

# Money Talk

  
By **Beatons Group**

## Year End Tax Planning

Did you pay too much tax in January 2014? How to pay less tax next year! Here are six of the best tips to consider before it is too late at the end of the tax year on 5 April 2014.

**1. Consider how much you are earning?** There are some very serious anomalies in tax rates at particular levels of income.

- Between £100,000 & £118,880 Effective marginal rate of tax 60%.
- Over £150,000 effective marginal rate of tax 45%
- Between £50,000 & £60,000 child tax benefit is withdrawn

You can therefore make significant tax savings by keeping your income out of these income brackets either by deferring it until after 5 April 2014, if possible reallocating income to your spouse or making Pension Contributions by 5 April 2014. **Planning point** - A Pension payment can be very tax efficient. If your income is say for example £110,000 a Pension Contribution of £10,000 could only cost you £4,000.

**2. Use your exemptions and allowances** - You have allowances and exemptions each tax year that are restricted by the Government as follows:

- ISA exemption (2013/14 £11,520)
- Capital gains tax annual exempt (2013/14 £10,900)
- Personal allowance (2013/14 £9,440)
- Pension (2013/14 £50,000 in contributions)

**Planning point** - In general tax exemptions cannot be carried forward from one tax year to the next and are therefore lost. The only exception with the above items is the Pension Contributions limit which can be carried forward but is only used after the following years allowance has been utilised first.

**3. Claim all expenses you can against your taxable income**

- self-employment, (mileage, use of home, capital items, tools)
- employment income (including uniforms, cleaning, subscriptions)
- rental income (mortgage interest, repairs, wear & tear allowance, professional fees)

**Planning point** - Keep full records of all your expenditure as they are needed to support Claims for tax relief. If in doubt keep the receipt and let us determine whether you can claim it.

**4. Consider incorporating your business** - For protection of your personal assets such as your home, as well as the flexibility and potential tax savings of payment of dividends incorporating your business.

**Planning point** - Incorporating a business is a lot easier these days now that the Audit thresholds are higher than they have ever been.

**5. Make use of specific tax reliefs** - **Planning point** - You can make a claim for income tax relief on any shares subscribed for which have been sold for a loss or are of no value.

**6. Use Tax efficient investments** - did you know that some investments come with significant tax incentives. For example subscriptions to Venture Capital Trusts will provide a 30% income tax credit which can be set against tax due in the year of investment. You could view this as a 30% return on monies invested, or an investment which only cost 70% of its current value. **Planning point** - Don't forget tax efficient Investments can significantly reduce the tax charge on a transaction.

**This information is only a summary. If you require more information please visit our website [www.beatons.co.uk](http://www.beatons.co.uk) or call us on 01394 279692.**

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