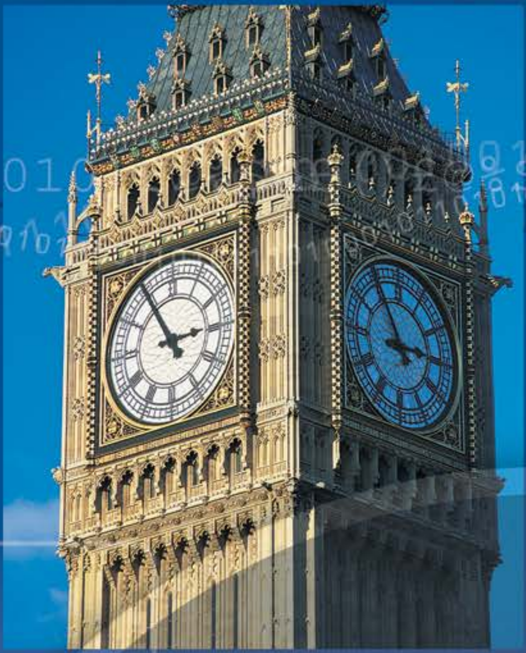
Tax and Financial Strategies



2015/16

cohen arnold
Chartered Accountants
Registered Auditors

New Burlington House, 1075 Finchley Road,
Temple Fortune, London NW11 0PU

Tel: 020 8731 0777 Fax: 020 8731 0778
Email: mail@cohenarnold.com
www.cohenarnold.com

Tax and Financial Strategies 2015/16

Tax has become a political hot topic in recent years, but the fact remains that sensible tax planning within the law – making sure you take advantage of the allowances and incentives that the Government has deliberately put in place – is perfectly sound practice.

The UK tax system is extremely complicated, and you need expert advice and careful planning in order to remain compliant, while also ensuring that you don't pay more tax than is necessary.

Lowering or deferring tax should form a part of your wider financial goals, such as growing your business or achieving financial security for yourself and your family. As your advisers, we can help you to meet those goals.

In this guide we have explained some of the key areas to consider when planning how to optimise your business profits and personal wealth. However, every one of our clients is unique, so do please contact us for one-to-one advice tailored to your individual circumstances.

How to benefit from our services:

Please read those chapters which are relevant to you as soon as possible.

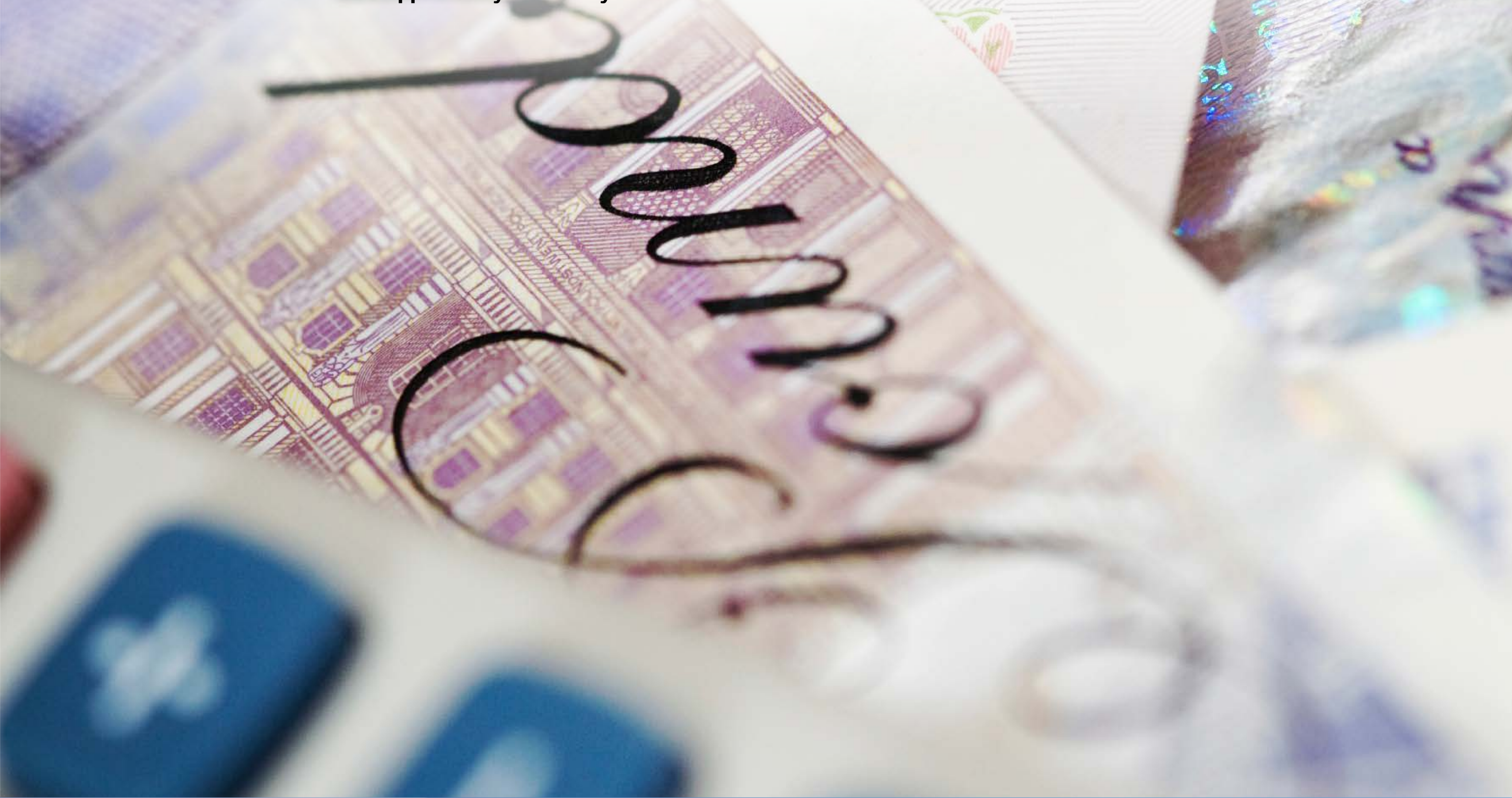
- Take note of the key points arising from this guide, and any action you may wish to consider
- Contact us to discuss your action points, and to evaluate your long-term financial plans.

We would welcome the opportunity to assist you.

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 guide is based on current understanding of legislation and the Government's proposals at the time of publication and under no circumstances should action be taken without first seeking appropriate professional advice.



Introduction

The outlook for the UK economy may be increasingly optimistic, but with the eurozone in crisis, concerns remain over the ongoing risks posed by a fragile global economy. In the 2015 Summer Budget, Chancellor George Osborne sought to emphasise the importance of economic security and pledged that Britain would 'fix the roof while the sun shines'.

Proper forward planning remains the best way to ensure that you are on course to obtain your own business and financial goals.

Business strategies

A good, comprehensive business tax strategy will include considering such elements as:

- choosing the right business structure
- making the most of the available incentives, allowances and reliefs
- claiming tax deductible expenses
- deciding on the best year end date
- minimising your liability to capital gains tax (CGT)
- taking into account the role of family members
- plans for a tax-efficient exit from your business.

Personal financial strategies

Meanwhile, a robust personal tax strategy will focus on ensuring that your long-term financial goals are met for the rest of your life and for the future of your family and dependents. Our role is to help you make the most of the many allowances available and to suggest strategies that suit your particular circumstances.

An effective personal strategy will include such elements as:

- a tax-efficient remuneration package
- tax-efficient ways to extract profit from your business
- planning to ensure a comfortable retirement
- estate and inheritance tax (IHT) planning
- tax-efficient gifting strategies.

Recently announced measures

The Government has recently announced a number of key measures affecting businesses and individuals, with the stated aim of encouraging savers and supporting business and working families.

Measures for savers

The Spring Budget on 18 March unveiled some significant measures for savers, including a relaxation of the rules on annuities, and a new Personal Savings Allowance, both of which take effect from April 2016. In addition, a new Help to Buy ISA will from 1 December 2015 begin to assist first time buyers with the purchase of their first property, while plans to increase flexibility for Cash ISAs will in the future allow savers to withdraw and replace money without it counting towards their annual subscription limit.

The Chancellor subsequently made a number of additional announcements in the Second Budget on 8 July, some of which are outlined below.

Business measures

Annual Investment Allowance (AIA)

After 31 December 2015, the maximum amount of AIA for all qualifying expenditure on plant and machinery was set to fall from £500,000 to £25,000. However, in the Second Budget it was announced that the limit will instead be set at £200,000 with effect from 1 January 2016.

Employment Allowance

From April 2016 the Employment Allowance will increase by 50%, allowing businesses to save up to £3,000 on their national insurance bill.

Corporation tax

In addition to previous cuts, the main rate of corporation tax will be reduced to 19% for the financial years beginning 1 April 2017, 1 April 2018 and 1 April 2019, and 18% for the financial year beginning 1 April 2020.

Personal measures

Inheritance tax (IHT) allowance

Changes to the IHT rules will include a new main residence allowance starting at £100,000 and rising to £175,000 by 2021. This could allow families to pass on up to a total of £1m to their children without paying IHT.

Pensions annual allowance

For those with income (including the value of any pension contributions) above £150,000, the benefits of pensions tax relief will be restricted by tapering away their annual allowance to a minimum of £10,000. This will be effective from 6 April 2016.

A new National Living Wage

From April 2016 a new National Living Wage (NLW) in the form of a premium on top of the National Minimum Wage will be introduced for workers aged 25 and above. Initially set at £7.20, it is expected to rise to over £9 by 2020.

We can help with all of your tax and financial planning needs. For a strategic review of your finances, please contact us.

Strategies for you and your family

Reaching your financial goals

Every client is unique and will have particular financial needs and goals. You might simply want to maximise your wealth so that you can enjoy more of your hard-earned money now and in retirement. You might need to pay for your children's education, or to help support ageing parents. Or perhaps all of the above apply. As your accountants, we can suggest practical ways to help make these objectives become reality.

Using exemptions and allowances

Each individual within your family is taxed separately, and is entitled to his or her own allowances and exemptions. The basic personal allowance for 2015/16 for those born after 5 April 1938 is £10,600, while the capital gains tax annual allowance for 2015/16 is £11,100.

A series of rate bands and allowances are assigned first to your earned income (which includes pensions), then to your savings income, and finally to any UK dividend income.

Planning within the family

By using the available personal allowances and gains exemptions, a couple and their two children could have income and gains of at least £86,800 tax-free, and income up to £169,540 before paying any higher rate tax. Through careful tax planning, we could help you and your family to benefit from more of your wealth.

Your tax planning objectives should include taking advantage of tax-free opportunities, keeping marginal tax rates as low as possible, and maintaining a spread between income and capital.

Income tax rates for 2015/16

Rate Band	Taxable Income	Earnings etc	Savings	Dividends
Basic	Up to £31,785	20%	0%/20% *	10%
Higher	Over £31,785	40% **	40% **	32.5% **
Additional	Over £150,000	45%	45%	37.5%

Capital gains tax rates for 2015/16

Taxable Income	Earnings etc	Savings	Dividends
First £11,100	Tax-free		
Remainder	18%/28% ***		

** There is a 0% starting rate for savings income up to the starting rate limit (£5,000) 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.*

Transferable Tax Allowance

From 6 April 2015 some married couples and civil partners are eligible for a new Transferable Tax Allowance, enabling spouses to transfer a fixed amount of their personal allowance to their spouse. The option to transfer is available to couples where neither pays tax at the higher or additional rate. If eligible, one partner will be able to transfer 10% of their personal allowance to the other partner (£1,060 for the 2015/16 tax year). For those couples where one person does not use all of their personal allowance the benefit will be up to £212 (20% of £1,060).

Starting rate of tax for savings income

From 6 April 2015, the maximum amount of an eligible individual's savings income that can qualify for the starting rate of tax for savings is increased from £2,880 to £5,000, and this starting rate is reduced from 10% to 0%. These rates are not available if taxable non-savings income (broadly earnings, pensions, trading profits and property income) exceeds the starting rate limit.

Case Study

Ella is a single person with a gross 2015/16 income of £45,600 (made up of £25,600 earnings, £5,000 of interest and grossed up UK dividends of £15,000) and capital gains of £11,200 (assuming no other reliefs, etc). She would have a tax liability of £6,251.38.

	Earnings £	Interest £	UK Dividends £	Gains £
Income and gains	25,600	5,000	15,000	11,200
Deduct: Personal allowance	– 10,600			
Deduct: CGT exemption				–11,100
Taxable	15,000	5,000	15,000	100
Tax at:				
20% on	15,000	5,000		
10% on			11,785	
32.5% on			3,215	
28% on				100
Totals	£3,000.00	£1,000.00	£2,223.38	£28.00
Total tax liability £6,251.38				

Personal Savings Allowance

A new Personal Savings Allowance will apply to income such as bank and building society interest from 6 April 2016. The allowance will apply for up to £1,000 of a basic rate taxpayer's savings income, and up to £500 of a higher rate taxpayer's savings income each year. The Personal Savings Allowance will provide basic and higher rate taxpayers with a tax saving of up to £200 each year. The allowance will not be available for additional rate taxpayers and will be in addition to the tax advantages currently available to savers from ISAs.

Asset transferral

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

However, special rules govern the transfer of assets between spouses. In many cases for both CGT and IHT there is no tax charge, but there are some exceptions – please contact us for further advice. In addition, 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 are essential.

The 45% and (hidden) 60% rates

The top rate of income tax, for those with taxable income in excess of £150,000, is 45% (37.5% for dividends). Personal allowances are scaled back if 'adjusted net income' exceeds £100,000. The personal allowance is reduced by £1 for every £2 of income in excess of that limit. This means that an individual with total taxable income of £121,200 or more will not be entitled to any personal allowance. This gives an effective tax rate on this slice of income of 60%.

It may be possible to reduce your taxable income and retain your allowances, if approached with due consideration, eg. by making pension contributions or Gift Aid donations. Contact us now for advice on minimising the impact of the top tax rates.

Another hidden high tax rate

A charge arises on a taxpayer who has adjusted net income over £50,000 in a tax year where either they or their partner are in receipt of Child Benefit for the year. Where both partners have adjusted net income in excess of £50,000 the charge applies to the partner with the higher income.

The income tax charge applies at a rate of 1% of the full Child Benefit award for each £100 of income between £50,000 and £60,000. The charge on taxpayers with income above £60,000 will be equal to the amount of Child Benefit paid.

Claimants may elect not to receive Child Benefit if they or their partner do not wish to pay the charge. Equalising income can help to reduce the charge for some families.

Case Study

David and Helen have two children and receive £1,770 Child Benefit for 2014/15. Helen has little income. David's income is over £60,000 for the 2014/15 tax year. So the tax charge on David is £1,770.

For 2015/16 the Child Benefit for two children amounts to £1,789 per annum. David expects his adjusted net income to be £55,000. On this basis the tax charge will be £895. This is calculated as £1,789 x 50% (£55,000 - £50,000 = £5,000/£100 x 1%).

If David can reduce his income by a further £5,000 no charge would arise. This could be achieved by transferring investments to Helen or by making additional pension or Gift Aid payments.

Cap on reliefs

There is a 'cap' on certain otherwise unlimited tax reliefs (excluding charitable donations) of the greater of £50,000 and 25% of your income. This cap applies to relief for trading losses and certain types of qualifying interest.

Assisting your children financially

University is an expensive prospect these days, and beyond this lies the challenge of finding a deposit for a home. The sooner you start planning for these expenses, the better.

All children have their own personal allowance, so income up to £10,600 escapes tax this year, as long as it does not originate from parental gifts. If income from parental gifts exceeds £100 (gross), the parent is taxed on it unless the child has reached 18, or married. Consequently parental gifts should perhaps be invested to produce tax-free income, or in a cash or stocks and shares Junior Individual Savings Account (JISA).

For younger family members, the JISA offers the opportunity for parents and other family members to build a fund to help offset university expenses and minimise debt at the start of the child's working life. The £100 limit does not apply to gifts into JISAs or National Savings Children's Bonds. From April 2015 pre-existing Child Trust Funds can be converted to JISAs.

The Government has also announced the introduction of a new Help to Buy ISA, which will provide a tax-free savings account for first time buyers wishing to save for a home: please see the 'Savings and investment strategies' section.

Generation skipping

If your child is grown up and financially secure, it may be worth 'skipping' a generation as income from capital gifted by grandparents or more remote relatives will usually 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. The special CGT and IHT treatment for transfers between spouses applies throughout the tax year in which a 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.

Careful consideration as to the timing of such transfers is essential. We can provide advice and assistance in this matter.

Planning for the worst

Proper contingency planning can help to ensure that your spouse and/or children would be able to cope financially if you died or were incapacitated.

One initial step might be to take out adequate insurance cover, perhaps with life assurance written into trust for your spouse or children to ensure quick access to funds. However, it is also important to make a Will. We also strongly recommend that you and your spouse:

- **Make a living Will (also called 'advance decisions'):** so that your wishes are clear with regard to medical treatment in the event that, for example, you were seriously injured following an accident
- **Execute a lasting power of attorney:** so that if you become incapacitated and unable to manage your affairs, whether as a result of an accident or illness, responsibility will pass to a trusted person of your choosing.

On a practical note, make sure that you tell your spouse, your parents, and your business partners where your Will and any related documents are kept. It is your choice whether to discuss your affairs in detail, but if you are passing on responsibility for managing your affairs, it might be advisable to talk matters through with them.

Checking for unclaimed assets

Billions of pounds worth of assets lie unclaimed in the UK. To see if you have any lost assets contact the Unclaimed Assets Register on 0844 481 8180 or visit www.uar.co.uk. Please note that a charge applies for this service. To find out whether you have an unclaimed Premium Bond prize, call **0500 007 007** or visit www.nsandi.com.

Non UK domiciles: the current position

A UK resident and domiciled individual is taxed on worldwide income and gains. Non UK domiciles who are UK resident are currently able to claim the remittance basis of taxation in respect of foreign income and gains. This means that they are only taxed if foreign income and gains are brought into the UK. The non UK domicile is also favourably treated for IHT as they only pay IHT in respect of UK assets as opposed to their worldwide assets.

New proposals for non UK domiciles

The Government intends to abolish non UK domicile status for certain long term residents from April 2017. This will only apply where an individual has been resident for at least 15 out of the last 20 tax years. Such individuals will be treated as deemed UK domiciled for all tax purposes.

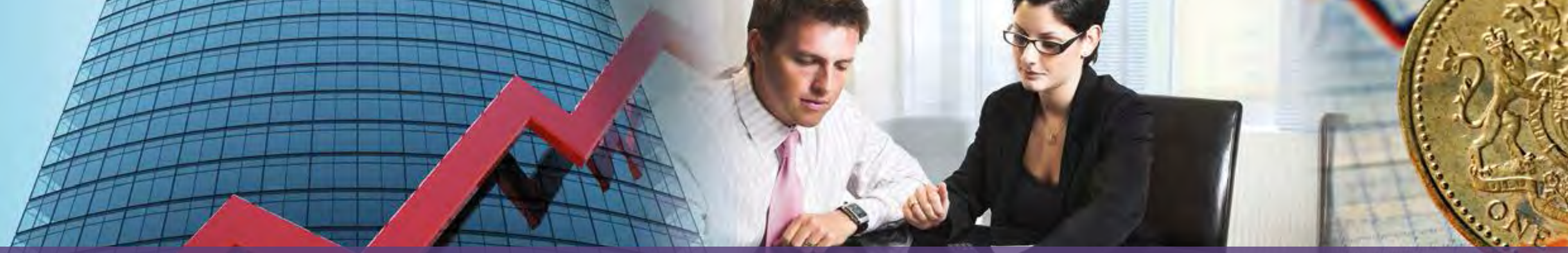
In addition, those who had a domicile in the UK at the date of their birth will revert to having a UK domicile for tax purposes whenever they are resident in the UK, even if under general law they have acquired a domicile in another country.

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		
Tax-efficient estate planning		
Planning for the transfer of your business		
Funeral arrangements and expenses		
A tax-efficient gift strategy		

Next steps: contact us to discuss…

- **Making the most of allowances and reliefs**
- **Ensuring that your tax liability is kept to a minimum within the law**
- **Using savings, capital and other vehicles to give your children a better start in life**
- **Writing a Will**
- **Life insurance and obtaining disability and critical illness insurance**
- **Tax-efficient savings and investments**



Business tax strategies

Business start-up

Starting your own business is one of the most fulfilling and exciting things you can do in life, but naturally it can also be risky. A whole series of crucial decisions will need to be made in the start-up phase, which could affect the prospects of success. We can provide expert, targeted advice and help you avoid the common pitfalls. You'll need to consider such things as: the type of business and its attributes; your target market and competition; profit potential and how you will extract those profits; the rate of business growth; and the impact on your personal life. You should also think about how you plan to exit the business when the time comes.

Business plans

Your business plan should include: the business structure that best meets your needs (such as: sole trader, partnership, limited liability partnership or limited company); your intended funding sources; tax-efficient borrowings; whether a PAYE scheme is necessary; and whether the business should be VAT registered.

We can advise on these important decisions, and help you to make the appropriate registrations correctly. We can help with cash flow forecasts, enabling you to spot potential cash shortfalls, and offer regular updates to enable you to monitor your business's performance.

Your business structure

Deciding on the business structure that best suits your needs isn't always straightforward. There are pros and cons 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 incorporation. We can help you to decide on the best structure for your business.

Choosing a year end

It's sensible to choose a year end that suits your business. Is yours a seasonal business? Is there a time of year when it will be more convenient to close off your accounting records, ready for us? What time of year would be best for stock-taking? From a tax perspective, choosing 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 decrease in profits will more slowly result in a lower tax bill. Speak to us for advice about choosing your year end.

Registering with HMRC

While notifying HMRC of your employment status may seem low on your agenda in those crucial first weeks and months, if you are leaving employment and going it alone with your own business, it is important to inform HMRC of your new self-employed status as soon as possible. If and when you take on employees (and for this purpose *you* will most likely be an employee of your limited company, if you incorporate) you need to register for and set up a PAYE scheme and accept all the responsibilities and obligations that go with it, including compliance with Real Time Information reporting. You will also have to comply with the pensions auto-enrolment obligations. Exemptions apply to director only companies so do get in touch for advice in this area.

Please talk to us as soon as you envisage having employees so we can help you set up a PAYE scheme and comply with your payroll obligations or take on the task for you.

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	

Claiming deductible expenses

The tax system makes available various allowances to reduce the amount of tax you are liable to pay, and our job is to help ensure that you benefit from all of the opportunities available to you.

You will pay tax on your taxable profits, so it is vital 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 may also be able to claim for the cost of travel and accommodation when you are working away from your main place of business, so you should keep adequate business records, such as a log of business journeys. In addition to ensuring that your accounts are accurate, these records may also be requested by HMRC.

An appropriate computer package might be worth considering, to aid concise and effective record keeping.

You may also wish to consider the voluntary cash basis for calculating taxable income for small businesses, which allows eligible self-employed individuals and partnerships to calculate their profits on the basis of the cash that passes through their business. Businesses are eligible if they have annual receipts of up to £82,000 and they will be able to continue to use the cash basis until receipts reach £164,000. This is something we should discuss with you in detail if you are eligible.

Allowable payments include most purchases of plant and machinery, when paid, rather than claiming capital allowances.

If you are an unincorporated business, you are now able to choose to deduct certain expenses on a flat rate basis should you wish to do so – again, this is a matter for discussion as the flat rates are not generous.

Capitalising on 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 maximum annual amount of the AIA was increased to £500,000 from 1 April 2014 for companies or 6 April 2014 for unincorporated businesses, until 31 December 2015. It was due to return to £25,000 after this date but will now be set at £200,000 from 1 January 2016.

Currently this means up to the first £500,000 of the year's investment in plant and machinery, except for cars, is allowed at 100%. The AIA applies to businesses of any size 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.

Enhanced Capital Allowances (ECA)

In addition to the AIA, a 100% first year allowance is also available on new energy saving or environmentally friendly 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 is payable at 19% but subject to limits).

A separate ECA scheme is available for new electric and low carbon dioxide (CO_2) emission (up to 75g/km) cars, new zero emissions goods vehicles (up to 31 March 2018 (corporates) or 5 April 2018 (others)). They still qualify for the 100% first year allowance, but do not qualify for the payable ECA regime.

Writing Down Allowance (WDA)

Any expenditure not covered by the AIA (or ECAs) enters either the main rate pool or a special rate pool, attracting WDA at the appropriate rate – 18% and 8% respectively. The special rate 8% pool applies to long-life assets 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.

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

A WDA of up to £1,000 may be claimed by businesses, where the unrelieved expenditure in the main pool or the special rate pool is £1,000 or less.

Enterprise Zones

The Enterprise Zones in assisted areas qualify for enhanced capital allowances. In these areas, 100% First Year Allowances will be available for expenditure incurred by trading companies on qualifying plant or machinery. The qualifying expenditure must be incurred between 1 April 2012 and 31 March 2020.

Cars

Currently for cars purchased with CO_2 emissions exceeding 75g/km, the main rate of 18% applies. However, cars with CO_2 emissions above 130g/km will be restricted to the special rate of 8%. 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

When a building is purchased for business use, capital allowances can be claimed on plant elements contained therein, eg. air conditioning, subject to certain conditions. A maximum 100% initial business premises renovation allowance is available for converting or renovating unused business premises within designated assisted areas. WDA of 25% (on a straight line basis) applies to expenditure on which an initial allowance is not claimed.

Research and Development (R&D) investment

Tax relief is available on R&D revenue expenditure at varying rates. Current rates of relief are as follows:

- for small and medium-sized companies paying corporation tax at 20%, the effective rate of tax relief is 46% (that is a tax deduction of 230% on the expenditure). From 1 April 2015 for small and medium-sized companies not yet in profit, the relief can be converted into a tax credit payment effectively worth 33.35% of the expenditure

- for larger companies, the effective rate of relief is 26% (that is tax relief on 130% of the expenditure)
- an alternative 11% 'Above the Line' (ATL) credit exists for large company R&D expenditure. The credit is fully payable, net of tax, to companies with no corporation tax liability. The ATL credit scheme is optional until it becomes mandatory on 1 April 2016
- 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. Therefore they will qualify for relief on 130% of their R&D expenditure. An SME may also be entitled to the large company R&D tax credit for certain work that has been subcontracted to it.

Employing family members

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

Family members may also be taken into partnership, thereby gaining more flexibility in profit allocation. Taking your non-minor children into partnership and gradually reducing your own involvement as their contribution increases can be a very tax-efficient way of passing on the family business. However, be aware that bringing family members into your business may put family wealth at risk if, for example, the business were to fail.

Meanwhile, a van might be a tax-efficient alternative to a company car. The maximum annual tax bill on the use of a company van with unlimited private use is only £1,417.50 or £1,684.80 including employer provided fuel. These amounts have been calculated using the top rate of income tax of 45% so for a basic rate taxpayer the costs are less than half of these amounts.

It is worth noting that HMRC may challenge excessive remuneration packages or profit shares for family members, so seek our advice first. In most cases, 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.

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 before taking any action.

Unincorporated businesses

Business profits are charged to income tax and Class 4 national insurance contributions (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

Nilesh, a sole trader, draws up his accounts to 31 July each year. His profits for the year ended 31 July 2015 will normally be taxed in 2015/16.

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

Numerous 'fines' are being administered for those who fail to comply with the rules and regulations set by government departments. We have already mentioned income tax but other possible 'traps' to avoid are:

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

In order to help you to steer clear of these pitfalls, we must receive all of the details for your accounts and Tax Returns in good time, and be kept informed of any changes in your business, financial and personal circumstances.

The question of employment status

As there is no statutory definition of 'employment' or 'self-employment', determining whether someone is employed or self-employed is not as straightforward as it might first appear.

HMRC applies a series of 'tests' in order to ascertain whether someone is classified correctly. As large amounts of both tax and NICs can be at stake, HMRC often takes quite an aggressive line with regard to this issue, and errors can be costly, so seeking advice that is tailored to your situation is essential. Please contact us for assistance in this matter.

Under the 'IR35' rules, companies and partnerships providing the personal services of the 'owners' of the business must consider each and every contract they enter into for the provision of personal 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 can advise you about these, so please contact us for further information.

Whose risk?

If the question is whether an individual is an employee or self-employed, the risk lies with the 'engager' or payer – with a

potential liability for the PAYE which should have been paid over without right of recourse to the 'employee'. If the question is whether or not IR35 applies, the question (and any liability due) is for the individual and his/her company (the payee).

Debtors and unbilled work

As we have already discussed, small businesses may opt into the cash basis and calculate their profits on the basis of the cash passing through the business. However, it is a feature of the tax system that other businesses (including all corporates) 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.

We will need to discuss with you exactly what needs to be identified and the basis of valuation. Keeping an eye on debtors and unbilled work is crucial to your cash flow. We can advise you in all of these areas.

Limited companies

Forming a limited company may be a consideration if the limitation of liability is important, but it should be noted 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 20%.

Funds retained by the company 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 potentially taxed at 10% or 18%/28% on a liquidation or sale.

From April 2016, a new taxation system applies to dividends and this will affect the decision as to whether to trade as a limited company. We would be happy to discuss the implications of incorporation with you, before you decide whether or not to incorporate your business.

National insurance contributions (NICs)

Leaving profits in the company may be tax-efficient, but you will need money to live on, so you should consider the best ways to extract profits from your business.

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

Five NIC-saving strategies:

1. Increasing the amount the employer contributes to company pension schemes. Care should be taken however as there are limits on the amount of pension contributions an individual can make both annually and over their lifetime
2. Share incentive plans (shares bought out of pre-tax and pre-NIC income)
3. For some companies, disincorporation and instead operating as a sole trader or partnership may be beneficial
4. Instead of an increased salary, paying a bonus to reduce employee (not director) contributions
5. Paying dividends instead of bonuses to owner-directors before 6 April 2016.

Increasing your net income as an owner-director

As an example, consider how much you might save if, as an owner-director, you wanted to extract £10,000 profit (pre-tax) your company makes in 2015/16 by way of a dividend rather than a bonus. We have assumed in this scenario that the director has already taken salary in excess of the upper earnings limit for NIC and is a 40% taxpayer.

Case Study

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 (13.8% on gross bonus)	-1,213	
Gross bonus	8,787	
Corporation tax (20% - dividend is not deductible for corporation tax)		-2,000
Dividend		8,000
Employees' NICs (2% on gross bonus)	-176	
Income tax (40% on gross bonus)	-3,515	
Income tax on dividend		-2,000
Net amount extracted	5,096	6,000

Remember that dividends are usually payable to all shareholders and are not earnings for pension contributions and certain other purposes. It is possible to waive dividends, although this can result in tax complications. Finally, you need to consider with us the effect of regular dividend payments on the valuation of shares in your company.

The Government will abolish the dividend tax credit from 6 April 2016 and introduce a new Dividend Tax Allowance of £5,000 a year. The new rates of tax on dividend income above the allowance will be 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers. These rates replace the current effective tax rates of 0%, 25%

and 30.6%. So in the example the income tax on the dividend increases by £600 (assuming the £5,000 Dividend Tax Allowance has already been utilised).

Year end planning

Tax and financial planning should not be left until the end of the tax or financial year, but undertaken before the end of your business year. Some of the issues to consider include:

- the impact that accelerating expenditure into the current financial year, or deferring it into the next, might have on your tax position and financial results
- making 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
- improvements to your billing systems and record keeping system, or a general review of your current systems to improve profitability and cash flow
- national insurance efficiency and employee remuneration.

Avoiding late filing penalties

It is important to keep your tax affairs in order so that you avoid incurring any late filing penalties. The cut-off dates are shown in the calendar, but the current penalties are:

Return one day late	£100
Return 3 months late	An additional £10 for each following day up to 90 days
Return 6 months late	Add £300 or 5% of the tax due
Return one year late	Add £300 or 5% of the tax due*

**In more serious cases, this penalty may be increased to 100% of the tax due.*

The timetable for making 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.

Again, a system of interest and penalties applies. For example, if any balance of tax due for 2014/15 is not paid within 30 days after 31 January 2016, HMRC will add a 5% late payment penalty as well as the interest that will be charged from 1 February 2016.

A further 5% penalty will be added to any 2014/15 tax unpaid after 31 July 2016, with a final 5% penalty added to any 2014/15 tax still unpaid after 31 January 2017. Interest is also charged on outstanding penalties, as well as on unpaid tax and NICs.

If your business is incorporated, it will be liable to corporation tax. Corporation tax is usually payable nine months and one day after the end of the business's accounting period.

If there are cash flow issues, HMRC might 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 wish to apply.

Payments on 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.

There is no equivalent mechanism to make increased payments on account when the year's tax will be higher, so you should ensure that you build a reserve of money to pay the balance of tax due.

Please tell us in good time about any issues facing your business, as we may be able to offer solutions.

Payments on account are not due where the relevant amount is less than £1,000 or if more than 80% of the total tax liability is met by income tax deducted at source. In these cases, the balance of tax due for the year, including capital gains tax, is payable on 31 January following the end of the tax year.

Case Study

Owen is self-employed. His accounts are made up to 31 August each year. When we prepare the 2015 Return we will be including his profit for the year ended 31 August 2014, and that is the profit which will be taxed for 2014/15.

Owen's payments on account for 2015/16 will automatically be based on the 2014/15 liability.

Providing we know that Owen's profits for the year to 31 August 2015 are significantly less than the previous year, we can examine the figures, perhaps even prepare the annual accounts and, taking into account any other sources of taxable income, make a claim to reduce Owen's 2015/16 payments on account, easing his cash flow by reducing the tax payments due in January and July 2016.

Next steps: contact us to discuss…

- **All aspects of starting up a business**
- **Raising finance**
- **Timing capital and revenue expenditure to maximum tax advantage**
- **Minimising employer and employee NIC costs**
- **Improving profitability and developing a plan for tax-efficient profit extraction**

Tax and employment

This section covers some of the key tax issues for employers and employees.

The right PAYE code

The aim of the PAYE system is to collect the right amount of tax from your earnings throughout the course of the year. Your tax code – or sometimes a series of tax codes – is used by your employer to work out how much tax to deduct 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 a change in jobs or 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, you can look at your salary slip to 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

N – taxpayers who are 'transferors' under the Transferable Tax Allowance

M – taxpayers who are 'recipients' under the Transferable Tax Allowance

Y – includes the full personal allowance for those born on 5 April 1938 and earlier (assumes income less than £27,700)

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

Loans from an employer

Where loans from an employer total more than £10,000 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 (currently 3%).

Expense payments

Your employer is required to report expenses payments to HMRC using 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 2015/16 P11D no later than 6 July 2016.

This arduous 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.

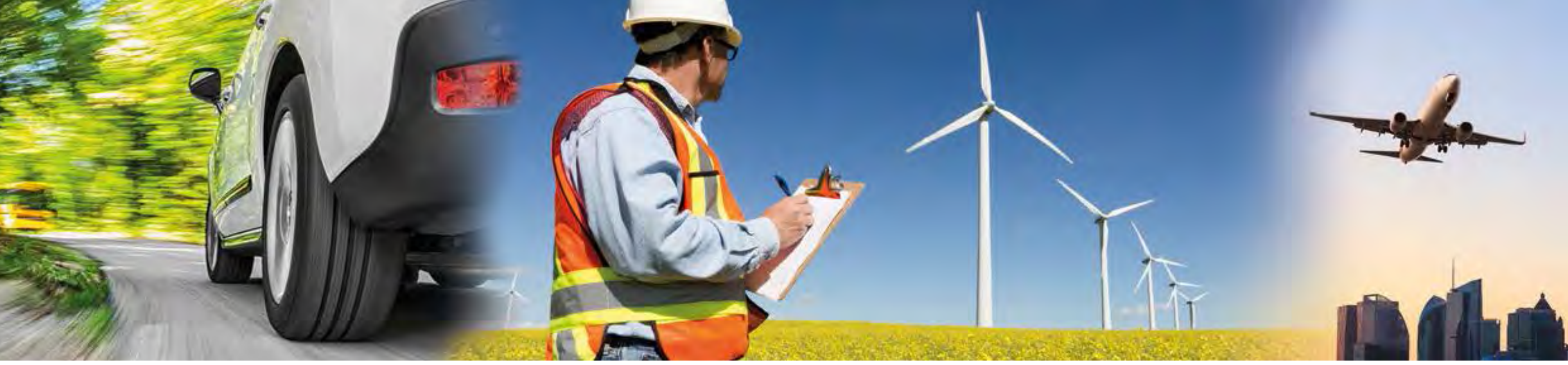
You may be able to claim tax relief for other expenses you incur in connection with your job, but the rules are fairly restrictive.

An attractive remuneration package might include any of the following:

- Salary
- Bonus schemes and performance-related pay
- Reimbursement of expenses
- Pension provision
- Life assurance and/or healthcare
- A mobile phone
- 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.

Most benefits are fully taxable, but some attract specific tax breaks. Combining benefits with a properly arranged salary sacrifice can mean considerable savings for both employer and employee.

If you get the package right, it can be very beneficial – especially for those with income of more than £100,000 who



will lose their personal allowances. If you fall into this marginal category, please talk to us to find out how we can help.

Claiming deductions for travel and subsistence

Site-based employees may be 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, subject to a maximum period.

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

Pension scheme contributions

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

Please 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'. Further information is provided in this guide.

Company cars

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 CO_2 – please see the table to the right.

CO_2 emissions (g/km)	Appropriate percentage	
	Petrol %	**Diesel %**
0 - 50	5	8
51 - 75	9	12
76 - 94	13	16
95 – 99	14	17
100 – 104	15	18
105 – 109	16	19
110 – 114	17	20
115 – 119	18	21
120 – 124	19	22
125 – 129	20	23
130 – 134	21	24
135 – 139	22	25
140 – 144	23	26
145 – 149	24	27
150 – 154	25	28
155 – 159	26	29
160 – 164	27	30
165 – 169	28	31
170 – 174	29	32
175 – 179	30	33
180 – 184	31	34
185 – 189	32	35
190 – 194	33	36
195 – 199	34	37
200 – 204	35	37
205 – 209	36	37
210 and above	37	37

Pooling your resources

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

Car – fuel only advisory rates

<table>
<tr><th>Engine capacity</th><th>Petrol</th><th>Diesel</th><th>Gas</th></tr>
<tr><td>Up to 1400cc</td><td>12p</td><td rowspan="2">10p</td><td>8p</td></tr>
<tr><td>1401cc - 1600cc</td><td rowspan="2">14p</td><td rowspan="2">9p</td></tr>
<tr><td>1601cc to 2000cc</td><td>12p</td></tr>
<tr><td>Over 2000cc</td><td>21p</td><td>14p</td><td>14p</td></tr>
<tr><td colspan="4">Rates from 1 June 2015 and are subject to change. Note the advisory fuel rates are revised in March, June, September and December. Please contact us for any updated rates.</td></tr>
</table>

Mileage allowance or free fuel?

Q. Would I be 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?

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

Q. Would I be 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?

A. 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. However the cost to the employer of providing this benefit is likely to be high.

Every case should be judged on its own merits, and considered from both the employee's and the employer's point of view. While cost is an important factor, it is not the only one. As an employee, using a company car removes the need to worry about bills or the cost of replacement. As an employer, running company cars allows you to retain control over what may, for your business, be key operating assets.

Private mileage

If your employer provides fuel for any private travel, there is a taxable benefit, calculated by applying the same percentage to the fuel benefit charge multiplier of £22,100.

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.

Case Study

Samira is an owner-director. For her company car she had chosen one with a list price of £25,785. The car runs on petrol and emits CO_2 at a rate of 148g/km. The resulting tax bill can be up to £1,684.80, with an NIC bill for the employer of £516.67.

Samira's company is successful and she pays tax at 45%. Her 2015/16 tax bill on the car is therefore £2,784 (£25,785 x 24% x 45%). Samira's company will pay Class 1A NICs of £854 (£25,785 x 24% x 13.8%).

The company also pays for all of Samira's petrol. Because she does not reimburse the cost of fuel for private journeys, she will pay tax of £2,386 (£22,100 x 24% x 45%) and the company will pay Class 1A NICs of £732 (£22,100 x 24% x 13.8%).

The total tax and NIC cost is £6,756.

Furthermore, as well as paying for the fuel, the company will also need to pay a gross amount of over £9,754 to provide Samira with the funds to pay the tax.

When employers' national insurance is taken into account, the gross cost before tax relief of funding Samira's tax and the NIC liabilities will be over £12,686.

Future changes

From 6 April 2016 there will be a further 2% increase in the percentage applied by each company car band with similar increases in 2017/18 and 2018/19. For 2019/20 the rate will increase by a further 3%. The 3% diesel supplement differential will be abolished from 6 April 2016, making diesel cars subject to the same level of tax as petrol cars.

What about a company van?

Many employers and employees have benefitted from significant savings by 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.

Unrestricted use of a company van results in a taxable benefit of £3,150, with a further £594 benefit if free fuel is also provided. Limiting the employee's private use to only home to work travel could reduce both figures to zero.

Next steps: contact us to discuss…

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

Strategies for exiting your business

Exit planning – your strategy

At some point you will want to stop working in your business and either sell up and enjoy the rewards of your labours, or hand over the reins to your successors. It may not be top of your priority list right now, but exit planning is a vital part of your financial strategy and could make all the difference to your personal finances. Good planning will also help ensure a smooth transition for your business, once you are no longer involved.

Developing appropriate strategies at each stage of your business's lifecycle is crucial if you wish to obtain the maximum rewards for your efforts. Important issues to consider include:

- passing on your business to your children or other family members, or to 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 tax-efficiently

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 important to start planning in advance, especially 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 very important to plan now if you want to maximise the net proceeds from its sale.

You will need to consider:

- the timing of the sale
- the prospective purchasers
- the opportunities for reducing the tax due following a sale.

We can assist with these considerations.

Maximising the sale price

Anyone who is considering buying 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.

Historical profits drive the value attributable to many businesses, and therefore a rising trend in profitability should result in an increase in the business's value.

This means that profitability planning is particularly important in the years leading up to the sale. So, what is the range of values for your business?

A professional valuation will put you on more solid ground than educated guesswork. We can work with you to determine how you can add value to your business.

Business valuation: some key points to consider

- Are sales declining, flat, growing only at the rate of inflation, or exceeding it?
- Are stock and equipment a large part of your company's value, or is yours a service business with limited fixed assets?
- 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?
- How up-to-date is your technology?
- Do you 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 contracts with your suppliers and customers been formalised?

Getting the timing right

It is important to consider a number of factors when deciding on the best time to sell your business. These could be factors that may influence potential buyers as well as your own personal circumstances.

Personal factors to take into account might include:

- When are you planning 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?

Meanwhile, **business questions** to consider include:

- What are the current trends in the stock market?
- To what extent is your business 'trendy' or at the leading edge?
- Is your business forecasting increases to the top and bottom lines?
- How well is your business performing when compared to other, similar businesses?
- Is your business running at, or near, its full potential?

CGT - minimising the impact

Taxes are one of the less welcome, but inevitable, aspects of a business person'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.

As a basic rule, 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

It is possible that reliefs can reduce a 28% CGT bill significantly. 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 to which you might be entitled.

The governing rules for CGT

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 2015/16. 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.

A special tax relief, Entrepreneurs' Relief, is available for those in business, which may reduce the tax rate on the first £10m 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 qualifying disposal of shares or partnership interest.

All planned transactions require careful scrutiny to ensure that the available Entrepreneurs' Relief is maximised. Remember to 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 in the tax year the gain arose, though the provisions of any double taxation treaty need to be checked. CGT may be avoided, provided the taxpayer becomes non-UK resident 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

Remember to take into account your business interests when you draw up your Will. While reliefs may mean that there is little or no IHT to pay on your death, 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.

Next steps: contact us to discuss...

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

Retirement planning strategies

Recently, the Government has introduced changes to greatly increase the choices available to people when it comes to using the money they have saved for retirement. However, if you want to make the most of these options, it is of course vital that you have put aside sufficient funds during your working life.

While retirement may not currently be high on your priority list, you should take steps now to ensure that you will have the freedom and the means to achieve a comfortable retirement when the time comes. You could spend a third of your life as a retired person, and by taking action now, you can help to make this period as financially secure as possible.

Basic issues to consider

Your retirement planning strategy will be determined by a number of factors, including your age and the number of years before retirement. However, there are some other key issues to consider:

- Do you have a employer pension scheme?
- Are you self-employed?
- How much can you invest for your retirement?
- How much state pension will you receive?

The basic state pension in 2015/16 is £115.95 a week. For a full state pension, it is necessary to have made 30 years of national insurance contributions (NICs). You may also have an entitlement to some additional state pension. To receive a state pension forecast phone the Future Pension Centre on 0845 300 0168.

Individuals due to reach state pension age after 6 April 2016 will receive a flat-rate pension, worth no less than £148.40 per week. Those who reach state pension age before 6 April 2016 will continue to claim their basic state pension (plus any additional state pension that they may be entitled to). However, as this may be worth less than the new flat-rate pension, there will be an opportunity to make additional NICs – please ask us for details.

Employer pension schemes

There are two kinds of employer 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 was 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.

The amount of personal contributions that can qualify for tax relief is limited to the greater of £3,600 and total UK relevant earnings, subject to scheme rules.

Pensions auto-enrolment

In order to encourage more people to save for their retirement, the Government has been gradually phasing in compulsory workplace pensions for eligible workers. Under the scheme, all employers will have to enrol automatically all eligible workers into a qualifying pension scheme.

There will ultimately 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.

Personal pensions

If you are not in a good employer scheme, you should make your own arrangements, since relying on the state pension will not be adequate for a comfortable retirement.

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. The annual allowance is normally £40,000 but due to changes to the annual allowance system from April 2016, some individuals may escape a tax charge if annual contributions in 2015/16 are below £80,000 and significant contributions were made before 9 July.

Where pension savings in any of the last three years' pension input periods (PIPs) were less than the annual allowance, the 'unused relief' is brought forward, but you must have been a pension scheme member during a tax year to bring forward unused relief from that year. The unused relief for any particular year must be used within three years.

From April 2016 the Government will introduce a taper to the annual allowance for those with adjusted annual incomes, including their own and employer's pension contributions, over £150,000. For every £2 of adjusted income over £150,000, an individual's annual allowance will be reduced by £1, down to a minimum of £10,000.

Case Study

Jason has not made any contribution into his pension policy so far in 2015/16.

Jason has unused annual allowances of £30,000 from 2012/13, £5,000 from 2013/14 and £20,000 from 2014/15 (total £55,000).

Jason's maximum pension investment is therefore set at £95,000 (£40,000 plus £55,000) for his 2015/16 PIP. He needs to make a pension contribution of £70,000 (current year allowance £40,000 and £30,000 unused relief from 2012/13) in order to avoid the loss of the relief brought forward from 2012/13.

If contributions are paid in excess of the annual allowance, a charge – the annual allowance charge – is payable. The effect of the annual allowance charge is to 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.

Applying tax relief to personal pension policies

Premiums on personal pension policies are payable net of basic rate tax relief at source, with any appropriate higher or additional rate relief usually being claimed via the PAYE code or self assessment Tax Return.

Case Study

Maya will earn £60,000 in 2015/16. She will invest £12,500 into her personal pension policy. She is entitled to the basic personal allowance and has no other income.

Maya will pay her pension provider a premium, net of basic rate tax relief of £10,000. She is also entitled to higher rate tax relief on the gross premium, amounting to £2,500.

As Maya is an employee, we can ask HMRC to give the relief through her PAYE code. Otherwise, we would claim in Maya's 2016 Tax Return. Thus the net cost to Maya of a £12,500 contribution to her pension policy is just £7,500.

The lifetime allowance

Where total pension savings exceed the £1.25m lifetime allowance at retirement (and fixed, primary 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 45% on annuity	55% on excess value

Access to personal pension funds

The rules which apply to accessing personal pension funds have been amended from April 2015. These now allow for more flexibility. Taxpayers have always had the option of taking a tax-free lump sum of 25% of the fund value and purchasing an annuity with the remaining fund, or opting for income drawdown where limits generally applied.

An annuity is taxable income in the year of receipt. Similarly any monies received from the income drawdown fund are taxable income in the year of receipt.

From 6 April 2015, the ability to take a tax-free lump sum and a lifetime annuity remains but some of the previous restrictions on a lifetime annuity have been removed, allowing more choice on the type of annuity taken out.

The rules involving drawdown have been changed. There is now total freedom to access a pension fund from the age of 55. Access to the fund may be achieved in one of two ways:

- allocation of a pension fund (or part of a pension fund) into a 'flexi-access drawdown account' from which any amount can be taken over whatever period the person decides
- taking a single or series of lump sums from a pension fund (known as an 'uncrystallised funds pension lump sum').

When an allocation of funds into a flexi-access account is made the member typically will take the opportunity of taking a tax-free lump sum from the fund.

The person will then decide how much or how little to take from the flexi-access account. Any amounts that are taken will count as taxable income in the year of receipt.

Access to some or all of a pension fund without first allocating to a flexi-access account can be achieved by taking an uncrystallised funds pension lump sum.

The tax effect will be:

- 25% is tax-free
- the remainder is taxable as income.

Some alternative options

Although they might not suit everyone, there are at least two ways to boost your retirement finances through your home. The first option is down-sizing – selling your current home and buying something cheaper, to release value tied up in your property for other purposes. 'Equity release' might be an alternative approach. However, you should discuss all of the implications with us and your other financial advisers before deciding whether this is a suitable avenue to take.

Next steps: contact us to discuss…

- **Calculating how much you need to save to ensure you enjoy a comfortable retirement**
- **Tax-advantaged saving for your pension**
- **Saving in parallel to provide more readily accessible funds**
- **Saving in employer and personal pension schemes**
- **Using your business to help fund your retirement**
- **Releasing capital now tied up in your home to help fund your retirement**

Savings and investment strategies

Making more of your money

An investment strategy might focus on pension savings, alternative savings and investment strategies, or a combination of these – but whatever the details, it makes sense to start planning early. Planning is a continuous process, and your financial plans should be monitored regularly with any necessary adjustments being made to reflect changes in your circumstances. Careful planning now can help to keep you on the path to financial success.

Facing reality

Being realistic about your objectives is important when putting together any financial plan. This requires a balancing act between your head (financially prudent strategies) and your heart (emotionally acceptable thresholds). We can help you bridge the gap between what you can expect financially and what you dream of achieving.

One approach is to set a number of short, medium and long-term goals and prioritise them within each category, in order to meet your objectives.

Some key financial goals

- be able to retire comfortably
- have sufficient funds and insurance cover in the event of serious illness or loss
- accumulate a sizeable estate to pass on to your heirs
- increase the assets going to your heirs by using various estate planning techniques, perhaps including a lifetime gifts strategy
- tie in charitable aims with your own family goals
- raise sufficient wealth to buy a business, a holiday home, etc
- develop an investment plan that may provide a hedge against market fluctuations and inflation
- minimise taxes on income and capital.

Your investment strategy

Records show that in the long term share investments outperform bank and 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.

National Savings

Premium bonds offer a modest ‘interest equivalent’, but there is a chance of winning a tax-free million! The Premium bonds investment limit from 1 June 2015 is £50,000.

Investment bonds

If you have a lump sum to invest long term, you might consider an investment bond. This is often described as a tax-free product but the income and gains accumulating within the fund are subject to tax in fund (equivalent to basic rate tax). The ‘tax-free’ element is derived from the ability to draw an annual 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 or eliminate the burden.

Stocks and shares

Investment in stocks and shares has historically provided the best chance of long term growth. Investment in open ended investment companies (OEICs), investment trusts and exchange traded funds are designed to spread the risk compared to holding a small number of shares directly. Capital gains and dividends are charged to tax.

From April 2016 the Dividend Tax Credit will be abolished and a new Dividend Tax Allowance of £5,000 a year will be introduced. The new rates of tax on dividend income above the allowance will be 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

Bank and building society accounts

While 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 normally liable to income tax. From 2016 a Personal Savings Allowance will remove some income from income tax – up to £1,000 of a basic rate taxpayer’s savings income and up to £500 of a higher rate taxpayer’s income.

Property investment

Property is generally considered a long-term investment, whether commercial or residential. ‘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.

The Government has announced future plans to restrict the amount of income tax relief landlords can get on residential property finance costs to the basic rate of income tax. Landlords will no longer be able to deduct all of their finance costs from their property income. They will instead receive a basic rate

reduction from their income tax liability for their finance costs. To give landlords time to adjust, the Government will introduce this change gradually from April 2017, over four years. This restriction will not apply to landlords of furnished holiday lettings.

Individual Savings Accounts (ISAs)

During 2014/15 the investment rules for ISAs were reformed and simplified. The overall annual subscription limit for ISAs is £15,240 for 2015/16. Individuals can invest in a combination of Cash or Stocks and Shares up to this limit, and may involve a single plan manager or separate managers, handling separate elements. However, a saver may only pay into a maximum of one Cash ISA and one Stocks and Shares ISA each year.

16 and 17-year-olds are able to invest in an adult Cash ISA. A tax-free Junior ISA (JISA) is available to all UK resident children under the age of 18 as a Cash or Stocks and Shares product or both. If a child has a Child Trust Fund account this can be transferred into a JISA. Total annual contributions are capped at £4,080. Funds placed in a JISA 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 and it is worth shopping around.

Help to Buy ISA

The Government's new Help to Buy ISAs will be available from 1 December 2015, providing a tax-free savings account for first time buyers wishing to save for a home. Savings will be limited to a monthly maximum of £200, with an opportunity to deposit an additional £1,000 when the account is first opened.

The Government will provide a 25% bonus on the total amount saved including interest, capped at a maximum of £3,000 on savings of £12,000, which is tax-free. Interest received on the account will be tax-free. The bonus can only be put towards a first home located in the UK with a purchase value of £450,000 or less in London and £250,000 or less in the rest of the UK. An individual may only subscribe to one Cash ISA per year, so an account holder cannot subscribe to a Help to Buy ISA and a Cash ISA. Once an account is opened there is no limit on how long an individual can save into it and no time limit on when they can use their bonus.

Alternative investment schemes

Investments under the Enterprise Investment Scheme, Seed Enterprise Investment Scheme and in Venture Capital Trusts are, generally, higher risk. However, tax breaks aimed at encouraging new risk capital mean that such investments may have a place in your investment strategy.

Enterprise Investment Scheme (EIS)

Subject to various conditions, such investments attract income tax relief, limited to a maximum 30% relief on £1m of investment per annum. The effective maximum investment for 2015/16 is £2m, if £1m is carried back for relief in 2014/15 and no EIS investment has been made in the previous year. 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.

Although increases in the value of shares acquired under the EIS up to the £1m 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 £16m after the investment and there are many restrictions to ensure that investment is targeted at new risk capital. Companies must also have fewer than 250 full-time employees (or the equivalent), and have raised less than £5m under any of the venture capital schemes in the 12 months ending with the date of the relevant investment.

Venture Capital Trusts (VCTs)

These bodies invest in the shares of unquoted trading companies which would qualify for receipt of investment under the EIS scheme. An investor in the shares of a VCT will be exempt from tax on dividends and on any capital gain arising from disposal of the shares in the VCT. Income tax relief, currently at 30%, is available on subscriptions for VCT shares, up to £200,000 per tax year, so long as the shares are held for at least five years.

Seed Enterprise Investment Scheme (SEIS)

The SEIS provides income tax relief of 50% for individuals who invest in shares in qualifying companies, with an annual investment limit for individuals of £100,000 and a cumulative investment limit for companies of £150,000, and provides a 50% CGT relief on gains realised on disposal of an asset and invested through the SEIS. A gain on the disposal of SEIS shares will be exempt from CGT as long as the shares obtained income tax relief, which has not been withdrawn, and the shares are held for at least three years.

Next steps: contact us to discuss…

- **Creating a savings and investment strategy**
- **Establishing and achieving your savings goals**
- **Tax on income and gains**
- **Investing for your retirement**
- **Tax-free investments**
- **The tax consequences of different investments**

Estate planning strategies

Inheritance tax planning

Formulating an estate plan that minimises your tax liability is essential. The more you have, the less you should leave to chance. If your estate is large it could be subject to inheritance tax (IHT), which is currently payable where a person's taxable estate is in excess of £325,000. However, even if it is small, planning and a well-drafted Will can help to ensure that your assets will be distributed in accordance with your wishes. We can work with you to ensure that more of your wealth passes to the people you love, through planned lifetime gifts and a tax-efficient Will.

Estimate the tax on your estate	**£**
Value of: Your home (and contents)	
Your business[1]	
Bank/savings account(s)	
Stocks and shares	
Insurance policies	
Other assets	
Total assets	
Deduct: Mortgage, loans and other debts	
Net value of assets	
Add: Gifts in last seven years[2]	
Less: Legacies to charities	
Deduct	– 325,000
Taxable estate £	
Tax at 40%/36%[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, civil partner, annual exemption)

3. IHT rate may be 36% if sufficient legacies left to charities (see later). The tax on gifts between 3 and 7 years before death may benefit from a taper relief.

Writing a Will

If you own such possessions as a home, car, investments, business interests, retirement savings, collectables, personal belongings, etc, then you need a Will. A Will allows you to specify who will distribute your property after your death, and the people who will benefit. Many individuals either do not appreciate its importance, or do not see it as a priority. However, if you have no Will, your property could be distributed according to the intestacy laws.

Key questions

Start by considering 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 to all of your children, or only to those 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?

IHT exemptions

You should ensure that you make the best use of the available lifetime IHT exemptions, which include:

- the £3,000 annual exemption
- normal expenditure gifts out of after tax income
- gifts in consideration of marriage (up to specified limits)
- gifts you make of up to £250 per person per annum
- gifts to charities
- gifts between spouses, facilitating equalisation of estates (special rules apply if one spouse is non-UK domiciled).

Spouses 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. 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	
Peter and Jane were married. Peter died in May 2008, leaving £50,000 to his more distant family but the bulk of his estate to Jane. If Jane dies in 2015/16 her estate will qualify for a nil rate band of:	
Nil-rate band on Peter's death	£312,000
Used on Peter's death	£50,000
Unused band	£262,000
Unused percentage	83.97%
Nil-rate band at the time of Jane's death	£325,000
Entitlement	183.97%
Nil-rate band for Jane's estate	£597,902

If you die within seven years of making substantial lifetime gifts, they will be added back into your estate and may result in a significant 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).

IHT and the main residence nil-rate band

An additional nil-rate band is to be introduced where a residence is passed on death to direct descendants such as a child or a grandchild. This will initially be £100,000 in 2017/18, rising each year thereafter to reach £175,000 in 2020/21, and will increase in line with CPI from 2021/22. The additional band can only be used in respect of one residential property which has, at some point, been a residence of the deceased.

Any unused nil-rate band may be transferred to a surviving spouse or civil partner. It will also be available when a person downsizes or ceases to own a home on or after 8 July 2015 and assets of an equivalent value, up to the value of the additional nil-rate band, are passed on death to direct descendants.

There will also be a tapered withdrawal of the additional nil-rate band for estates with a net value (after deducting any liabilities but before reliefs and exemptions) of more than £2 million. This will be at a withdrawal rate of £1 for every £2 over this threshold.

Making 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. 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 benefit of the special reliefs may be lost.

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.

Gifting 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.

Charitable gifts

Gifts to charity can take many forms and result in significant tax reliefs for both lifetime giving and on death. 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 (45% additional) rate, you can claim tax relief equal to 25p (31p). Consequently, at a net cost to you of only 75p (69p additional rate), the charity receives £1.25.

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 2014/15. This may not appear important to many people, but if you paid additional rate tax in 2014/15 and do not expect to do so this year, a claim will allow you to obtain relief at last year's rate. (Note: The carry-back election must be made before we file your 2015 Tax Return – another example of the importance of keeping us 'in the loop'.) 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. It 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.

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 triple tax relief. Any gain which would accrue on the gift is exempt from CGT and the asset is removed from your estate for IHT. In addition the value of the asset is deductible against your income for the purposes of calculating your income tax liability.

Charitable legacies on death

A reduced rate of IHT applies where 10% or more of a deceased's net estate (after deducting IHT exemptions, reliefs and the nil rate band) is left to charity. In those cases the 40% rate will be reduced to 36%.

Unmarried or single?

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.

A second marriage

Parents face a different set of challenges in second (or subsequent) 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 also need to plan to ensure that your partner is properly provided for. Look at your Will, pension provisions, life insurance and joint tenancies.

The generation gap

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, it might be worth considering leaving something to your grandchildren.

Monitoring your estate plan

Estate plans can quickly become out of date. Revisions could be due if any of the following 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.

Your Will as a planning tool

A Will can be a powerful planning tool, which enables you to:

- 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.

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

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

Next steps: contact us to discuss…

- **Inheritance tax planning and writing a Will**
- **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**
- **Lifetime gifts of assets, including business interests**
- **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 ✔

Tax calendar

July 2015

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 2015

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	

January 2016

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 2016

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	

August 2015

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 2015

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 2016

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						

May 2016

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					

September 2015

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 2015

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 2016

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			

June 2016

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 2015

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.

Deadline for entering into a PAYE Settlement Agreement for 2014/15.

14 Due date for income tax for the CT61 period to 30 June 2015.

17/22 Quarter 1 2015/16 PAYE remittance due.

Final date for payment of 2014/15 Class 1A NICs.

31 Second payment due date for 2014/15 Class 2 NICs.

Second self assessment payment on account for 2014/15.

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

Liability to 5% penalty on any tax unpaid for 2013/14.

Deadline for tax credit Annual Declaration (if estimated, final figures required by 31/01/16).

August 2015

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

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

September 2015

30 End of CT61 quarterly period.

Last day for UK businesses to reclaim EC VAT chargeable in 2014.

October 2015

1 Due date for payment of Corporation Tax for period ended 31 December 2014.

5 Individuals/trustees must notify HMRC of new sources of income/chargeability in 2014/15 if a Tax Return has not been received.

14 Due date for income tax for the CT61 quarter to 30 September 2015.

19/22 Quarter 2 2015/16 PAYE remittance due.

PAYE Settlement Agreement payment dates for 2014/15.

31 Deadline for paper submission of 2015 Tax Return without incurring penalties.

November 2015

1 £100 penalty if 2015 paper Tax Return not yet filed. Additional penalties may apply for further delay. No penalties will apply if online return filed by 31 January 2016.

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

December 2015

30 Last day for online submission of 2015 Tax Return for HMRC to collect tax through clients' 2016/17 PAYE code, where they owe less than £3,000.

31 Last day for non-EU traders to reclaim recoverable UK VAT suffered in the year to 30 June 2015.

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 Company Tax Return Form CT600 for period ended 31 December 2014.

January 2016

1 Due date for payment of Corporation Tax for period ended 31 March 2015.

14 Due date for income tax for the CT61 quarter to 31 December 2015.

19/22 Quarter 3 2015/16 PAYE remittance due.

31 First self assessment payment on account for 2015/16.

Capital gains tax payment for 2014/15.

Balancing payment - 2014/15 income tax/Class 4 NICs.

Last day to renew 2015/16 tax credits.

Deadline for amending 2014 Tax Return.

Last day to file the 2015 Tax Return online without incurring penalties.

February 2016

1 £100 penalty if 2015 Tax Return not yet filed online. Additional penalties may apply for further delay. Interest starts to accrue on 2014/15 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 2015/16.

March 2016

2 Last day to pay any balance of 2014/15 tax and Class 4 NICs to avoid an automatic 5% late payment penalty.

31 End of Corporation Tax financial year.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for the period ended 31 March 2015.

April 2016

5 Last day of 2015/16 tax year.

Deadline for 2015/16 ISA investments.

Last day to make disposals using the 2015/16 CGT exemption.

14 Due date for income tax for the CT61 period to 31 March 2016.

19/22 Quarter 4 2015/16 PAYE remittance due.

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

May 2016

1 Start of daily penalties for 2015 online Tax Return not yet filed. Additional penalties may apply for further delay.

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

31 Last day to issue 2015/16 P60s to employees.

June 2016

30 End of CT61 quarterly period.

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

cohen arnold
Chartered Accountants
Registered Auditors

Partners:

Arnold J. Cohen, FCA, CTA
David S. Davis, FCCA, CTA
David M. Birns, FCA, CTA
Jonathan N. Schwarz, FCA
Daniel B. Myers, FCA
Joshua A. Neumann, FCA
David Goldberg, FCA, DChA
David Yu
Barry Leigh, FCA, CTA
Dov Z. Harris, ACA
Asher Sternlicht, FCA, CTA
Moshe N. Broner-Cohen, ACA

Associates:

Baruch Brenig, ACA
Shai Cohen, ACA
Jonathan A. Englard, FCA
Ranjit P. S. Gill, FCCA
Marcus Hool, ACA, FCCA
Keith A. Sussman, FCA

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