

10 Easy ways to cut your tax bill

1. **Make full use of tax allowances in a marriage**, generally by ensuring that income is equalised as far as possible.

Particularly important for small businesses – even while there is uncertainty about small business taxation and Section 660A (which probably only affects a few businesses anyway).

Income equalisation is also important for the ownership of investments and assets which may produce a substantial capital gain in the future.

2. **Make sure you have a will, and an Inheritance Tax plan**, and keep both regularly reviewed (every 5 years or at major life changes).

The Current IHT system is relatively benign, but without care it's possible to waste the valuable IHT allowances available within a marriage, or on business and agricultural assets.

Dying without a will also makes life less easy for those left behind.

3. **Make full use of Government sponsored tax breaks on savings**, e.g. pensions, tax exempt Individual Savings Accounts, Venture Capital Trusts, Enterprise Investment Scheme.

Pensions are not sexy at the moment, but the simple act of investing in a pension quite often allows you to save money with 40% tax relief today and pay tax on those savings at basic rate in the future – meanwhile the money you save in tax can be invested to grow further for you. Watch for pension reforms coming in over the next few years that let you hold residential property investments in a pension – worth thinking about for those who have more faith in bricks and mortar than stocks and bonds.

ISA's are a basic for all savers as well – a simple way of helping your investment to grow further, particularly for higher rate taxpayers.

EIS and VCT are a bit more complicated, but offer valuable savings for the sophisticated investor.

4. **Make sure your business structure is right** – the current tax system favours companies for trading, and personal ownership for assets, but there are a lot of pitfalls.

It's because of these pitfalls that advice is needed – get it right and the benefit of lower corporate tax rates and attractions like NI savings and business asset taper relief cut in.

5. **Make use of the very generous relief available against Capital Gains Tax on business assets.**

Capital gains on business assets are subject to a very low tax rate, and following repeated changes in the rules now almost all commercial property counts as a business asset, even if you don't occupy it for your business – however watch for pitfalls.

Don't mix investments and trading in a company – it may compromise the business asset status of your shares.

6. **Avoid company cars**, there are nearly always more tax efficient ways of owning a vehicle.

Pay in lieu, mileage claims at approved IR rates, a company van – all are probably better. The government do not like company cars, and the tax regime makes this clear.

7. **Check your tax code** if you are an employee, particularly if you are a Higher Rate Taxpayer, have other sources of income, have a company car or similar benefits, or are a company director – most tax codes are wrong, and the Inland Revenue normally compound matters when they try and correct them by making further mistakes.

Their actions are well intentioned, but in striving to simplify matters and take people out of Self Assessment by using their tax code instead, many peoples tax becomes incorrect. Watch this if you don't fill in a tax return each year – if you do fill in a tax return, don't worry as it sorts itself out.

8. **Check your VAT accounting** – are you paying VAT on things you should not be? Are you claiming all the VAT back you are entitled to? Would you be better off on the flat rate scheme?

The flat rate scheme can offer savings for small businesses, but could be a disaster for others – you need to do the maths. Watch for small vat over or under claims on repeated transactions – they soon add up, eg vat on supermarket purchases.

9. **Keep your business records up together**, in order and complete, and get your tax returns and accounts in on time – you will save on interest and penalties, and you will reduce the risk of a tax inspection.

Also, getting your records to your accountant on time and in order, gives your accountant more time to do their job of helping you be more tax efficient and financially savvy (trust us on this, its true.....!).

10. **Take good professional advice on your taxes** – do not trust what the Inland Revenue may say; quite often they report how they want the tax rules to work, not how they actually do work; and definitely do not trust “Fred from down the pub” who was self-employed for six months in 1972 and is now an expert. Talk to a good accountant and financial advisor.

Cannot say much more really, except much of what the Inland Revenue publish or disseminate face to face varies from economical to downright wrong – take advice.