

Tax planning tips for solicitors

Given the continuing climate we are all looking to reduce, defer and mitigate all types of expenditure and our tax exposure and related payments are, of course no exception. Whilst more elaborate and longer term structures may be worth considering, Peter Noyce provides eight tax planning tips for solicitors to consider for the current tax year.

Below is a useful checklist of the opportunities that do exist and which may help you over the next few weeks to reduce tax burdens and thereby assist cash flow in these difficult times.

1. Likely income levels

Practices may have accounting year ends forming the basis period for 2011/2012 that have already ended. Therefore it is important to consider the higher rate thresholds of £100,000 to £114,950 (60%) and greater than £150,000 (50%) for any tax planning opportunities that may arise.

Payments on account – you will have just made your first payment on account for 2012/2013 tax year so do consider whether assessable profits have dropped and reduce your payments on account accordingly.

2. Buildings purchase and improvements

Do not forget that your building purchase and any improvements may incorporate a substantial qualifying spend for capital allowances thereby reducing tax payable. If you are about to (or in fact already have) undertaken any significant expenditure on your building this relief can be very valuable. These allowances are often missed so please contact us to arrange a review.

3. Capital allowances – do not waste your allowances

You should be monitoring capital expenditure not only to ensure non-essential payments are deferred, but also to ensure you effectively use either the 100% Annual Investment Allowance presently worth

£100,000 (but dropping to £25,000 from April 2012) or the Energy Conservation Allowances. If you are planning substantial expenditure it could be well worth bringing forward your expenditure and claiming a higher allowance earlier.

4. Capital contributions

During 2011-2012 Partners at some practices introduced capital contributions to help bolster finances. It is important to ensure that any borrowings associated with capital contributions are communicated to your tax advisors so that related interest can be claimed as a deduction against your taxable income.

“The deadline for investing into an ISA is 5 April 2012.”

Other non trading tax planning to bear in mind are:

5. Pension payments

It may be that you view the present market as a buying opportunity (no advice given here, we hasten to add!) and any pension contributions before 5 April 2012 could lead to a reduction in higher rate tax payable. Whilst there was no change to the pension income tax relief legislation announced in the Chancellor's autumn statement, the removal of 50% and possibly 40% relief on pension contributions is a possibility if recent press coverage is to be believed. Please do take appropriate advice to ensure you are within the new levels for annual contributions and lifetime allowances.

6. ISA

Up to £10,680 can be annually put into an ISA and up to £5,340 into cash ISA where the income and gains will not be taxable. The deadline for investing into an ISA is 5 April 2012.

7. Capital gains tax annual exemption

Gains of up to £10,600 can be made in 2011/2012 before any tax becomes payable. If you are lucky enough, in the present market, to possess assets with a pregnant gain consider which assets can be sold prior to 5 April 2012 in order to take advantage of this tax free amount.

8. Inheritance tax annual exemptions

Gifts of up to £3,000 per year can be made on a tax free basis. The limit increases to £6,000 if the previous years annual exemption was not used and do not forget gifts out of income.

Whilst the above are very much tax saving focused, we do appreciate that funds may not be available at present to make investment type payments. This article has been prepared only as a guide and is not intended as advice. No responsibility can be accepted by Menzies LLP for any loss from acting or refraining from acting as a result of any material in this article.

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