



## Plan To Avoid Higher Taxes

The start of the new tax year on 6 April 2011 will see thousands more paying 40% tax, as anyone with total income over £42,475 will be drawn into that tax bracket. Higher earners start to lose their personal allowances when their income reaches £100,000. Once your total income exceeds £150,000 the 50% tax rate applies. The good news is you can take action to reduce these tax rates.



Discuss your plans

Married couples and civil partners can transfer investments to the lower earner, or put the assets in joint names, with no capital gains tax (CGT) consequences. Unmarried couples can transfer assets that are free of CGT such as bank accounts or where the gain is less than £10,100. Even if an asset is put into joint names the day before the income arises (such as a dividend), all of that income is split equally between the owners.

Any pension contributions or gift aid donations you make personally will increase your personal 40% and 50% tax thresholds, so you may benefit from delaying such contributions to 6 April 2011 or later. The annual cap on pension contributions is reducing from that date to a limit individual to each person. So we need to calculate what capacity you have for making tax favoured pension contributions in 2011/12.

Investments in Enterprise Investment Schemes and Venture Capital Trusts can be used to reduce your income tax bill, but such investments can be risky. Please discuss your tax saving plans with us before taking action.

### Check Your PAYE Code

HMRC are issuing the PAYE codes (forms P2) to individuals for 2011/12, and there are bound to be some errors. However, HMRC will not send us a copy, so if you think there is something wrong with your PAYE code please contact us.

Employers should receive the coding notices (forms P9) for their employees from 1 March 2011, mostly by electronic notices. If you don't receive the PAYE codes in time for your April payroll use the 2010/11 code and add 100 to any code ending in L.

### Tax Deadlines

- 19 March**  
PAYE & NIC paid by cheque for month to 5 March must reach HMRC.
- 22 March**  
Electronic payments for month to 5 March must reach HMRC's account.
- 23 March**  
**Budget Day:** tax changes may take effect from today.
- 31 March**  
Corporation tax return due for year to 31 March 2010. File company and LLP accounts at Companies House for year end 30 June 2010.  
Company tax claims for year to 31 March 2007 must reach HMRC. Final day to reclaim VAT on cross-border expenses incurred in 2009.
- 1 April**  
All corporation tax must be paid by electronic means. All corporation tax returns must be filed online in iXBRL format.
- 5 April**  
Last chance to use CGT and ISA allowances for 2010/11 and make self-assessment claims for 2006/07.
- 6 April**  
Use new PAYE tables and codes for 2011/12. Higher benefit rates for most company cars.
- 14 April**  
EC sales list for quarter to 31 March must reach HMRC.
- 19 April**  
Cheques must reach HMRC for PAYE & NIC 2010/11 and IR35 deemed salary, and month/ quarter to 5 April.
- 21 April**  
Electronic payments for month/ quarter end 5 April must reach HMRC's account.
- 3 May**  
Forms P46 (car) for cars provided in quarter to 5 April to reach HMRC.
- 19 May**  
Cheques must reach HMRC for PAYE & NIC due for month to 5 May. PAYE forms P14 and P35 for 2010/11 must be submitted online.
- 20 May**  
Electronic payments for month to 5 May must reach HMRC's account.
- 31 May**  
Give completed form P60 (paper or electronic) to all you employees at 5 April 2011.

## Tax Credit Changes



### Less childcare support

The Government is cutting back the amounts paid to tax credit claimants from 6 April 2011, with further changes coming in from April 2012. Both Working and Child tax credits will be gradually replaced by the Universal Credit from 2013, which is likely to be far less generous for the self-employed.

The changes for 2011/12 include the removal of additional money for babies aged under 1 year, and a reduction in the higher family income threshold from £50,000 to £40,000. Tax credits will only cover 70% of childcare costs and the entitlement to tax credits will be withdrawn more quickly at 41% of

income over the thresholds. The cumulative effect will be different for each family. Low paid workers may lose some tax credits but will receive more tax-free income as their personal allowance increases.

You can't claim tax credits on the value of childcare vouchers provided by your employer. Basic rate taxpayers are generally better off rejecting employer provided childcare vouchers, and claiming tax credits on their actual childcare costs up to the maximum of £300 per week. However, from 6 April 2011 basic rate taxpayers will be better off taking employer provided childcare vouchers given in place of salary.

If you will be taxed at 40% or more in 2011/12 (see page 1), you should join your employer's childcare voucher scheme before 6 April 2011 to ensure you enjoy full tax relief on the vouchers.

## How Much To Extract From Your Company

If you run your own company we need to review the amounts you take as salary and dividends, to ensure you minimise the tax you pay from 6 April 2011.

Currently you can pay yourself a salary of up to £6,475 with no tax, although at this maximum you do pay national insurance of £83.60. From 6 April 2011 your tax-free salary could increase to £7,475, but you will pay national insurance of £30 on that.

The net dividends paid to you within your basic rate band are tax free, but the basic rate band is shrinking. Assuming you take a salary as above, you can currently also take tax free net dividends of £33,660, which is equivalent to a gross taxed dividend of £37,400. From 6 April 2011 you can take a tax free net dividend of

£31,500 (£35,000 gross).

There are other ways of extracting value from your company, such as by making pension contributions. We need to discuss the methods that suit you and your family.

### Tax Payments

All your corporation tax payments must be made by electronic means from 1 April 2011. 'Electronic' includes direct debits, debit and credit card payments. You can set up electronic payments with your bank by using telephone banking, internet banking, or in your branch. Bank Giro payments at bank branch or Post Office are also counted as electronic. You need to order the Bank Giro payslips specific to your company from HMRC.

## Invest Now For More Tax Relief

If your business invests in plant or machinery, including certain building fixtures, it can deduct 100% of the cost from its profits under the annual investment allowance (AIA). The AIA is currently capped at £100,000 per business, or group of connected businesses, but this cap will reduce to £25,000 from April 2012. So it makes sense to invest before then.

Cars cannot be included in the AIA claim, but commercial vehicles can. If you are buying or refurbishing a commercial building expenditure on items such as the cold water system, electrics and air conditioning can qualify for the AIA. If you purchase energy or water efficient items you may qualify for a 100% allowance on those items, even if they can't be included in an AIA claim. Please discuss your

refurbishment plans with us in advance so we can ensure you maximise the tax allowances available.

The cost of cars and other items that have not been covered by the AIA claim are included in capital allowance 'pools', with 10% or 20% of the pool written off against profits each year. The annual amount written off in each pool will reduce to 8% and 18% from April 2012, which is another reason to invest now rather than later.



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