



Jonathan Mann's MARCH Newsletter

Less than one week to go until the end of the tax year - final reminders!

The end of the tax year is almost upon us. Here are just a few helpful final tips to consider by 5th April.

- **Have you paid sufficient contributions into your pension scheme this year?** Generally, you will obtain tax relief for contributions made into a pension scheme up to the annual contribution limit of £50,000 (and the lifetime limit of £1.5 million).
- **Are you using all of your basic rate tax band (20%) or higher rate tax band (40%) this year?** If your taxable income in 2012/13 is a little below the basic rate limit (approximately £42,400 for most people) and you expect to have more income next year, make sure you use all of your 20% tax rate band this year. Are you able to take a bonus on or before 5th April that would be taxed at basic rate? Are you able to pay a dividend before that date? A similar point applies to the higher rate 40% band if you earn just below £150,000 but be careful not to exceed £150,000 as next year income above £150,000 will be taxed at 45% instead of 50%.
- **Have you used up your ISA allowance for 2012/13?** Payments into tax-free ISA accounts are subject to an annual limit. For cash ISAs this is £5,640 and for stocks and shares ISAs the limit is £11,280. Total investment cannot exceed £11,280. If you don't use this year's allowance by 5th April you will lose it.
- **Have you used your annual capital gains tax allowance of £10,600?** Most individuals will have a personal capital gains tax allowance of £10,600 - there is no tax due on the first £10,600 of capital gains each year. Consider crystallising capital gains prior to 5th April to ensure you use all of your tax-free capital gains tax allowance of £10,000.

Directors' loan accounts - year end review

If you operate a directors' loan account in your business which is frequently overdrawn, there are three times in the year that this needs careful review.

1. **Just prior to 5th April, the end of the tax year**
2. Just prior to your company's financial year end
3. Around eight and a half months after the year end, to ensure any overdrawn balances at the year end have been repaid.

Review the balance with your accountant right now in case you need to pay bonuses or declare dividends prior to the tax year end.

Budget 2013 - some of the highlights

Here are one or two of the highlights for smaller businesses:

NATIONAL INSURANCE

With effect from April 2014 (*yes—we have to wait one year !*) all business and charity employers will receive a £2,000 employment allowance. In effect, the employer will be given relief from paying the first £2,000 of employers' national insurance due on staff salaries. This is a real saving for all businesses.

CORPORATION TAX

The rate of corporation tax remains at 20% for small companies. The main corporation tax rate will continue to reduce, falling from 24% to 23% in April 2013 and by April 2015 it will have fallen to 20%.

COMPANY CARS

The taxable benefit values of company cars are going up. Whilst there are limited changes this April, major changes take place between 2014 and 2017. Some very tax efficient cars with zero or low emissions (e.g. electric cars) that are currently not viewed as a taxable benefit will become taxable from April 2015. Since most company cars are kept for three to four years, these future tax changes impact on decisions now. Check the new rates carefully before you buy your next company car.

BENEFICIAL LOANS

A beneficial loan to a director or employee is currently taxable if it exceeds £5,000. With effect from April 2014, this limit is increased to £10,000.

CASH BASIS OF ACCOUNTING FOR MICRO BUSINESSES

The government is proceeding with its proposals to simplify tax for the smallest businesses. It is proposed that businesses with turnover below the VAT registration threshold (£79,000 per annum from April 2014) will be able to pay tax on the basis of actual cash receipts and payments. More information is expected soon.

EMPLOYEE SHAREHOLDERS

A new regime is being introduced to allow employees relief from capital gains tax on up to £50,000 of shares in their employer's company and income tax relief on up to £2,000 of shares received by them each year.

INCOME TAX: The individual income tax personal allowance will rise to £9,440 from April. Those earning up to £9,440 will not pay any income tax. The additional rate of income tax will fall from 50% to 45% for income above £150,000.

For more information and advice on any of the above, contact Jonathan Mann



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