mgi midgley snelling llp

CHARTERED ACCOUNTANTS

# Tax Planning Checklist 2023/24

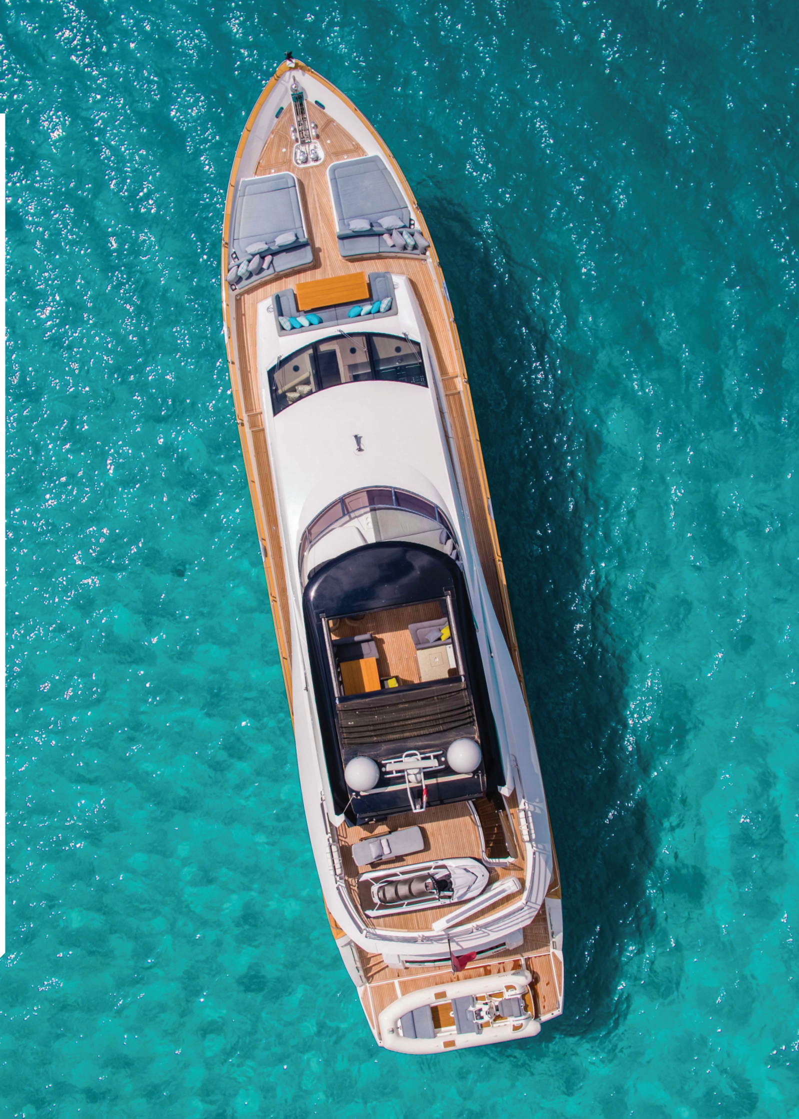
# Year-end Tax Planning Checklist

With the start of the new tax year, now is the time to be thinking about how to make the most of the tax reliefs and allowances that are available to you in 2023/24.

That is why the team at MGI Midgley Snelling LLP has compiled the following checklist of the key investment and tax planning ideas that you should be considering.

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.

Therefore, for more information on any of the ideas outlined or for detailed advice tailored to your specific circumstances, please contact us.



# Tax Planning

| Business Tax | Yes | No |
|---|---|---|
| **Dividend Taxation:** Have you utilised the zero per cent Dividend Tax Band of £1,000? Don't forget that this relief is being reduced from April 2024 to £500. | | |
| **Corporation Tax:** The rate of Corporation Tax increased from April 2023 for companies with profits of more than £50,000 to as much as 25 per cent for businesses with profits exceeding £250,000. Businesses with profits between these thresholds benefit from marginal rate relief to reduce their effective rate of Corporation Tax. You may also want to carry over losses into the new tax year to reduce your overall levels of profitability. If you face a higher rate of tax you could, for example, increase your pension contributions or fund the purchase of a company car so that your profits remain below £50,000. You may also wish to consider whether it will still be tax-efficient to run your business as a corporate body. | | |
| **Capital Gains:** Have you used your annual exemption for 2023/24 of £6,000? Be aware that the annual exemption is being halved to £3,000 from April 2024. | | |
| **Accounting Dates:** Did you know if your business is unincorporated and your accounting year is different to the tax year you will need to transition this year under the new basis period, which will most likely result in additional tax. You can offset your overlap profit and it may be worth considering any planned expenditure into the current transitional year. | | |

| Business Tax (continued) | Yes | No |
| --- | --- | --- |
| **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 will now remain at £1 million, so you should make sure you make use of this and the other capital allowance scheme, including the new full expensing scheme. | | |
| **Research and Development Tax Credits:** Have you claimed for all your eligible R&D projects to take advantage of the significant benefits available? Under the SME scheme, HMRC will allow an extra 86 per cent of identified costs to be written off against taxable profits on projects that have led to the creation of new products, processes or services or modifying an existing product, process or service. Claims can even be made against innovations that resulted in a loss. | | |

| Personal Tax | Yes | No |
|---|---|---|
| **Income Tax:** The threshold for the additional rate of Income Tax has fallen from £150,000 to £125,140 in April 2023 this will put thousands of more people into the 45 per cent rate of tax and 39.35 per cent for dividend tax. Will this change affect you? | ☐ | ☐ |
| **Child Benefit Threshold:** If you or your partner has an income exceeding £50,000, child benefit payments are reduced and withdrawn entirely if your income is more than £60,000. If you find yourself in this situation, have you considered seeking professional tax advice? | ☐ | ☐ |
| **Company Car:** Time for a new car? Have you thought about how switching to an electric vehicle could reduce the benefit in kind tax that you pay? | ☐ | ☐ |
| **Inter-spouse Transfers:** Have you maximised capital gains and income tax rates and allowances through these exempt transfers? For individuals whose annual income is between £100,001 and £125,140 this is an ideal way of reducing your tax liabilities. | ☐ | ☐ |
| **Directors Loans:** Have you used the tax-free interest amount on any loans to your business? Depending on your income level, you could save up to £500. | ☐ | ☐ |
| **Stamp Duty Land Tax:** If you are looking to purchase a home, or second home, have you considered stamp duty? If you are purchasing an additional property to your main home you may face a three per cent surcharge on top of the current rates of stamp duty. Recent changes have seen the nil-rate band for Stamp Duty Land Tax (SDLT) on residential property purchases in England and Northern Ireland double from £125,000 to £250,000. The nil-rate bands for first-time buyers has also been increased. | ☐ | ☐ |
| **Tax Freeze:** The Government has further extended the tax freeze on personal tax allowances until 2028. This means that millions of taxpayers are likely to be pushed into higher tax bands as inflation affects their wages and income. Have you considered how this will affect you? | ☐ | ☐ |

| Inheritance Tax | Yes | No |
|---|---|---|
| **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 as well as shares in private trading companies may qualify for 100 per cent relief from IHT. | | |
| **The Resident Nil Rate Band (RNRB):** This was introduced in 2017 and applies to a residence passed, on death, to a direct descendant. It was introduced in stages Ð £150,000 initially, rising to £175,000 (2020). There is now a nil rate band of £325,000 plus RNRB of £175,000, Ð which, in total, provides an IHT allowance of £500,000 per person, so a married couple could have a £1 million allowance, where any unused allowance is passed to the surviving spouse. Estates worth over £2 million will start to lose the RNRB, with it being withdrawn at a rate of £1 for every £2 over £2 million. | | |
| **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. | | |
| **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. You can also make regular gifts out of your income which are tax-free if they are used for normal expenditure, which could include, for example, paying for a grandchild's school fees. Other gifts may be free of IHT but it is important to seek advice first. | | |
| **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. | | |

# Pensions

| | Yes | No |
|---|---|---|
| **Protecting a Large Pension:** The LTA has been abolished entirely as of April 2023. You should consider how this affects your current later life plans 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. | ☐ | ☐ |
| **Pension Drawdown:** If you are 55 or over, you may be able to start drawing down pension benefits now from a personal pension such as a SIPP, 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. | ☐ | ☐ |
| **Annual Pension Allowance:** Have you used your full pension allowance? You can invest up to £60,000 a year into a pension tax-free. This amount can be carried over from the current tax year, plus the three previous tax years, allowing you to use unused allowance to top up your pension. | ☐ | ☐ |

# Pensions (continued)

| | Yes | No |
|---|---|---|
| **Carry Forward Benefits:** Have you claimed your higher or additional 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. | ☐ | ☐ |
| **Retirement Planning:** Have you ensured that you have a suitable plan in place to meet your needs in retirement? There are many tax reliefs and investment opportunities available that can increase your income and savings in retirement. | ☐ | ☐ |

# Investment Deals

| | 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 18? | | |
| **Help-to-buy ISAs:** 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. | | |
| **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) 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? | | |
| **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? | | |

# Investment Deals (continued)

| | Yes | No |
|---|---|---|
| **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. | ☐ | ☐ |
| **Community Investments:** Share purchases or loans to a Community Development Finance Institution (CDFI) qualify for tax relief. Over a period of five years relief is provided at a five per cent, providing 25 per cent relief in total. | ☐ | ☐ |
| **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. | ☐ | ☐ |
| **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. | ☐ | ☐ |
| **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. | ☐ | ☐ |

# Succession Plan

| | Yes | No |
|---|---|---|
| **Selling a Business:** Are you thinking about selling a business or part of a business as part of your succession plan? You need to consider the personal and business tax implications of a sale. The sale of shares could lead to capital gains while selling part of your business or assets could create chargeable gains for Corporation Tax. | ☐ | ☐ |
| **Management Buyout:** If you are seeking a management buyout the structure of the transaction could have a substantial impact on how much tax each party pays. Have you considered how the new management will be remunerated? Will the sale be achieved through shares or assets? Are deal costs tax-deductible? Is Stamp Duty due on the transfer or sale of property? | ☐ | ☐ |
| **Business Asset Disposal Relief:** If you are looking to sell your business or shares in your business and this leads to a capital gain you could be taxed at a rate of up to 20 per cent, depending on your marginal tax rate. Business Asset Disposal Relief, (formerly Entrepreneurs' Relief), could reduce this rate of tax to just 10 per cent. | ☐ | ☐ |
| **Passing a Business on to a Family Member:** Gifting a business or shares in a business to a family member is still considered a disposal for Capital Gains Tax. Depending on when you pass on after gifting a company, the value of its shares and assets could also be included in calculations for Inheritance Tax but you could take advantage of Business Relief which reduces the value of a business or its assets by up to 100 per cent. Have you considered the tax implication of transferring your business to family? | ☐ | ☐ |

# mgi midgley snelling llp

CHARTERED ACCOUNTANTS

MGI Midgley Snelling LLP
Ibex House, Baker Street,
Weybridge, Surrey KT13 8AH

**Tel:** +44 (0)1932 853393

**Email:** email@midsnell.co.uk

**www.midsnell.co.uk**

Limited Liability Partnership registered number OC377248 in England and Wales. Registered to carry out audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales. We do not accept audit appointments in Ireland. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C003336128. A list of names of members of the Limited Liability Partnership (LLP) is available for inspection at the registered office.

MGI Worldwide is a network of independent audit, tax, accounting and consulting firms. MGI Worldwide does not provide any services and its member firms are not an international partnership. Each member firm is a separate entity and neither MGI Worldwide nor any member firm accepts responsibility for the activities, work, opinions or services of any other member firm. For more information visit www.mgiworld.com/legal

A member of mgiworldwide