

SBCA'S TOP 7 TIPS TO HELP YOU PAY LESS TAX IN 2019/20

AT SBCA WE ARE ALWAYS WORKING TO MITIGATE YOUR TAX LIABILITIES AS BEST WE CAN. AT THE END OF EACH TAX YEAR THERE IS A GREAT OPPORTUNITY TO DO JUST THAT. HERE ARE OUR TOP 7...

1. USE LEGITIMATE WAYS TO REDUCE YOUR TAX BILLS BY TRANSFERRING INCOME TAXED AT HIGHER RATES TO A SPOUSE PAYING TAX AT A LOWER RATE.

At the very least you should aim to make sure that neither spouse wastes their £12,500 tax-free allowance in 2019-20, but early professional advice is essential. In particular, care needs to be taken not to divert income deriving from a spouse's company if that spouse substantially performs the work.

2. CHANGE YOUR INCOME STREAMS TO UTILISE YOUR £1K PERSONAL SAVINGS ALLOWANCE AND £5K STARTING RATE BAND

If you can mix the type of income you receive between Salary, interest and dividends you may be able to earn £20k tax free in 2019-20. You may be able to use your Directors loan account to do this.

3. MAKE SURE YOUR LIFE ASSURANCE POLICIES ARE IN THE NAME OF YOUR BUSINESS, SO YOU CAN GET TAX RELIEF ON THEM NOW.

A little known rule allows you to claim tax relief through your company for any qualifying relevant life assurance policies and, in the unfortunate event that they pay out, the proceeds are still tax free!

4. MAKE THE MOST OF YOUR OPPORTUNITY TO SAVE TAX BY INVESTING IN A PERSONAL PENSION.

Subject to certain limits, pension contributions made personally are tax allowable - which means that the effective cost may be as little as 55p to invest £1 in a pension. If you don't provide for your retirement, who else will?

5. CONSIDER INVESTMENTS THAT GIVE YOU A TAX-FREE RETURN.

For example: National Savings Certificates, Friendly Societies and ISAs. At present, you can invest up to £20,000 a year in an ISA and £4,260 in a Junior ISA. If you don't use your allowance each year, you lose it. There are also 'Lifetime ISAs' where individuals under 40 can invest up to £40k per year and get a 25% bonus from the government up to age 50. And the "Help to Buy" ISA available to anyone over the age of 16 where the government will again give a 25% bonus.

Again, before acting on this one you must take independent financial advice.

6. IF SOME OF YOUR INVESTMENTS HAVE DONE VERY WELL AND GROWN IN VALUE, CONSIDER WHETHER IT IS SENSIBLE TO SELL SOME OF THEM TO SAVE YOURSELF EVEN HIGHER TAX BILLS IN THE FUTURE.

Each year you can make tax-free gains of £12,000 (2019-20). "Bed and breakfasting" investments is no longer possible, but you may still be able to save tax by selling shares and buying them back more than 30 days later, having your spouse buy them back or buying them back in a stocks & shares ISA. Most people waste their Capital Gains Tax allowance each year. This is a way to use it!

7. MAKE SURE YOU USE THE £2,000 TAX FREE DIVIDEND ALLOWANCE

The first £2k of dividend income above your personal allowance is tax free. After that a basic rate tax payer pays 7.5% and a higher rate tax payer 32.5%. It may be worth looking at your personal tax situation and plan dividends to make use of the allowance and not take you into the high rate tax bracket. You might also want to consider making family members shareholders to utilise their tax free dividend allowance. Advice would be needed before you did this.

WE DON'T DISCLAIM ANY OF THE IDEAS ON THIS PAGE. IN FACT, WE ARE REALLY QUITE PROUD OF THEM. HOWEVER, BEFORE YOU TAKE ANY ACTION YOU REALLY SHOULD TAKE ADVICE ON YOUR PERSONAL CIRCUMSTANCES.

sbca chartered accountants

WE'D BE DELIGHTED TO DO THAT IF YOU CALL **01772 204102** NOW.