Tax facts

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PRACTICAL Tax Tips

1. **Claim a tax deduction for the items you use in your business**. You may be able to do this even if you bought them before you began trading or if there is mixed use – such as a car for private and business purposes.

2. **Capital allowance scheme** (tax deductions you can claim for spending on business equipment) allows 100% of the cost against your profits on the first £200,000 spent on most equipment you buy for the business, except for cars. For large items, committing to buy before your accounts year-end can get you a deduction for the entire cost against profits for that year.

3. **Extract profits from a limited company** – consider the options. Pay a small salary up to your personal allowance and the rest as dividends could save tax and NI. Pay your spouse for the work they undertake for your business, depending upon their other income.

4. **The structure of a new or growing business** (sole trader, partnership, LLP, limited company) is important from both a commercial and tax perspective.

5. **If you're married or in a civil partnership**, make the most of each personal allowance (£11,500 for 2017/18) and basic rate tax bands (£33,500 for 2017/18). You may wish to transfer income-producing assets (e.g. rental properties, investment portfolios) to a spouse to take advantage of their lower rate of tax.

6. If you are married and neither of you is a higher rate tax payer, the **Marriage Allowance** lets you transfer part of your personal allowance to your spouse/civil partner if they earn more than you and your income is £11,500 or less.

7. **Make contributions into a pension scheme**. Employer contributions tend to be deductible expenses for the company, and individuals do not pay tax on the benefit of having the company pay them. Individuals paying pension contributions personally can get higher rate tax relief on qualifying contributions.

8. If your net income is more than £100,000, your personal allowance (£11,500 for 2017/18) is reduced by £1 for every £2 of income in excess of £100,000. Making pension contributions or transferring income-producing investments to a spouse will **reduce your net income**.

9. If you are approaching retirement age, **consider deferring receipt of your state pension**. This may increase the payments you get when you decide to claim the state pension and help you pay less tax.

10. Investors can **reduce their annual income tax bills** by making investments through Venture Capital Trusts, Enterprise Investment Schemes and Seed Enterprise Investment Schemes. These investments may also shelter capital gains you make on other assets.

11. Individuals can **realise a certain level of profit on the sale of assets without paying capital gains tax** (£11,300 in 2017/18). If you wish to dispose of assets that are worth substantially more than what you paid for them, can you use your spouse's allowance by transferring part of the asset to them before disposal?

12. **Utilise the ISA allowance**. The overall investment limit is £20,000 from April 2017. Within an ISA there is no capital gains tax or further income tax to pay, and if you leave the ISA to your spouse upon your death they can continue to benefit from those reliefs.

13. **Check whether your work and family circumstances make you eligible for tax credits**. Even if your income is currently too high to be entitled to claim, if your income fluctuates it may be worth making a protective claim against times when business is slow, since there is only a short period for backdating claims for the benefit.

14. **Inheritance Tax** – with the nil rate band having been frozen in recent years, but property prices relentlessly increasing, giving away assets you don't need during your lifetime has become increasingly important. You can give away up to £3,000 in a tax year, make small gifts of up to £250 per individual, or gifts in consideration of marriage. If you want to make larger gifts these will reduce the lifetime exemption available against your estate if you do not survive them by 7 years.

15. **Tax deduction for interest and finance costs incurred by individual landlords** is being gradually removed from April 2017. Buy-to-let landlords may wish to consider restructuring their property portfolio and/or their finance costs. Options available include reducing outstanding loans, converting a residential let into a furnished holiday let, selling residential property and investing in commercial property, or putting the rental business into a company.

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