



Are you ready for the end of the tax year?

We would like to highlight some areas of tax year-end & business year-end tax planning opportunities that may be of interest to you.

If you'd like any more information on any of these areas, please [book a 30-minute meeting](#) with us.

We have set out the tax planning points into 3 categories.

- Please note that the **limited company** planning points will be linked to your year-end.
- The **sole trader** planning points will be linked to both your year-end and the tax year (if your year-end isn't 31st March or 5th April).
- The **individual** planning points are relevant to the tax year we are in, for example for the 2022/23 tax year, individuals need to plan around the tax year ending 5th April 2023.
- Some of the points (dividends for example) cross over between the different categories.

Limited Companies

1. Family members

- *Dividends* - take advantage of the tax-free £2,000 dividend band and consider creating new share classes and vote dividends to new family shareholders ahead of the year-end (shareholders need to be adults).
- *Salary* – take advantage of family members' unused personal allowances (tax and NI), and basic rate bands by introducing them as paid employees on a reasonable commercial rate.
- Care needs to be taken in both of these scenarios.

2. Pensions

- Where pension contributions are made from the company, make sure they are "paid" (i.e. they have left your bank account) within the tax year in order to claim relief.
- You can contribute up to £40k per tax year (for a director, they are not subject to your earnings levels and can be included as part of a reasonable overall remuneration package) into a pension (providing your total earnings are less than £200k). If you have unused allowances brought forward from the previous 3 tax years, these can be used up.

- Pension contributions can be made in respect of children and other family members – remember that the maximum contribution for “non-earners” is £2,880 net (grossed up by HMRC to £3,600)
- Be aware of annual allowances (£40k per tax year in 2022/23), the tapering of these allowances and lifetime allowances (£1,073,100 for 2022/23) when making pension contributions
- See the points under the “Individual” section for further tax planning opportunities.

3. Trivial Benefits-In-Kind

- You can make gifts to staff members, up to £50 per time without there being a personal tax issue for the employee (they basically don’t need to be included on a P11d or through payroll).
- They also get Corporation Tax relief and you can even claim the VAT back!
- There are a few rules to stick to, so as we make sure they qualify:
 - o Max of £50 per time (even £50.01 makes the whole thing fall apart!)
 - o Not contractual or performance-related (so not “because you’ve worked hard/we did well/it’s Christmas etc”) – they need to be genuine acts of random kindness
 - o They cannot be convertible to cash, and also no alcohol/tobacco
 - o There are no limits to the number of these £50’s that you can gift to employees (within reason!) but there is a limit of £300 per year per director.
 - o The obvious route to go down is vouchers.
 - o The money needs to have cleared the bank by the year-end to qualify for that financial year.

4. Vehicles

- If you are thinking of changing vehicles in the next 6-12 months, please get in touch to see how commercial vehicles and ULEVs (ultra-low emission vehicles such as electric & hybrid cars) could be more tax-efficient both personally and for your business.

5. Capital Purchases

- If you are planning to make capital purchases in the next 6-12 months, purchasing these assets before your year-end will give rise to tax relief now, accelerating the tax relief by 12 months.
- The “super-deduction” allowance is in place until 31 March 2023 and is removed from 1 April 2023. This gives an opportunity to purchase new, unused capital items and save a further 5.7% on the price of the items if they are purchased pre-31 March 2023.
- We do need to be aware that the rates of Corporation Tax will increase to 25% from 1 April 2023 and that the timings of capital purchases (especially used, second-hand equipment) will need bespoke tax planning.

Sole Traders & Unincorporated Partnerships

1. Family members

- *Salary* – take advantage of family members' unused personal allowances (tax and NI), and basic rate bands by introducing them as paid employees on a reasonable commercial rate.
- Care needs to be taken in both of these scenarios.

2. Vehicles

- If you are thinking of changing vehicles in the next 6-12 months, please get in touch to see how commercial vehicles and ULEVs (ultra-low emission vehicles such as electric & hybrid cars) could be more tax-efficient both personally and for your business.

3. Capital Purchases

- If you are planning to make capital purchases in the next 6-12 months, purchasing these assets before 31st March 2023 will give rise to tax relief now, accelerating the tax relief by 12 months.

Individuals

1. Pension contributions

- Where pension contributions are made personally from your net pay, make sure they are “paid” (i.e. they have left your bank account) within the tax year in order to claim relief
- You can contribute up to £40k per tax year (subject to your earnings levels) into a pension (providing your total earnings are less than £240k). If you have unused allowances brought forward from the previous 3 tax years, these can be used up.
- Pension contributions can be made in respect of children and other family members – remember that the maximum contribution for “non-earners” is £2,880 net (grossed up by HMRC to £3,600).
- Be aware of annual allowances (£40k per tax year in 2022/23) and lifetime allowances (£1,073,100 for 2022/23) when making pension contributions.

2. Capital Gains

- Use up your annual CGT allowance of £12,300 by disposing of assets held at a gain:
 - o Shares sold may be repurchased by your pension, ISA or family members.
 - o Proceeds from assets sold may be reinvested.
- If your spouse has an unused CGT allowance to use up and you have assets with uncrystallised gains, transfer the assets to your spouse (transfers between spouses are tax-free) and then make the disposal.
- The annual CGT allowance will drop from £12,300 in 2022/23 to £6,000 in 2023/24 and then from £3,000 in 2024/25.

3. Transfer of personal allowance between spouses/civil partners

- If one spouse/partner has a low income below the personal allowance threshold (£12,570) could you transfer their unused personal allowance to the taxpaying spouse/partner?

4. Income above £100k and £150k

- If your income is above £100k, the personal allowance of £12,570 begins to be withdrawn at a rate of £1 for every £2 of income above £100k. This results in a quite penalising 60% effective tax rate for income between £100,000 and £125,140.
- Earnings above £150k (£125,140 from 6th April 2023) also attract the additional rate tax of 45%.
- In either of these cases, you may wish to think about claiming income tax deductions to reduce your income, such as donations under Gift Aid, transferring income to others, dividend timing or making additional pension contributions.

5. Inheritance Tax (IHT)

- Individuals can make gifts of £3,000 of capital per tax year without IHT implications
 - o If the exemption was not made in 2021/22, it can be brought forward into 2022/23 meaning that £6,000 could be given away in 2022/23
- In addition you may also make gifts as “normal expenditure” out of your residual taxed income without IHT implications. Where certain conditions are met, regular gifts of any size can be given tax-free out of income – so potentially you can make sizeable gifts which will instantly fall outside of your taxable estate (rather than after a seven-year period).
- Business relief – a complex but valuable IHT relief which if applicable, may exempt or partially exempt business assets & property from your estate on death. There are specific conditions, so it is crucial to regularly review your BR position to ensure you comply.

6. ISAs

- Have you used up your ISA limits for the year? – This is currently a maximum of £20k for 2022/23. The ISA wrapper protects any growth from both income tax and capital gains tax.
- Lifetime ISAs – in 2017/18 the Government introduced these special ISAs to encourage young people to save. Anyone between 18 and 40 can save up to £4,000 each tax year, and the Government will contribute a bonus of 25% to the fund. The funds can be withdrawn for the purchase of a first home or left in the ISA until 60 for retirement. Withdrawal of the funds for reasons other than these will lead to penalties.
- Have you considered funding an ISA for children or grandchildren? – Family members can invest £9k annually in a tax-free fund, however, the funds cannot be accessed until the child reaches 18.

7. Child Benefit

- Child benefit claimants and their partners need to consider their position if one earns £50k or more as the Higher Income Child Benefit Tax Charge (HICBC) may apply.
- HICBC
 - o It works by clawing back all Child Benefit where either the individual or their partner earns £60k or more in a tax year.
 - o The clawback is tapered where either the individual or their partner earns between £50k and £60k in a tax year.

8. PAYE notices of coding

- If you're employed or have a pension, you should check your PAYE Notice of Coding to ensure your allowances – including relief for pension contributions, charitable donations and any other tax reliefs are correctly stated.

Please note:

This information is generic advice, considering some of the key aspects (but not all aspects) of year-end tax planning and must be tailored to your personal and business circumstances. This information is written for the general interest of our clients and is not a substitute for consulting the relevant legislation or taking professional advice. Elevate Accounting Solutions Limited cannot accept any responsibility for loss arising from acting on the basis of the material included herein. Please [book a pre-year-end tax planning meeting](#) if you'd like to discuss your options.