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# BEANS TALK

Issue 7 Winter 2017/18

## Welcome to our winter newsletter

I hope you find our latest newsletter a useful and enjoyable read.

We are all delighted to have confirmed our 2018 Events Calendar and a brochure is enclosed. We have some really exciting speakers and topics lined up for the year at Growth Club and Knowledge Bites and Gianni and I will be continuing with our successful Wealth Plan meetings. It would be great if you could join us at some of these events.

Our main article is about tax planning before the year end in April. I hope these tips are useful and that they shave a little off your next tax bill.

**Fred McBreen**

**Come to Growth Club on 25 January 2018 and meet Jess Butcher MBE.**

**Join us at Los Reyes, Bucklersbury, Hitchin from 09:30 to 11am.**

**Book online NOW for Growth Club**

# Eight things to do before the end of the tax year

It's that time of year again when some planning in the last few weeks before the end of the tax year could provide useful savings.

The tax year end for individuals is 5 April 2018. Many self employed people also have their accounting year end as 5 April or 31 March to coincide with the tax year. For private limited companies, 31 March is also a common date for the year end. Here are some ideas:

### Buy business assets and bring forward business expenditure before the year end

If you are thinking of investing in business assets - new plant & machinery, vehicles, office furniture, computer equipment it is sensible to make your purchase before the end of current financial year, rather than the start of the next one.

Timing your investment could mean that you can claim your capital allowances sooner, saving on cashflow. Similarly if you are intending to carry out some repairs or maintenance work, doing this before the year end will reduce your next tax bill.

### Manage your income

If you are in the fortunate position of being able to manage your income, plan now to optimise your income for tax purposes. For example, as a company director and shareholder, you may be able to reduce salary or dividends to keep your income below the key tax thresholds of £45,000, £100,000 or £150,000. An income level of £50,000 where child benefit is withdrawn from the highest earner in a household is another key threshold to monitor.

The £100,000 threshold is particularly unattractive from a tax perspective as the personal allowance is gradually withdrawn at a rate of £1 for every £2 of income. This gives an effective rate of tax at a very painful 60% at income levels between £100,000 and £123,000. This is best avoided if you don't need the income and can defer this to another year.

### Consider the effect of the new dividend tax

A new dividend tax was introduced from 6 April 2016. This affects people who receive a significant amount of dividend income each year – mainly business owners with their own limited companies.

There is a £5,000 dividend allowance for 2017/18 where dividends are free of tax. The dividend allowance is reduced to only £2,000 per annum from 2018/19 onwards. It makes sense to use this allowance if you have scope to pay a dividend.

Above this level new rates of dividend tax apply for varying levels of income. The dividend tax has a significant impact on business owners who may be used to drawing a relatively high proportion of their income as dividends. If possible the higher and additional dividend rates of 32.5% and 38.1% respectively are best avoided by capping gross income at the basic rate threshold of £45,000 if this is feasible. Gifting shares to a spouse so that they can use the dividend allowance may be appropriate in some cases.

### Contribute to a pension

Pension contributions before the year end are a tax efficient way of saving for the future and reducing your tax bill. The tax savings are particularly attractive for higher and additional rate taxpayers. Advice should be sought from a suitably qualified Independent Financial Advisor to ensure that your particular circumstances are considered.

### Use gift aid for donations

Using gift aid for charitable donations has the effect of raising the basic rate tax band and saving 20% tax for higher rate tax payers. In addition, for every 80 pence you donate, your chosen charity receives £1.

### Use your tax free savings allowance

If you are lucky enough to have surplus cash, make sure that you use your annual ISA allowance. Within an ISA, all income and gains are tax free. You can save up to £20,000 for 2017/18. You can choose how you split this between stocks & shares and cash ISAs. There are also new ISAs such as the Lifetime ISA and 'Help to Buy' ISA which are aimed at first time home buyers and offer additional incentives.

### Use your annual capital gains exemption

If you have personal assets (shares, property etc) and are intending to sell them soon, consider the capital gains tax implications in advance. You may be able to time the sales of shares for example to spread over two or more tax years and use your £11,300 annual exemption for 2017/18 effectively. For married couples and civil partners, consideration should be given to each spouse/civil partner using their allowance.

### Set money aside for your tax bill

If you take some of the steps above you should be able to reduce your 2018 tax bill. However much we plan, many of us will still be faced with a tax bill for 2017/18, payable in the following January. Setting aside a percentage of your income to cover your tax bill and placing it in a deposit account is a sensible measure and will help avoid any last minute panics trying to find the funds. Another tip is to get your tax return completed as soon after the end of the tax year as possible. This gives you an early warning of any additional tax due so that you have sufficient time before the payment deadline in January.

**If you would like Base52's advice and assistance with any aspect of your tax planning, please contact us.**

# Meet the team: Sue Mays

***As the third in our series to introduce you to members of the team, we sat down with Sue.***

## What's your role at Base52?

I'm a Management Accountant. One of my roles in the team is to deal with larger clients where visits to their offices are sometimes necessary.

## How long have you been here?

I've been part of the team here for nearly five years.

## When not here, what do you enjoy?

When I'm not spending time with my grandchildren, I'm trying to beat all my family online at Word Chums, reading or working on logic problems. I'm always learning something new - it's improving my language skills at the moment.

## Tea or coffee?

Definitely coffee - I don't do tea in any form.

## Favourite film?

*The Blind Side* with Sandra Bullock.

## Favourite holiday spot?

Cyprus - we used to have a house there and I love it.

## Four fantasy dinner party guests?

My mum's Grandma. She was a real character and the matriarch of the family. I'd also invite my husband's Nan, so she could meet all the great grand children she has missed. Hugh Jackman would have to be there, plus Jamie Oliver to do the cooking.

## What does the future hold for you?

As much travel as possible before I retire - and afterwards.

# Growth Club Speaker Profile

HR specialist Rob Bryan entertained guests at our last Growth Club meeting of 2017 in October.

He talked about the seven stages in his business development, from being a one man band at start up, through stages of growth including expanding the team and sharing his aim to stay involved with the business for many years but adjust his role over time. "I make time each week to work 'on the business'' rather than 'in the business'," he said.

"It can sometimes be difficult to add capacity and reduce earnings, but that's vital for longer term growth."

# Quarterly review

You will have seen our review of our latest Growth Club event on page three of this newsletter. We were all pleased to hear from HR specialist Rob Bryan, and he's inspired some of our guests to think further about how to grow their businesses.

In his usual annual Knowledge Bites session, Fred covered the latest tax changes including the Autumn Budget and tips to save tax.

Our Wealth Plan sessions continue, with most of them being full and we look forward to helping more of our clients and non-clients in the coming months.

We're now hard at work in the build up to the personal tax filing deadline in January. This tends to be our busiest time of the year.

More of our clients are affected by pensions auto enrolment, with staging dates this year. We are continuing to provide support for this, linked to our payroll administration service.

Despite challenging trading conditions in some sectors, many new businesses are starting up. We formed several new companies on behalf of clients and are helping their businesses get off to a good start.

Some of the team sat exams for accountancy and tax qualifications they are working towards. We are always keen to learn and offer new and improved services to our clients.

The outlook for the coming quarter is challenging in some sectors. There has been some recent progress in Brexit negotiations but, as one commentator said: 'It's only the end of the beginning'. So there will inevitably be more uncertainty ahead. We remain committed to supporting our clients as best we can.

We've continued to update our eBooks, so please do check out the latest versions on our website.

**If you have a suggestion for an event or eBook, please do give us a call.**

*Beans Talk* is created by Hilary Robertson. Send your comments to Hilary@Base52.co.uk

# Coming soon

We have events over the next few months for Growth Club, Knowledge Bites and Wealth Plan.

**25 January**
Jessica Butcher MBE (Blippar)

**21 February**
Fred and Gianni help with financial planning

**21 March**
Financial Planning

**26 April**
Dharmesh Patadia (D&J Lettings)

**16 May**
Fred and Gianni help with financial planning

**21 June**
How to Sell your Business with author Gary Morley

**Book now by going online to our website or calling one of the team**


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