



● TAX & TAX PLANNING

going further to deliver more

**anstey  
bond**  
TAX & TAX PLANNING

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## Welcome to Anstey Bond Tax & Tax Planning

No-one need pay more tax than is necessary so our services are focused on helping you minimise exposure to tax and maximise allowances.

Tax could be the single largest expense you'll face in your lifetime so, by reducing exposure and maximising exemptions, your wealth is better protected. With a top income tax rate of 45%, even minor improvements to your taxable position could save you a considerable sum.

According to an independent report, each year we British pay over £12 billion more tax than we need to. That equates to around £4,000 for every individual taxpayer.

Most of us don't make full use of our available tax allowances and exemptions so it's likely that you're paying more tax than necessary on your UK income and savings. According to the Annual Tax Action Report 2012\* we pay a staggering £12.6 billion more than we need to which equates to an average of more than £4,000 per taxpayer. Let's explore your opportunities for tax savings . . .



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### End of Year Checklist

We are proud to be a partner of Xero Online Accounting Software, the global leader in online accounting with over 500,000 paying customers in over 180 countries. Xero makes small businesses better by saving time on back office processes and by giving us as advisors the ability to provide higher value services that have a positive effect on our clients' businesses.

- Personal Allowance annual tax free income of £12,750
- Marriage/Civil Partnership Allowance reduced annual tax liability by up to £250
- Personal Savings Allowance tax free savings up to £5,000 per year
- ISA Allowance tax free income and growth up to £20,000 per year
- Dividend Allowance tax free dividends up to £2,000 per year · Capital Gains Tax Allowance tax free investment income up to £2,300 per year
- Pension Carry Forward tax relief and tax free growth up to £120,000 per year
- Venture Capitalist Trusts tax relief and tax free growth up to £200,000 per year

### **Paying Less Income Tax**

Every individual has a tax free income allowance of £12,570 per year, including bonuses, rental and pension incomes. However, if your current income does not reach this threshold, perhaps we can help you identify practical ways to increase your annual tax free income.

### **Reducing Your Income Tax Liability**

The most common way to reduce your income and therefore your tax liability is to pay into a pension which will reduce your tax bill by the top rate of tax. For example, if you earn £60,000 and pay £10,000 into a pension, you reduce your tax bill by £4,000. Avoiding the Pension Lifetime Allowance Tax Charge when the value of your pensions exceeds the Pension Lifetime Allowance, you will pay tax at a rate of between 25% and 55%. However, there are a number of ways you can minimise this charge:

- Apply for Pension Lifetime Allowance protection
- Withdraw the tax free portion of your pension as cash
- Take your defined benefit pension early
- Set up an alternative investment pot



If you are a high earner there's a limit to the amount you can pay into a pension without incurring a tax charge. The Tapered Pension Allowance reduces the amount you may contribute to a pension down to £4,000 in any one tax year. If you pay in more than this, you could face a tax charge of 45%. However, it may be possible to avoid this tax charge by carrying forward unused pension allowances from previous years. Alternatively, you could reduce your pension contributions or ask that your employer pays you an increased salary instead of pension contributions that exceed the threshold.

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### **Avoiding the 60% Tax Trap**

If you earn over £100,000 your tax free personal allowance will be reduced and you'll pay National Insurance at 2% meaning that you will effectively pay tax at 60% on additional income, such as a bonus, in excess of £100,000. Avoid this trap by having your bonus paid into your pension fund.

### **Reducing Capital Gains Tax**

If you make a profit from the sale of an investment or property you may need to pay capital gains tax. The annual allowance is £12,300 so any profit over this amount will be taxed at between 10 - 20% for investments or between 18 - 28% for property, depending on your income. However, if you are married or in a civil partnership, you can hold investments jointly meaning that your collective allowance would be £24,600. Alternatively, if one of you pays a lower rate of tax you can hold the asset in their name only which could reduce the tax rate from 20% to 10% or, in the case of property, from 28% to 18%. Equally, if you have other investments that have made a loss in the same tax year, you may offset those losses against gains made when selling an asset.

## Minimising Capital Gains Tax on Restricted Stock Units

In many instances, employees receive shares in the company they work for. These are known as Restricted Stock Units (RSUs). If you continue to hold these shares you may be liable for capital gains tax. There are two ways to minimise the tax payable . . .

- Immediate Sale – sell the shares and, if you still wish to own them, buy them back in stocks and shares ISA so no capital gains tax is payable in the future.
- Spousal Transfer – you can transfer some of the shares to your spouse or civil partner tax free and they may sell them, in effect doubling the quantity that may be sold tax free.

## Reducing Your Company Tax Bill

If you own a business and make a profit you will pay corporation tax, currently set at 19%. However, because employer pension contributions are treated as a deductible expense and attract no income or dividend tax, you can reduce your tax liability by making a pension contribution instead of paying yourself a salary. For example, if you made a pension contribution of £10,000 instead of receiving it as salary, you would save up to £4,530. Explore other ways to reduce your company tax bill.

## Research & Development Tax Relief

The Research & Development Tax Relief schemes are HMRC incentives designed to encourage innovation and increased spending on R&D activity by UK companies. Either the Small or Medium Sized Enterprise (SME) scheme or the Large Company scheme – and how you claim credit – will apply depending on the size of your company. If yours is an SME incurring costs in developing new products, processes or services, you'll be entitled to a cash payment or enhanced tax deduction of 130% meaning that for every £100 of costs, corporation tax would reduce by £230\*.

If yours is a large company, you may profit from an enhanced benefit of 30% so for every £100 of R&D costs your company could have the income on which Capital Gains Tax is paid reduced by £30 on top of the £100 spent\*.

As we work on a 'success fee' basis, we will only charge a fee if your tax claim is successful and your company receives a cash tax credit or can utilise enhanced deductions against future company profits.

*\* The information above should not be relied upon when making tax planning decisions. In each case, a number of factors must be considered. We'll discuss your best option and all the details with you.*



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We are looking forward to hearing from you. For more information, call us on +44 (0)20 7014 8060 or email us at [info@ansteybond.com](mailto:info@ansteybond.com)

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