

BUSINESS TRANSACTIONS GETTING THE TIMING RIGHT

The timing of certain payments and receipts of income is crucial for tax purposes. By moving a date of payment or receipt by just a few days either side of your business year end, you can reduce the tax bill and defer payment until the next tax year.

DO

- Ensure that charges on income (for example, annuities and royalties) are paid *before* the year end
- Ensure that any provisions made are against *specific* costs, not a general estimate
- Ensure that any pension contributions are paid *before* the year end
- For Companies consider whether any additional remuneration/bonuses should be voted to directors in respect of the *current* accounting period (these can be paid up to nine months after the year end)
- Ensure that you value stock and work in progress taking into account any reduction arising as a result of obsolescence
- Plan to bring forward any capital expenditure into the current accounting period

DON'T

- Sell assets, such as property or shares, that will give rise to a large chargeable gain until after the accounts year end if you are a company, or the tax year end if you are a partnership / sole trader.
- Forget the effect this will have on your accounts as if you reduce your profits, the bank may be concerned.
- Sell assets on which capital allowances have been claimed until after the year end

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