Tax Planning Checklist 2024/25

GLAZERS
CHARTERED ACCOUNTANTS

Year-end Tax Planning Checklist

With the current tax year having begun on 6 April 2024, it is important to utilise all the tax reliefs and allowances available before 5 April 2025 in order to minimise your liabilities.

That is why the team at Glazers has compiled the following checklist of the key investment and tax planning ideas that you should be considering.

We hope that you find this checklist useful, but please bear in mind that, this only provides a summary of the options you should be considering and not all options will be suitable for everyone.

Therefore, for more information on any of the ideas outlined or for detailed advice tailored to your specific circumstances, please contact us by calling **+44 (0) 20 8458 7427** or by emailing **quality@glazers.co.uk**

Tax Planning

Business Tax

	YES	NO
Dividend Taxation: Have you utilised the zero per cent Dividend Tax Band of £500? Balancing dividends against regular pay requires careful consideration to set the right remuneration approach.		
Corporation Tax: The Corporation Tax rate for companies with profits of more than £50,000 could be as much as 25 per cent for businesses with profits exceeding £250,000. Businesses with profits between these thresholds benefit from marginal rate relief to reduce their effective rate of Corporation Tax. You may also want to carry over losses into the new tax year to reduce your overall levels of profitability. If you face a higher rate of tax you could, for example, increase your pension contributions or fund the purchase of a company car so that your profits remain below £50,000. You may also wish to consider whether it will still be tax-efficient to run your business as a corporate body.		
Capital Gains: Have you used your annual exemption for 2024/25 of £3,000? Be aware, from April 2024 the Capital Gains Tax rate on the sale of second homes by higher-rate taxpayers has fallen to 24 per cent.		
Self-employment: From April 2024, compulsory Class 2 National Insurance (NI) will be abolished, and the rate of Class 4 NI contributions will fall to six per cent – delivering an average saving of £350.		
Incorporation: If you are trading as a sole trader, partnership or Limited Liability Partnership should you consider incorporation to a Limited Company as a more tax-efficient business structure?		

Business Tax *continued*

	YES	NO
Capital Allowances: Have you purchased any required items before your business year-end to ensure these allowances are available a year earlier? The Annual Investment Allowance will now remain at £1 million, so you should make sure you make use of this and the other capital allowance scheme. This now includes the permanent Full Expensing scheme, which provides a 100 per cent First Year Allowance on capital expenditure on qualifying new plant and machinery capital for companies liable for Corporate Tax.		
R&D Tax Credits: Have you claimed for all your eligible R&D projects to take advantage of the significant benefits available? The SME and R&D Expenditure Credit (RDEC) schemes merged from 1 April 2024, significantly simplifying the process. Under the scheme, a taxable credit which is a proportional (currently 20 per cent headline rate, pre-tax) of the qualifying expenditure will be available for profitable companies and a 15 per cent tax credit for loss-making entities. Additional SME relief will be made available for loss-making small businesses considered to be R&D intensive, if they devote 30 per cent or more of expenditure to R&D, a reduction from 40 per cent in 2023/24, making around 5,000 more SMEs eligible.		

Personal Tax

	YES	NO
Income Tax: The threshold of the additional rate of Income Tax is now £125,140 and the personal allowance remains frozen at £12,570. Are you taking steps to minimise the rate of tax you pay?		
Child Benefit Threshold: If you or your partner has an income exceeding £60,000, child benefit payments are reduced and withdrawn entirely if your income is more than £80,000. If you find yourself in this situation, have you considered seeking professional tax advice?		
Company Car: Time for a new car? Have you thought about how switching to an electric vehicle could reduce the benefit in kind tax that you pay?		
Inter-spouse Transfers: Have you maximised capital gains and income tax rates and allowances through these exempt transfers? For individuals whose annual income is between £100,001 and £125,140 this is an ideal way of reducing your tax liabilities.		
Exchange your Salary for Benefits: Consider exchanging part of your salary for payments into an approved share scheme or additional pension contributions, to take you below the £100,000 threshold.		
Directors Loans: Have you used the tax-free interest amount on any loans to your business? Depending on your income level, you could save up to £500.		
Stamp Duty Land Tax: If you are looking to purchase a home, or second home, have you considered stamp duty? If you are purchasing an additional property to your main home you may face a three per cent surcharge on top of the current rates of stamp duty. Recent changes have seen the nil-rate band for Stamp Duty Land Tax (SDLT) on residential property purchases in England and Northern Ireland double from £125,000 to £250,000. From April 2024, Multiple Dwellings Relief, previously available on the purchase of multiple properties in a single transaction, has been abolished.		

Personal Tax *continued*

	YES	NO
Marriage Allowance: Have you considered whether you or your spouse are entitled to claim the marriage allowance? This enables one spouse to transfer 10 per cent of their tax free personal allowance to the other, saving up to £252 in income tax.	☐	☐
Tax Freeze: The Government has further extended the tax freeze on personal tax allowances until 2028. This means that millions of taxpayers are likely to be pushed into higher tax bands as inflation affects their wages and income. Have you considered how this will affect you?	☐	☐
National Insurance: From April 2024, Class 1 Employee National Insurance will be charged at a reduced rate of eight per cent, instead of 10 per cent.	☐	☐
Childcare: There are a range of reliefs to support the cost of childcare. However, if your adjusted net income exceeds £100,000, you won't qualify for the extended 30 free childcare hours or the Tax-Free Childcare scheme.	☐	☐

Inheritance Tax Planning

	YES	NO
Switch your Assets: Inheritance Tax (IHT) must be paid on the value of any estate above £325,000. However certain assets including business and agricultural as well as shares in private trading companies may qualify for 100 per cent relief from IHT. The Resident Nil Rate Band (RNRB) was introduced in 2017 and applies to a residence passed, on death, to a direct descendant. It was introduced in stages – £150,000 initially, rising to £175,000 (2020). There is now a nil rate band of £325,000 plus RNRB of £175,000, – which, in total, provides an IHT allowance of £500,000 per person, so a married couple could have a £1 million allowance, where any unused allowance is passed to the surviving spouse. Estates worth over £2 million will start to lose the RNRB, with it being withdrawn at a rate of £1 for every £2 over £2 million.		
Charitable and Personal Gifts: If you leave at least 10 per cent of your net estate to charity a reduced rate of 36 per cent rather than 40 per cent applies and could save your family money. Gifts to a spouse can be made now to use up his or her nil rate band and could help you to reduce the value of the part of your estate above the £325,000 band. You can also make regular gifts out of your income which are tax-free if they are used for normal expenditure, which could include, for example, paying for a grandchild's school fees. Other gifts may be free of IHT but it is important to seek advice first.		
Passing on your Pension: Following the change to pension rules in 2015, if you have not already done so, you should revisit your current plans and update your Will to ensure that your family receives the full benefit of any remaining pension fund when you die.		
Trust Funds: There are many ways that a formal trust fund can protect and maximise your family's future assets. There have been a number of changes to the treatment of trust funds recently which are complex and could affect some people. If you are considering setting up a Trust, seek advice.		

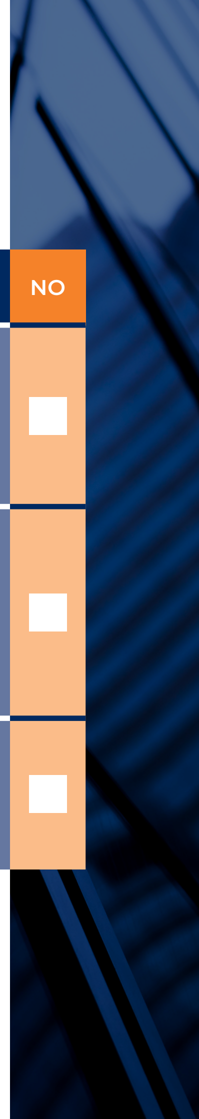
Inheritance Tax Planning *continued*

	YES	NO
Seven Year Rule: If you live for seven years after making a gift, no tax is due, except for some gifts involving trusts. However, if you pass away between three and seven years of making a gift, Inheritance Tax (IHT) is applicable at a tapered rate depending on how recently the gift was made. Gifts within three years of death, which exceed your nil rate band of £325,000, are taxed at 40 per cent on the excess.	☐	☐
Annual Exemption: Each person is entitled to an annual exemption of £3,000 per tax year. Any unused portion from the previous year can be carried forward. This allows individuals to make gifts of up to £6,000 without incurring Inheritance Tax (IHT) implications.	☐	☐

Pensions

	YES	NO
Protecting a Large Pension: The LTA has been abolished entirely as of April 2024 and replaced with the Lump Sum Allowance (LSA) will limit the tax-free cash you can get from your pension to £268,275. The Lump Sum and Death Benefit Allowance (LSDBA) will limit the total amount of tax-free cash you can get in your lifetime and when you die to £1,073,100, in most cases. You should consider how this affects your current later life plans.		
Stakeholder Pensions: All UK residents including children can make annual net contributions of £2,880 per year (£3,600 gross) regardless of whether they have any earnings. There are ways of using these payments to keep below the £50,000 income threshold to retain child benefit. It is also a very beneficial way of giving your children a helping hand for the future. If pension investments were to grow at a rate of nine per cent every year, investing £2,880 a year for your 10 year old child could result in a maximum pension pot of £1 million by the time he or she is 68 years old.		
Pension Drawdown: If you are 55 or over, you may be able to start drawing down pension benefits now from a personal pension such as a SIPP, even if you are still working. You may take up to 25 per cent tax-free with the rest taxed at your marginal rate. Anyone who is entitled to flexible drawdown and who is considering retiring overseas should seek advice on potential additional tax savings available to them.		

The information on this page relates to pensions and some of the surrounding tax implications, but is for general guidance only. Where pensions and investments are concerned,a financial adviser should be contacted.



Pensions *continued*

	YES	NO
Annual Pension Allowance: Have you used your full pension allowance? You can invest up to £60,000 a year into a pension tax-free. Relief from previous tax years, capped at the previous rate of £40,000, can be carried over from the current tax year, plus the three previous tax years, allowing you to use unused allowance to top up your pension.	☐	☐
Make Tax-free Pension Contributions: Pension contributions made to employees by an employer are tax efficient. If you own the company you can claim a business tax reduction. Where employees exchange some of their salary in return for a larger pension contribution made by the employer both parties can save on national insurance contributions.	☐	☐
Retirement Planning: Have you ensured that you have a suitable plan in place to meet your needs in retirement? There are many tax reliefs and investment opportunities available that can increase your income and savings in retirement.	☐	☐

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Investment Deals

	YES	NO
ISAs: Have you used your maximum annual investment of £20,000?		
Junior ISAs or Child Trust Fund: Has £9,000 been invested for any child under the age of 18?		
Help-to-buy ISAs: New accounts were closed from 30 November 2019, but those with existing accounts can still save but must make use of savings by 30 November 2029.		
Lifetimes ISAs: Introduced in April 2017, you must be aged between 18 and 40 to open a Lifetime ISA. The Government will provide a bonus of 25 per cent on the money you invest up to a maximum of £1,000 per year. You can save up to £4,000 a year, and can continue to pay into it until you reach 50.		
Tidying-up your Investments: Have you realised investments and bond gains or closed deposit accounts where funds may be attracting negligible rates of interest?		
Take Advantage of Share Schemes: If your company offers a share scheme, such as a Share Incentive Plan (SIP) or a Sharesave (SAYE) there are usually price discounts and tax incentives for taking part.		
EIS Investment: Have you considered these investments, which offer Income Tax relief of 30 per cent, as well as possible Capital Gains Tax deferral?		

The information on this page relates to the tax implications of certain investments, but is for general guidance only. Where investments are concerned, a financial adviser should be contacted.

Investment Deals

	YES	NO
Venture Capital Trust investment: Have you considered VCTs, which provide ‘front end’ Income Tax relief on subscriptions of up to £200,000, as well as tax-free dividends and Capital Gains Tax reliefs?	☐	☐
Seed Enterprise Investment Schemes: Although investing in an SEIS can carry more risk than an EIS or VCT, there is substantial tax relief available to offset a large part of potential losses.	☐	☐
Community Investments: Share purchases or loans to a Community Development Finance Institution (CDFI) qualify for tax relief. Over a period of five years relief is provided at five per cent, providing 25 per cent relief.	☐	☐
Social Enterprise Investments: Investing in certain ‘social impact’ organisations can attract Social Investment Tax Relief (SITR) of 30 per cent. The limits have been changed this year. The amount of qualifying investment a qualifying social enterprise can raise has, in most cases, increased to a maximum of £1.5 million.	☐	☐
Life Assurance Bonds: Insurance backed bonds allow five per cent of the original capital to be withdrawn each year tax-free. Although you need to consider commissions, management costs and basic rate tax charges within the bond, the five per cent tax-free withdrawal is still attractive to anyone whose level of income means they will lose their personal allowance and pay 45 per cent Income Tax.	☐	☐
Offshore Bonds: As with UK bonds, five per cent of the original capital invested can be withdrawn each year tax-free. Although they are taxed in full when disposed of they provide a useful way of deferring tax.	☐	☐

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Succession Planning

	YES	NO
Selling a Business: Are you thinking about selling a business or part of a business as part of your succession plan? You need to consider the personal and business tax implications of a sale. The sale of shares could lead to Capital Gains while selling part of your business or assets could create chargeable gains for Corporation Tax.	☐	☐
Management Buyout: If you are seeking a management buyout the structure of the transaction could have a substantial impact on how much tax each party pays. Have you considered how the new management will be remunerated? Will the sale be achieved through shares or assets? Are deal costs tax-deductible? Is Stamp Duty due on the transfer or sale of property?	☐	☐
Business Asset Disposal Relief: If you are looking to sell your business or shares in your business and this leads to a capital gain you could be taxed at a rate of up to 20 per cent, depending on your marginal tax rate. Business Asset Disposal Relief, formerly known as Entrepreneurs' Relief, could reduce this rate of tax to just 10 per cent.	☐	☐
Passing a Business on to a Family Member: Gifting a business or shares in a business to a family member is still considered a disposal for Capital Gains Tax. Depending on when you pass on after gifting a company, the value of its shares and assets could also be included in calculations for Inheritance Tax but you could take advantage of Business Relief which reduces the value of a business or its assets by up to 100 per cent. Have you considered the tax implication of transferring your business to family?	☐	☐

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