

Top 10 Tax Tips

1. New 2019/20 personal allowance of £12,500 and dividend allowance £2,000

The income tax-free allowance is £12,500 for the new tax year and the higher rate threshold (when you start paying 40% income tax) has increased to £50,000.

2. How to make the new rates work for you (directors / shareholders).

You may recognise that you typically have a 'directors' salary' and take the rest as dividends. For the new tax year this would be £720 (£8,632pa) as a salary and the remaining amount as dividends.

Why? So you are still getting your NIC credits for state pension entitlements whilst being tax efficient Please note, this isn't always the best combination, but we can help make it relevant to you.

3. Be smart with your money from your company

Simple example based on £50k salary and dividends only – If you have your salary set at £8,632 and the rest made up as dividends your personal tax for the year would be circa £2,700.

It would be good practice to leave the £2,700 in the company so that the company can pay this for you. All you need to do is not take this money out the company when you get paid every month!

You are entitled to get: £4,167 (£50k / 12 months)

You should take: £3,942 (above less £225 tax per month)

The company can then pay: £2,700 – YOUR TAX BILL!

The reason we favour this approach is that it provides a structure to your monthly income and also means that you are playing with your disposable income only

4. Make pension contributions personally or from your company

This has long been effective planning. Anyone can contribute up to £3,600 per year to their pension but you need to make sure that you have what is called 'relevant earnings' to ensure that you can contribute more for planning to still be effective. We can help you with this as everyone's situation will be different.



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5. Company Benefits – Cars (for personal use)

We are often asked which is better – buy a car personally or through my company? Rent it personally or through my company?

If Company BUYS	If Company RENTS
Can't claim VAT back	Can claim 50% VAT (most circumstances)
Can claim capital allowances	Can claim as a deduction from company profits
Company can pay insurance / repairs, but we would normally advise for YOU to pay the fuel	
Both result in benefits in kind (BIKs) but these are dependent on the type of vehicle you are looking for – i.e. electric cars / hybrids are much better for tax than diesel!	

6. Trivial Benefits - £50

Directors can provide up to £300 per year in 'trivial benefits' such as vouchers. These have to be in amounts of no more than £50 i.e. 6 x £50 vouchers. *Note – director's partners, as long as they are also on payroll can have the same.*

Furthermore, this can be extended to employees, however cannot be 'regular' as this could be deemed as contractual and therefore subject to PAYE and NIC.

We use a website called www.one4all.com for these vouchers.

7. Tax Exempt Benefits

Don't get too excited as there aren't many but some of the more common ones are:

- Mobile phones, workplace parking, childcare vouchers, subsidised canteens, annual events up to £150 per employee (available to everyone)
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8. Do NOT overheat your Director Current / Loan Accounts

You will notice that we always inform you of your current account position with every company cover letter and encourage you to contact us should you ever need the position clarifying. This is effectively what 'you owe' or 'are owed' by your company. There are ways we can help to manage this but it's best that you avoid these situations wherever possible.



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9. Entrepreneur's Relief Changes – What is this?

Most company director / shareholders would be hoping to sell their company at some point or pass it on to their next generation. This could be achieved by only having to pay tax 10% if certain conditions are met. We will work with you to help ensure that this remains the case and you realise your maximum value.

10. Research and Development Tax Relief

This is an area that the government are particularly fond of and is a vastly complex area. We have worked with many businesses to help ensure this is optimised, but this highlight is really to let you know that it does exist and can be extremely valuable to the businesses that qualify.

Bonus Tips

Here at Pentins we believe at adding extra value for every little piece of advice we offer. This time is certainly not any different! See below for your bonus Tax Tips!

1. Have you ever had a grant?

South East Business Boost (SEBB) – Grants of up to £10,000 (for business growth)

LoCASE – Grants of up to £20,000 available (Low-carbon across the South East)

The clock is running out on these though so you would need to be quick with your applications!

2. UK resident selling UK residential property? Get your admin right

From April 2020, if you sell UK residential property, you will need to ensure that within 30 days of completion, a return for this is submitted to HMRC and any capital gains tax due is paid – even if no tax is due. This is just something to be aware about going forward.

For more information visit our website at www.pentins.co.uk

