRC on 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 2011/12 P11D no later than 6 July 2012.

This laborious 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
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
Although most benefits are fully taxable, some attract specific tax breaks. Combining benefits with a properly arranged salary sacrifice can mean substantial savings for both employer and employee.

Getting the package right can be very beneficial – especially for those with income of more than £100,000 who will lose their personal allowances. Talk to us if you fall into this marginal category.

Travel and subsistence

Site-based employees are 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. The maximum period for which a place of work can be regarded as 'temporary' is currently 24 months.

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

Pension schemes

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

You should 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 2011/12). Please refer to page 16 for further information.

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). (See table below)

Environmentally-friendly cars

The reductions of emissions-based percentages for cars that can be driven on alternative fuels came to an end on 5 April 2011. However, for cars which cannot produce CO_2 emissions in any circumstances when driven, the percentage is set at 0%.

Fuel for private mileage

If your employer provides fuel for any private travel, there is a taxable benefit, calculated by multiplying the fuel benefit multiplier of £18,800, by the same percentage as above. 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.

Note that the £80,000 limit for the price of a car for car benefit purposes no longer applies.

Company car benefit percentages								
CO_2 in g/km	**Taxable%**		**CO_2 in g/km**	**Taxable%**		**CO_2 in g/km**	**Taxable%**	
	Petrol	**Diesel**		**Petrol**	**Diesel**		**Petrol**	**Diesel**
Up to 75	5	8	150 – 154	20	23	190 – 194	28	31
76 to 120	10	13	155 – 159	21	24	195 – 199	29	32
121 – 124	15	18	160 – 164	22	25	200 – 204	30	33
125 - 129	15	18	165 – 169	23	26	205 – 209	31	34
130 – 134	16	19	170 – 174	24	27	210 – 214	32	35
135 – 139	17	20	175 – 179	25	28	215 – 219	33	35
140 – 144	18	21	180 – 184	26	29	220 – 224	34	35
145 – 149	19	22	185 – 189	27	30	225 and above	35	35

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

Car – fuel only advisory rates			
Engine capacity	**Petrol**	**Diesel**	**Gas**
Up to 1400cc	14p	13p	10p
1401 - 2000cc	16p	13p	12p
Over 2000cc	23p	16p	17p
Rates from 1 March 2011. Subject to change; please contact us for the latest rates.			

Mileage allowance or free fuel?

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

Am I 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? 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 to be looked at on its own merits, and considered from the point of view of both the employee and the employer. And cost is not the only factor. As an employee, it might cost you more to have a company car, but you do not have to worry about bills or the cost of replacement. As an employer running company cars, it might be more expensive, but you retain control over what may, for your business, be key operating assets.

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 not allocated to any one employee and are only available for genuine business use. Such cars are usually known as pooled cars. HMRC's definition of a pooled car is very strict, but if a car qualifies there is no tax or NIC liability.

Company vans

Unlimited use of a company van results in a taxable benefit of £3,000, with a further £550 benefit if free fuel is also provided.

The resulting tax bill can be up to £1,775, with an NIC bill for the employer of £490. Restricting the employee's private use to only home to work travel could mean that both figures reduce to zero. Many people have seen significant savings for both employer and employee in 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'!)

Case Study 5

Louise is an owner-director. For her company car she had chosen one with a list price of £18,000. The car runs on petrol and emits CO_2 at a rate of 182 g/km.

Louise's company is successful and she pays tax at 50%. Her 2011/12 tax bill on the car is therefore **£2,340** (£18,000 x 26% x 50%).

Louise's company will pay Class 1A NICs of **£646** (£18,000 x 26% x 13.8%).

The company also pays for all of Louise's petrol. Because Louise does not reimburse the cost of fuel for private journeys, she will pay tax of **£2,444** (£18,800 x 26% x 50%) and the company will pay Class 1A NICs of **£675** (£18,800 x 26% x 13.8%).

£6,105 is the total tax and NIC cost.

Furthermore, although the company is paying for the fuel, the company will also need to pay a gross amount of over **£9,966** to provide Louise with the funds to pay the tax. When employers' national insurance is taken into account, the gross cost before tax relief of funding Louise's tax and the NIC liabilities will be over **£11,341**.

Looking ahead:

2012/13 – The special rules for QUALECs (qualifying low emissions cars, those with CO_2 emissions not exceeding exactly 120 g/km) will be abolished, with effect from 6 April 2012.

The lowest appropriate percentage will still be 10%, but will apply to cars with CO_2 emissions of up to 99 g/km. The rate for emissions of 100 g/km will be 11% and will increase by 1% for every 5 g/km to the current maximum of 35%, as at present.

2015/16 – The appropriate percentage for zero emission cars reverts to 9% from 6 April 2015, unless this figure is changed in a future announcement.

The special rules for cars with CO_2 emissions not exceeding exactly 75g/km will be abolished.

Talk to us for assistance with:

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

Exiting your business

Planning for your exit

Few people starting a business will have a clear plan for its end, yet it is essential to give early consideration to how you will make your exit when the time comes.

Creating and putting into practice appropriate strategies at each stage of your business life is crucial if you wish to obtain the maximum reward for taking the risks inherent in being in business.

Every business owner should develop a personal exit strategy.

Important issues to consider may 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 the 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 essential to start planning in advance how you will realise that value.

This is particularly 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 how you will maximise the net proceeds from its sale. You will need to consider:

- When might you sell?
- Who are the prospective purchasers?
- What are the opportunities to reduce the tax due following your sale?

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

Building on the sale value

Whoever buys 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.

The value attributable to many businesses is driven by their historical profits, and therefore a rising trend in profitability should result in an increase in the business’s value.

Profitability planning is always important, but is particularly so in the years leading up to the sale. So, what is the range of values for your business?

Although you may think you can make an educated guess, a professional valuation gives you more solid ground. Determine your position today and then work with us to establish how you can make your business more valuable.

Valuing the business: key points to consider

- Are sales flat, growing only at the rate of inflation, or exceeding it?
- Is yours a service business with limited fixed assets, or are stock and equipment a large part of your company’s value?
- 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?
- Does your company use up-to-date technology?
- Does your business 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 you formalised contracts with suppliers and customers?

Deciding when to sell

You need to weigh up the factors which might influence the right time for you to sell your business.

You might want to take into account **personal factors** such as:

- When do you want 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 'fashionable' or at the leading edge?
- Is your business forecasting increases to the top and bottom lines?
- Is your business doing better than other similar businesses?
- Is your business at, or near, its full potential?

Capital gains tax planning

Taxes are one of the realities of the businessperson'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 principle, 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.

CGT reliefs may be very valuable: It is possible that reliefs can reduce a 28% CGT bill to zero. If you want 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 claim.

The current rules

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 2011/12. 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.

For those in business there is a special tax relief (**Entrepreneurs' Relief**) which may reduce the tax rate on the first £10 million 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.

Transitional relief is available for certain disposals arising prior to 5 April 2008, where gains were deferred, such as QCBs (qualifying corporate bonds) and EIS (Enterprise Investment Scheme), provided the deferred gain would have qualified for Entrepreneurs' Relief if it had been available at the time of the original disposal. The provisions also allow for Entrepreneurs' Relief to be claimed in reorganisation transactions arising from 6 April 2008.

What is clear is that all such planned transactions will require careful scrutiny to ensure Entrepreneurs' Relief is maximised. Some disposals which would have qualified for the maximum business assets taper relief do not qualify for Entrepreneurs' Relief. 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) and your business

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: Do not overlook your business when you draw up your Will. Reliefs may mean that there is little or no IHT to pay on your death, but 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.

We can provide guidance on the following:

- **Grooming your business for sale and minimising the tax due**
- **Identifying successors within the business**
- **Identifying 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

Avoiding a pensions shortfall

According to recent studies, many people are not putting enough money aside to ensure that they are able to enjoy a comfortable retirement. In fact, around half of the UK population are failing to save sufficient funds for their retirement, suggesting that Britain is facing a pensions shortfall.

You might not want to think about it now, but sooner or later being able to retire when and how you want is likely to be one of your foremost financial objectives. Achieving a comfortable retirement will take planning and implementation. Unless you are in the fortunate position of having a final salary pension scheme which is not underfunded you will almost certainly need to augment your state pension. Remember, you could spend a third of your life in retirement, so make sure you take steps to ensure that this period is as financially secure as possible.

Your retirement: planning ahead

As well as your age and the number of years before retirement, your planning strategy will be determined by a number of factors:

- Is there a company pension scheme?
- Are you self-employed?
- How much can you invest for retirement?
- How much state pension will you receive?

You can request a forecast of your state pension from the State Pension Forecast Service, by logging on to the Directgov website: **www.direct.gov.uk**

Relying on your state pension, which this year is just under £8,500 for a married couple, is an unrealistic proposition at best.

There is an overall lifetime limit on tax-advantaged pension funds of £1.8 million (2011/12). 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 2011/12).

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 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.

Future changes to workplace pensions

To encourage more people to save for retirement, the Government is introducing compulsory workplace pensions for eligible workers. The changes are being phased in between 2012 and 2016 (larger employers first, smaller employers last).

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 pension scheme that is being introduced by the Government.

There will 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.

Private pensions

If you are not in a company scheme, you should make your own arrangements, since relying on the state pension is already unwise, 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 influence over how the funds are invested.

Personal pension schemes

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 2011/12) in all years.

Where pension savings in any of the last three years' pension input periods (PIPs) were less than £50,000, the 'unused relief' carries forward. But 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

Roger invested £20,000 in his pension policy in the PIP ending in 2008/09, £60,000 in the 2009/10 PIP and £20,000 in the 2010/11 PIP.

He can carry forward to 2011/12 £20,000 of unused relief from 2008/09 (the other £10,000 is restricted because of the 2009/10 'excess') and £30,000 from 2010/11.

Roger's maximum pension investment is therefore set at £100,000 for his 2011/12 PIPs.

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.

The annual allowance for 2010/11 PIPs was £255,000.

Where pension savings exceed the £1.8 million lifetime allowance at retirement (and protection 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 50% 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 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

Christopher will earn £60,000 in 2011/12. He will invest £12,500 into his personal pension policy. He has no other income and claims only the basic personal allowance. Christopher will pay his pension provider a premium, net of basic rate tax relief of £10,000.

He is also entitled to higher rate tax relief on the gross premium, amounting to £2,500. As Christopher is an employee, we can ask HMRC to give the relief through his PAYE code. Otherwise, we would claim in Christopher's 2012 tax return.

Thus the net cost to Christopher of a £12,500 contribution to his 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.

There are a number of 'standards' providers must meet, 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 – don't offer a 'relief at source' scheme whereby they claim back tax at the basic rate. Instead we claim the tax relief you're due through your self assessment tax return, or if you don't complete a tax return by contacting HMRC on your behalf.

Downsizing and equity release

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

If you wish to continue living in the same property, 'equity release' might be an alternative approach. Equity release might not suit everyone, and you should discuss all the implications with us and your other financial advisers.

Start planning now

Although it's never too late to plan for your retirement, the earlier you start, the more chance you will have to accumulate the funds you will need. In the current climate, whether you choose to focus on pension savings, alternative savings and investment strategies, or a combination of both, your investments will need time to grow.

Talk to us about key points such as:

- **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

Ongoing financial planning

Of course, the process of financial planning is ongoing. Even after you have made a plan, you must monitor it and adjust it as necessary to ensure that you are moving in the right direction.

Many who build the framework for a plan fall short when it comes to implementing it, so it is important to be realistic.

Creating realistic objectives

This involves balancing 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 to meet your objectives by setting a number of short, medium and long-term goals and prioritise them within each category.

Common objectives in financial planning

- 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
- Accumulate 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 choosing 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.

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 are unlikely to 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

Those with a lump sum to invest 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.

Bank and building society accounts

Although, as we have already suggested, 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.

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 the faint-hearted. 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 are charged to tax, as are dividends.

Investing in property

Whether commercial or residential, property is generally considered a long-term investment.

'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.

ISAs

Up to £10,680 can be invested in an ISA this tax year.

Those investing have the option to invest the full £10,680 in stocks and shares, or up to £5,340 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 have been able to invest up to £5,100 in a cash ISA.

Following the closure of the Child Trust Fund (CTF) to new entrants early in 2011, a tax-free **Junior ISA** will be available from Autumn 2011, 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 will be capped at £3,000. Funds placed in a Junior ISA 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 for the best deals, particularly with interest rates for many ISAs being currently relatively low.

Other tax-efficient options

Investments under the Enterprise Investment Scheme (EIS) and investments in Venture Capital Trusts (VCTs) are, generally, higher-risk investments. 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 £500,000 of investment per annum. The effective maximum for a 2011/12 investment is 25% of £1,000,000, if £500,000 is carried back for relief in 2010/11 – 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. In addition, although increases in the value of shares acquired under the EIS up to the £500,000 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 £8 million after the investment and there are many restrictions to ensure that investment is targeted at new risk capital. Companies must also have fewer than 50 full-time employees (or the equivalent), and have raised less than £2 million under any of the venture capital schemes in the 12 months ending with the date of the relevant investment.

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

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

Please contact us for advice on:

- **Your wealth building strategy**
- **Setting and achieving savings goals**
- **The difference between saving and investing**
- **How income and gains will be taxed**
- **Investing for your retirement**
- **Tax-free investments**
- **The tax consequences of different investments**
- **Tax shelter investments**

Tax-efficient estate planning

Your estate plan

It is never too early to start thinking about your estate plan. If your estate is large it could be subject to inheritance tax (IHT), but even if it is small, planning and a well drafted Will can ensure 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, annual exemption)

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

Drafting a Will

If you own property – a home, a car, investments, business interests, retirement savings, collectables, personal belongings, etc – then you need a Will. A Will allows you to choose who will distribute your property after your death, and the people to whom it will be distributed. However, many people do not appreciate its importance. If you have no Will, your property could be distributed according to the intestacy laws.

The more you have, the less you should leave to chance when it comes to creating an estate plan that minimises taxes.

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

Where should you begin?

Start by answering 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 only to those children 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?

Utilising tax exemptions

You should make the best use of IHT exemptions, including:

- 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 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 are exempt only to the extent of £55,000.

Married couples 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 2011/12 – frozen until 2014/15) was wasted unless a nil-rate band trust had been included in the Will.

Under rules which apply to second deaths after 8 October 2007, 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	
Alistair and Neil were civil partners. Alistair died in May 2008, leaving £50,000 to his more distant family but the bulk of his estate to Neil. If Neil dies in 2015/16 his estate will qualify for a nil-rate band of:	
Nil-rate band on Alistair's death	£312,000
Used on Alistair's death	£50,000
Unused band	£262,000
Unused percentage	83.97%
Nil rate band at the time of Neil's death - say -	£400,000
Entitlement	183.97%
Nil-rate band for Neil's estate	£735,880

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 substantial 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 your liability through gifts

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.

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.

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.

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

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

Gifts to charity

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 (50% additional) rate, you can claim tax relief equal to 25p (38p).

Consequently, at a net cost to you of only 75p (62p additional rate), the charity receives £1.25 – or, for a net cost to you of £100, your donation is worth over £166 (additional rate £200) to charity.

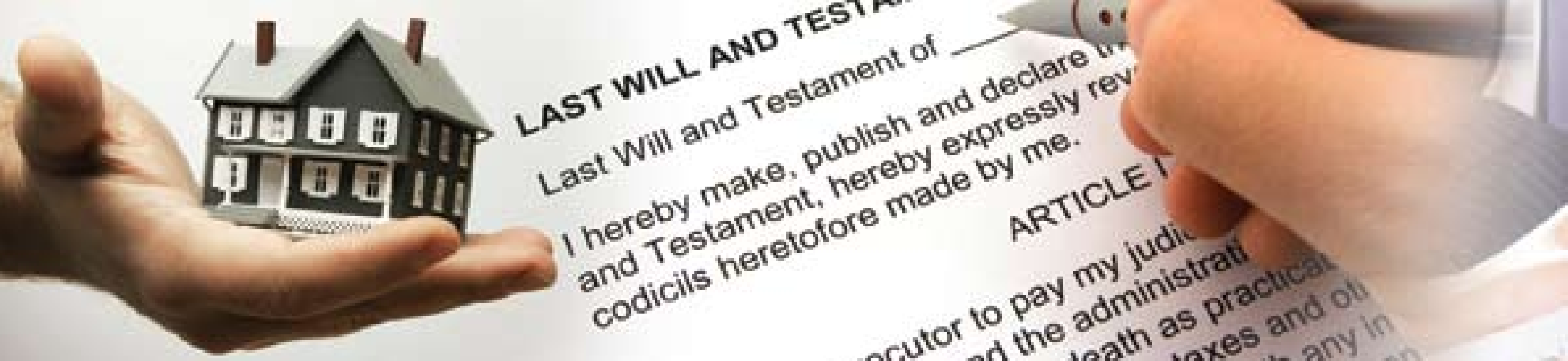
A payment made in the current tax year can, subject to certain deadlines, be treated for tax purposes as if it had been made in 2010/11. This may not appear important to many people, but if you paid higher rate tax in 2010/11 and do not expect to do so this year, a claim will allow you to obtain relief at last year's higher rate.

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.

Tax Repayments: If, when we prepare your 2011 Tax Return, we find that you have overpaid tax, you have the option to ask HMRC to send the payment on your behalf to a charity of your choice. You also have the option to (a) have the donation treated as under Gift Aid, and (b) treated as if it had been made in 2010/11.



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 50% on the value of your donation.

Single 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.

Remarriage and estate planning

Parents face a different set of challenges in 'second' 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, consider leaving something to your grandchildren.

Revising your estate plan

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.

The Will as a planning tool

A properly drawn Will is a powerful planning tool, which enables you to do the following:

- 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.

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.

Please call us for information on:

- **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 ✔

2011/12 tax calendar

April 2011

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 2011

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

October 2011

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

January 2012

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

May 2011

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

August 2011

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 2011

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				

February 2012

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				

June 2011

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			

September 2011

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 2011

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	

March 2012

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	

April 2011

5 Last day of 2010/11 tax year.

Deadline for 2010/11 ISA investments.

Last day to make disposals using the 2010/11 CGT exemption.

Last date for contracting back into the State Second Pension for 2010/11.

14 Due date for income tax for the CT61 period to 31 March 2011.

19/22 Quarter 4 2010/11 PAYE remittance due.

20 Interest will begin to accrue on unpaid PAYE/NI for 2010/11.

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

May 2011

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

19 Last day for filing forms P14, P35, P38, and P38A – 2010/11 PAYE returns – without incurring penalties.

31 Last day to issue 2010/11 P60s to employees.

June 2011

30 End of CT61 quarterly period.

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

July 2011

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

Deadline for submission of EMI40 (EMI Annual Return).

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 2011.

19/22 Quarter 1 2011/12 PAYE remittance due.

Final date for payment of 2010/11 Class 1A NICs.

31 Second self assessment payment on account for 2010/11.

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

Liability to 2nd £100 penalty arises for 2010 Tax Return still not filed.

5% surcharge on any tax unpaid for 2009/10.

Deadline for tax credit Annual Declaration (if estimated, final figures required by 31/01/12).

August 2011

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

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

September 2011

30 End of CT61 quarterly period.

Last day for UK businesses to reclaim EC VAT chargeable in 2010.

October 2011

1 Due date for payment of Corporation Tax for period ended 31 December 2010.

5 Individuals/trustees must notify HMRC of new sources of income/chargeability in 2010/11 if a Tax Return has not been received.

14 Due date for income tax for the CT61 quarter to 30 September 2011.

19/21 Quarter 2 2011/12 PAYE remittance due.

31 Last day to file 2011 paper Tax Return without incurring penalties.

November 2011

1 Please ensure you are retaining your documents for the 2012 Tax Return.

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

December 2011

30 Last day to file your 2011 Tax Return electronically if you wish to have a 2010/11 balancing payment of less than £2,000 collected through your 2012/13 PAYE code.

31 Last day for non-EC traders to reclaim recoverable UK VAT suffered in the year to 30 June 2011.

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 Corporation Tax Return Form CT600 for period ended 31 December 2010.

January 2012

1 Due date for payment of Corporation Tax for period ended 31 March 2011.

14 Due date for income tax for the CT61 quarter to 31 December 2011.

19/20 Quarter 3 2011/12 PAYE remittance due.

31 First self assessment payment on account for 2011/12.

Capital gains tax payment for 2010/11.

Balancing payment – 2010/11 income tax/Class 4 NICs.

Last day to renew 2011/12 tax credits.

First payment due date for 2011/12 Class 2 NICs.

Deadline for amending 2009/10 Tax Return.

Last day to file the 2011 Tax Return online without incurring penalties.

February 2012

1 £100 penalty if 2011 Tax Return not yet filed online. Additional penalties may apply for further delay. Interest starts to accrue on 2010/11 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 2011/12.

March 2012

2 Last day to pay any balance of 2010/11 tax and Class 4 NICs to avoid an automatic 5% late filing penalty.

31 End of Corporation Tax financial year.

End of CT61 quarterly period.

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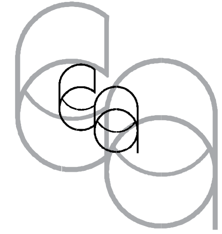

We combine the highest professional standards and ethics with the personal touch of the friendly family business.

We act for a wide-ranging client base, from sole traders to public companies, and can assist you in all aspects of your business and its commercial activities.

Our main aim is to add value to our clients, our association with many of whom stretches back over three generations.

We relish and thrive on the challenge of new business and new opportunities and are always able and willing to work closely with our clients in offering our professional advice and guidance.

In an ever-changing commercial and professional climate we aim to be one step ahead of the game in planning for the future rather than reacting to the past.

In addition to the full range of taxation, accounting and auditing services, Cohen Arnold is able to offer you assistance and guidance in all the following areas:

- *Valuation services*
- *Tax planning and mitigation*
- *Inland Revenue investigations*
- *Information Technology and computer consultancy*
- *Finance raising for both corporate and property acquisitions*
- *Company formation and administration in all jurisdictions*
- *Comprehensive charity services*
- *Business start-up advice*
- *PAYE and VAT administration services*