

PRE YEAR END TAX TIPS – PARTERSHIPS & SOLE TRADERS



If you are a sole trader or in a partnership there are some important things to consider before your year end that could reduce your tax bill.

Capital Purchases such as equipment, fixtures, computers, vans and some environmentally-friendly cars

If you time your purchase close to your year-end you will still benefit from a full year's tax relief! Also most asset purchases listed above now qualify for 100% tax relief.

Savings and Investments

Have you used your full ISA Allowance? For 2019/20 this is £20,000.

Pension Contributions

Have you contributed the maximum amount (up to £40,000) to a Pension Plan last year and used any available Annual Allowance carry forward? Pension contributions are particularly tax effective for higher earners. For example income over £150,000 per annum is taxed at 45% but because you lose the personal allowance, income between £100,000 and £122,000 is taxed at an effective top rate of 60%. Pension contributions can generate significant tax savings by reducing taxable income.

Capital Gains

Have you and/or your spouse/civil partner used your full annual CGT exemption for last year? Also have you

considered transferring shares or income-producing assets such as interests in property to your spouse/civil partner who may be paying tax at a lower rate?

If you have already sold assets or are considering doing so before the end of the tax year, have you considered reinvesting the proceeds? If so, please contact us, so we can help maximise tax reliefs which include investments which may also generate income tax breaks.

Inheritance Tax

Have you used your annual IHT gift exemption (£3,000 for previous two years)? Do you have an up to date will?

Have you thought of inheritance tax planning? Please contact us and we can arrange for a meeting to undertake an IHT planning review to ensure that you are not giving your hard earned wealth to the Taxman rather than to your family.

Family Members

If your spouse or children help in your business it may be an advantage if they were bought into the partnership. Again, contact us to learn more.

Saving for Children

Junior ISAs or Child Trust Funds enable parents or grandparents to save up to £4,260 a year tax free for each of their children/grandchildren. So you may wish to make sure that the maximum contribution is made before 06 April.

Think of also taking out a Stake Holder Pension. They allow contributions to be made by, or for, all UK Resident's including children. You can make a net contribution of up to £2,880 each year for members of your family. Even for those who do not have any earnings.

Your children or grandchildren may want to get onto the housing ladder. You could fund their Help to Buy ISA and in doing so reduce your Inheritance Tax Bill.

Visit our website to see current tax rates.

 **mcphersons**
chartered accountants and tax advisors