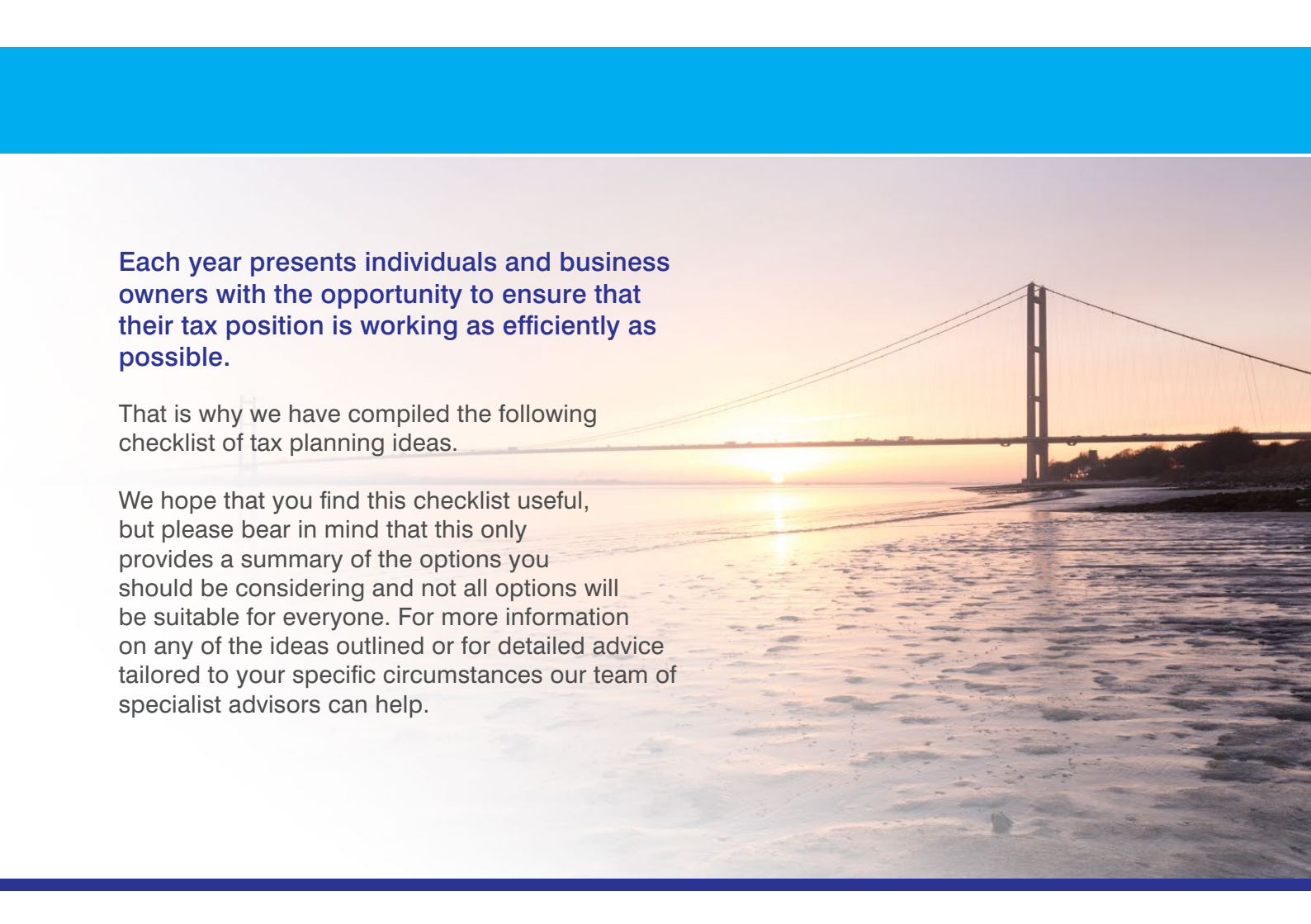




Tax Planning Checklist





Each year presents individuals and business owners with the opportunity to ensure that their tax position is working as efficiently as possible.

That is why we have compiled the following checklist of tax planning ideas.

We hope that you find this checklist useful, but please bear in mind that this only provides a summary of the options you should be considering and not all options will be suitable for everyone. For more information on any of the ideas outlined or for detailed advice tailored to your specific circumstances our team of specialist advisors can help.

Personal tax planning

	Yes	No
Inter-spouse transfers: Have you maximised Capital Gains and Income Tax rates and allowances through these exempt transfers? This could be beneficial in situations where the income of one spouse is taxable at higher rates than that of the other spouse and particularly where the income of one spouse falls between £100,000 and £125,000.	☐	☐
Exchange your salary for benefits: Have you considered exchanging part of your salary for payments into an approved share scheme or additional pension contributions?	☐	☐
Capital Gains: Have you used your Annual Exemption for 2020/21 of £12,300?	☐	☐
Dividends and bonuses: Have you considered the timing of such payments to ensure that they are taxed at the lowest possible rates and that you are taking advantage of allowances? This may mean deferring some payments until a later tax year or advancing planned payments into the current tax year.	☐	☐
Marriage Allowance: If one spouse pays tax at the basic rate and the income of the other spouse is lower than their Personal Allowance, tax relief can be claimed in the form of the Marriage Allowance. If applicable, has this been claimed by the spouse with the lower income in all relevant years?	☐	☐
Tax on company cars: New and reduced tax rates on company cars were introduced from April 2020 for hybrid electric cars together with a zero per cent tax rate for fully electric cars. Have you considered switching to an electric vehicle? Additional tax relief could be available if the car is provided via an optional remuneration arrangement.	☐	☐

Inheritance Tax planning

	Yes	No
Inheritance Tax: Have you used your annual gift allowances to help reduce the overall value of your estate?	☐	☐
Switch your assets: Inheritance Tax (IHT) must be paid on the value of any estate above £325,000. However, certain assets, including business and agricultural assets as well as shares in private trading companies, qualify for 100 per cent relief from IHT. The Residence Nil Rate Band (RNRB) rose to £175,000 from April 2020 which, when added to the nil rate band of £325,000, provides an IHT allowance of £500,000 per person or potentially £1 million for a married couple.	n/a	
Charitable and personal gifts: If you leave at least 10 per cent of your net estate to charity, a reduced rate of 36 per cent rather than 40 per cent applies and could save your family money. Gifts to a spouse can be made now to use up his or her nil rate band and could help you to reduce the value of the part of your estate above the £325,000 band. Other gifts may be free of IHT but it is important to seek advice first.	n/a	
Passing on your pension: Following the change to pension rules in 2015, if you have not already done so, you should revisit your current plans and update your Will to ensure that your family receives the full benefit of any remaining pension fund when you die.	n/a	
Trust funds: There are many ways that a formal trust fund can protect and maximise your family's future assets. There have been a number of changes to the treatment of trust funds recently which are complex and could affect some people. If you are considering setting up a trust, seek advice.	n/a	

Pensions

	Yes	No
Protecting a large pension: The Lifetime Allowance has been reducing in recent years but has risen by inflation from April 2020 to £1,073,100. If you are affected by the Lifetime Allowance we urge you to take advice as there are ways of protecting your funds.	n/a	
Stakeholder pensions: All UK residents including children can make annual net contributions of £2,880 per year (£3,600 gross) regardless of whether they have any earnings. There are ways of using these payments to keep below the £50,000 income threshold to retain child benefit. It is also a very beneficial way of giving your children a helping hand for the future. If pension investments were to grow at a rate of nine per cent every year, investing £2,880 a year for your 10 year old child could result in a maximum pension pot of £1 million by the time he or she is 68 years old. Have you considered this?	☐	☐
Pension drawdown: If you are 55 or over, you could consider drawing down pension benefits now from a personal pension such as a SIPR, even if you are still working. You may take up to 25 per cent tax-free with the rest taxed at your marginal rate. Anyone who is entitled to flexible drawdown and who is considering retiring overseas should seek advice on potential additional tax savings available to them.	n/a	

Pensions (continued)

	Yes	No
Annual Allowance: The maximum contribution to an individual's pension in any tax year is £40,000 although this allowance is tapered away for so-called 'high earners'. The point at which this tapering begins was increased significantly from April 2020 meaning that those previously affected may be able to make higher contributions in 2020/21. The rules are complicated and further advice is recommended.	☐	☐
Carry forward benefits: Have you claimed your higher or additional rate tax relief? Have you used the carry forward rules in order to benefit from any unused allowance from the previous three tax years?	☐	☐
Make tax-free pension contributions: Pension contributions made to employees by an employer are tax efficient. If you own the company you can claim a business tax reduction. Where employees exchange some of their salary in return for a larger pension contribution made by the employer both parties can save on National Insurance contributions. Have you considered this?	☐	☐

Investment ideas

	Yes	No
ISAs: Have you used your maximum annual investment of £20,000?	☐	☐
Junior ISAs or child trust fund: Has £9,000 been invested for any child under the age of 18?	☐	☐
Help-to-buy ISAs: This ISA was available to first time buyers over the age of 16. Savings of up to £1,200 in the first month and thereafter a maximum of £200 per month attract a 25 per cent tax-free bonus from the Government, providing £3,000 cashback on a maximum saving of £12,000. New accounts were closed from 30 November 2019, but those with existing accounts can still save but must make use of savings by 30 November 2029.	☐	☐
Lifetimes ISAs: Introduced in April 2017, you must be aged between 18 and 40 to open a Lifetime ISA. The Government will provide a bonus of 25 per cent on the money you invest up to a maximum of £1,000 per year. You can save up to £4,000 a year, and can continue to pay into it until you reach 50. Have you considered this option if it is available to you?	☐	☐
Tidying-up your investments: Have you realised investments and bond gains or closed deposit accounts where funds may be attracting negligible rates of interest?	☐	☐
Take advantage of share schemes: If your company offers a share scheme, such as a share incentive plan (SIP) or a sharesave (SAYE), have you invested as there are usually price discounts and tax incentives for taking part?	☐	☐
EIS investment: Have you considered these investments, which offer Income Tax relief of 30 per cent, as well as possible Capital Gains Tax deferral?	☐	☐

Investment ideas (continued)

	Yes	No
Venture Capital Trust investment: Have you considered VCTs, which provide 'front end' Income Tax relief on subscriptions of up to £200,000, as well as tax-free dividends and Capital Gains Tax reliefs?	☐	☐
Seed Enterprise Investment Schemes: Although investing in an SEIS can carry more risk than an EIS or VCT, there is substantial tax relief available to offset a large part of potential losses.	n/a	
Community investments: Have you considered share purchases or loans to a Community Development Finance Institution (CDFI) qualify for tax relief. The tax relief is available to individuals and companies and is worth up to 25 per cent of the value of the investment in the CDFI. The relief is spread over five years, starting with the year in which the investment is made.	☐	☐
Social Enterprise Investments: Investing in certain 'social impact' organisations can attract Social Investment Tax Relief (SITR) of 30 per cent. The limits have been changed this year. The amount of qualifying investment a qualifying social enterprise can raise has, in most cases, increased to a maximum of £1.5 million over its lifetime. Have you considered this?	☐	☐
Life assurance bonds: Insurance backed bonds allow five per cent of the original capital to be withdrawn each year tax-free. Although you need to consider commissions, management costs and basic rate tax charges within the bond, the five per cent tax-free withdrawal is still attractive to anyone whose level of income means they will lose their personal allowance and pay 45 per cent Income Tax.	n/a	
Offshore bonds: As with UK bonds, five per cent of the original capital invested can be withdrawn each year tax-free. Although they are taxed in full when disposed of they provide a useful way of deferring tax.	n/a	

Business tax planning

	Yes	No
Dividend taxation: Have you utilised the zero per cent Dividend Allowance of £2,000?	☐	☐
Salaries: Have you considered payment of salaries to owner managers at tax efficient levels following the reduction of the Dividend Allowance?	☐	☐
Corporation Tax: The Corporation Tax rate of 19 per cent is lower than Income Tax levels but recent changes to dividend taxation mean that you may wish to take advice to check how this impacts on you and your business. Is running your business via a corporate body the most tax efficient vehicle in which to do so, for example?	☐	☐
Entrepreneurs' Relief (now called Business Asset Disposal Relief): Significant changes have been made to this relief recently, not least to the reduction of the lifetime limit from £10 million down to £1 million. The relief is, however, still available under certain conditions and so, have you made the most of the now-reduced lifetime limit?	☐	☐

Business tax planning (continued)

	Yes	No
Accounting dates: Have you considered changing your accounting dates, and taking advantage of the tax benefits of overlap relief or incorporation?	☐	☐
Incorporation: If you are trading as a sole trader, partnership or limited liability partnership should you consider incorporation to a limited company as a more tax efficient business structure?	☐	☐
Capital allowances: Have you purchased any required items before your business year end to ensure these allowances are available a year earlier? The Annual Investment Allowance is set to fall from £1,000,000 to £200,000 for purchases made after 1 January 2021.	☐	☐
Research & Development tax credits: If you run a limited company, have you claimed for all your eligible R&D projects to take advantage of the significant benefits available? HMRC will allow an extra 130 per cent of identified costs to be written off against taxable profits.	☐	☐

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