

# 2015 / 2016

## TAX SAVING TOOLS

### FOR THE SELF EMPLOYED & PARTNERSHIP

Notes

- 1 Ensure that you have a pre year-end tax planning meeting with your accountant, to make sure that all necessary actions are considered before the year end, after which it might be too late.
- 2 A change of accounting date may entitle you to use any overlap relief created when you started in business, thereby reducing your taxable income.
- 3 If a spouse or civil partner helps in the business, but earns less than the single persons allowance of £10,600 per year, you can pay them a wage of up to £155 per week, which will not trigger a tax or national insurance charge, and also reduce your taxable profits. It will also assist your spouse credits towards state pension and other state benefits.
- 4 If you have children of at least 13 years of age, who earn less than £10,600, they can be paid a wage for work performed in the business and that wage payment will reduce your taxable profits.
- 5 A sole trader earning less than £5,965 per annum, will not be within the charge of Class 2 national insurance, but may wish to pay voluntary NI to build up State Pension entitlement.
- 6 If you are a sole trader who pays higher rate tax of 40% and your spouse/civil partner works in the business, but pays tax at the lower rate, you could make them a partner and allocate profits at the lower rate tax. if operating as a Limited Company, by passing on some shares to them.
- 7 When buying motor car, van, computers or other equipment, if it is done just before your year end, you can bring forward the relief available for capital allowances, which may be up to 100% of the cost in the year of purchase for which you get a tax write off.
- 8 Allocating the ownership of your business to your spouse / civil partner and family members will minimise the Capital Gains Tax payable when the business is eventually sold.

9 If you work from home, ensure you claim for the use of home.

10 Where you do not have an invoice, you may still be able to claim a legitimate business expense. However, you need to have a record of the business expense in some form.

You can only claim for expenses wholly and exclusively related to the business with all private element excluded.

11 Sponsorship and season tickets at a football club may be allowed as a business expense, provided it is for the benefit of the business, but this has to be clearly demonstrated.

12 Personal loans taken to finance your business or Company will entitle you to get tax relief on the interest you pay on the loan.

13 If your business makes a loss in a particular year, the loss can be set off against profits of earlier years, other income of the same year or previous year before carrying it forward against the profits of future years.

14 Loss on shares subscribed in an unquoted company, may be claimed against profits of your trade.

15 You can write down the value of your stock if you believe that they are obsolete or that it will be sold at less than cost, thereby reducing your taxable profit.

16 Capital Gains Tax on the sale of a trading Company or Business is taxable at 10% rather than 18%/28% for up to £10million for qualifying lifetime gains.

17 Child Tax Credit is available if you have a child under 16 or in full time education. This is restricted for earning between £50,000 - £60,000, and £nil at over £60,000.

18 If your business profits are high as to attract higher rate taxes, it may be beneficial to operate the business through a Limited Company where the tax rates are lower at higher limits.

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