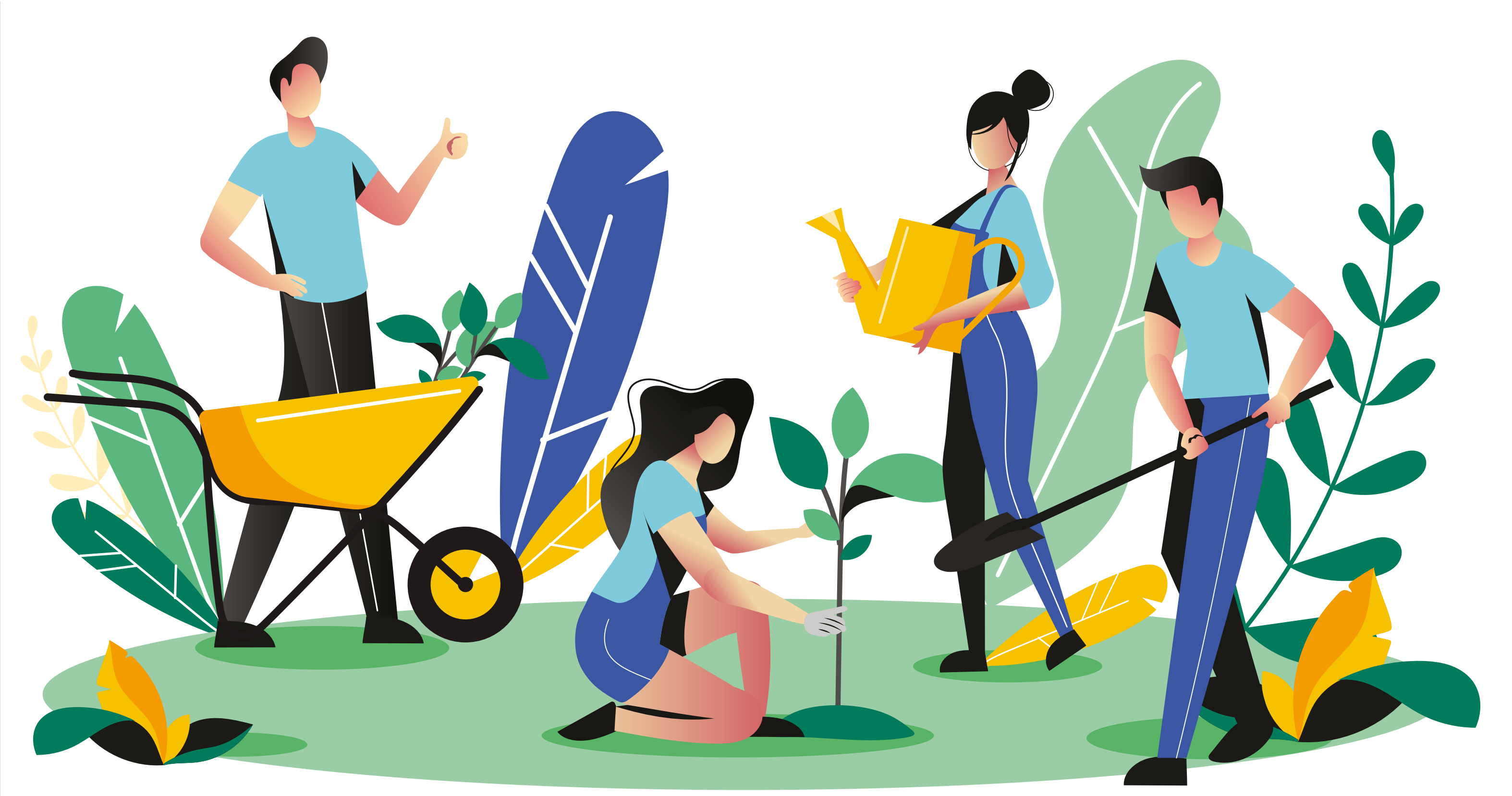
Forrester Boyd
CHARTERED ACCOUNTANTS



SPECIAL REPORT

Tax planning tips

Introduction

The October 2021 Budget increased national insurance contributions (NICs) for everyone by 1.25 percentage points from 6 April 2022. This NIC increase will be converted into the Health and Social Care Levy from April 2023, which will also apply to individuals over state pension age who are still working. However, in the March 2022 Spring Statement, the Chancellor increased the thresholds where NIC bites for employees and the self-employed, with effect from 6 July 2022.

Personal tax allowances and income tax bands have been frozen, which will effectively raise taxes by the operation of inflation. State pensions and benefits have risen by 3.1%, but the current average rate of inflation (for March 2022) is 6.2%, with vehicle fuels, electricity and gas increasing by much more. There is pressure to raise wages, so anything you can do to keep your employees happy will help your business.

This guide highlights 50 ways in which you can currently use certain tax reliefs to your advantage, and how to avoid some of the tax penalties. It can help you navigate the complexity of certain tax rules and create more tax-efficient plans.

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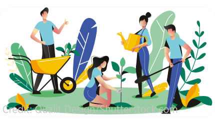
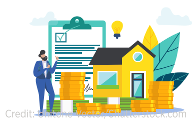
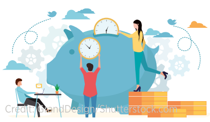


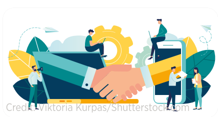
Personal and family planning



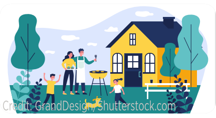
Estate planning



Savings and investment



Your business



Your property

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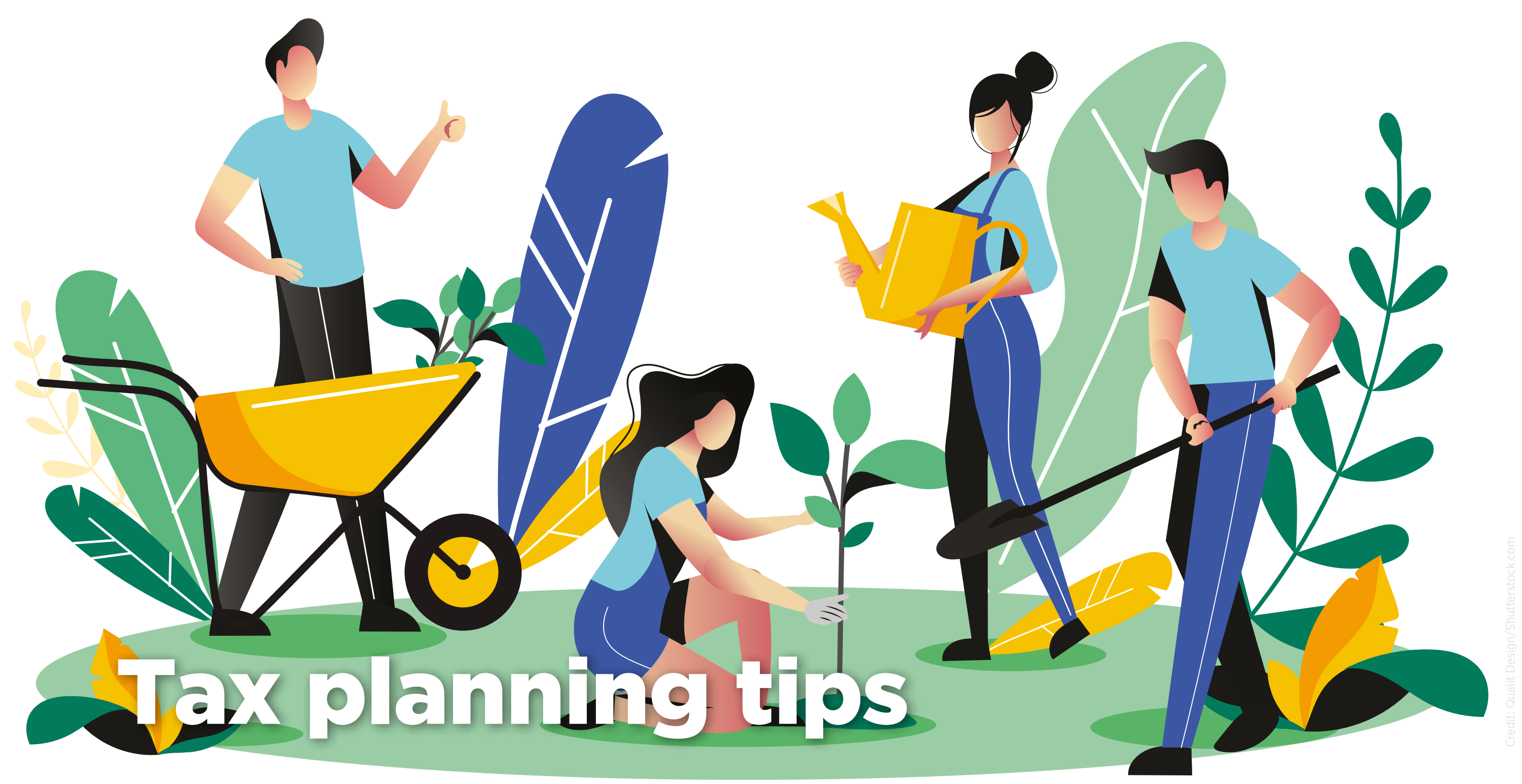
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Tax planning tips

Personal and family planning

1 Check your PAYE tax code.
HMRC changes PAYE tax codes dynamically when your salary changes, but it can't easily distinguish between a temporary increase, such as a bonus, and a permanent pay change. Your tax code may also include estimated amounts of savings income, based on what you received in an earlier year. Check your PAYE code by signing in at www.gov.uk/personal-tax-account and use the options there to delete estimated income, and correct any other errors.

2 Transfer some of your unused personal allowance.
Married couples and civil partners can transfer 10% of their personal allowance between them (£1,260 for 2022/23), providing an overall tax saving for the couple. This transfer is not permitted if the recipient pays tax at a rate higher than the basic rate of 20% (or higher than the intermediate rate of 21% for Scottish taxpayers). You can backdate a claim for up to four years, so a claim made by 5 April 2023 can include 2018/19.

EXAMPLE

Leila receives an annual salary of £45,000. Her husband has no taxable income, so doesn't use his personal allowance. For 2022/23, they could save tax of £252 (£1,260 at 20%) by transferring 10% of the husband's personal allowance to Leila.

3 Check the level of national insurance contributions (NICs) you pay.
If you have two or more concurrent jobs you may pay more NICs than you have to. You can reclaim any overpaid NICs from HMRC after the end of the tax year. However, you can prevent the overpayment occurring in the first place by deferring payment of NICs on one of your jobs by sending HMRC a completed form CA72A (either online or by post) by 14 February in the tax year, but ideally earlier.

4 Check how much state pension you will be entitled to.
Sign into your personal tax account and click on state pension. The pension forecast sets out the earliest date you can draw your state pension and how much you are expected to get. If you have a full NIC record, you may not be able to increase the amount of your state pension by paying more NICs. In this case, you could adjust the salary you take from your own company so no further NICs are payable.

5 If you and your partner both own homes when you marry or enter a civil partnership, choose which will be your main home.
Once married, you can have only one main home between you for tax purposes. If you both own separate properties which you continue to occupy for some periods, nominate the one that is likely to make the best use of your capital gains tax (CGT) main residence exemption. This needs to be done within two years of your marriage/civil partnership, otherwise HMRC will designate the property that you occupy for the majority of your time as your main residence.

Tip
If a property has been your nominated main home at any time, the gain for the last nine months of ownership is exempt from CGT.

6 When selling a home, be prepared to pay any CGT due within 60 days of the completion date.

If you sell or give away a UK residential property, you must report and pay any CGT due to HMRC within 60 calendar days of the completion date. This is done via an online UK Property Account, with a separate declaration of the same gain also required if you have to submit a self-assessment tax return. If there is no tax to pay you don't have to report the sale on the UK Property Account, but it may still be relevant to your tax return. Penalties may be charged for reporting late and/or paying the CGT late.

7 Where you or your partner receive child benefit check whether you have to pay a tax charge to claw back some of the child benefit received.

Where the highest earner in the family has income over £50,000, the extra tax charge for that person is equivalent to 1% of the child benefit for every £100 of their income over £50,000. To mitigate the tax charge, you can halt your child benefit payments, but keep the claim live to protect the recipient's state pension entitlement. For 2022/23, some basic rate taxpayers will be caught by the charge as the basic rate threshold is £50,270.

If the income of the highest earner has fallen below £50,000, you can ask HMRC to start paying the child benefit again. Don't delay, as the payments can only begin from the Monday after you ask HMRC to reinstate them.

EXAMPLE

Anne receives child benefit in respect of her two children and until recently made an annual profit of £60,000 from her self-employment. Some years ago she asked HMRC to halt her child benefit payments so she didn't have to pay the tax charge. Anne's income has reduced recently and she predicts her net profit will be £45,000 for 2022/23. On 5 April 2022, Anne asked HMRC to restart her child benefit and those payments will be made from 11 April 2022.

Tip

Estimate your income for 2022/23 and if this is likely to be less than £60,000, ask HMRC to restart your child benefit payments.

8 Plan to minimise tax when selling your trading company by spreading the shareholding between you and your spouse.

If you both meet the 5% shareholding test for two years or more before the sale, and are both either an officer of the company or employed by it, you should both qualify for the 10% rate of CGT on any gains made when the company is sold. This reduced rate applies to the first £1 million of gains made on the disposal of qualifying business assets during each person's lifetime.

9 Correctly declare all of the COVID-19 business support grants you received to avoid penalties for errors on your tax return.

SEISS grants, local council grants, arts council grants and furlough payments for your employees are all taxable. Take care to include the grants in the correct boxes on your tax return so HMRC can match the figures with the amounts paid out. Any discrepancy could trigger a stressful tax enquiry and potential penalties.

Savings and investment – making the most of your money

10 Contribute up to £9,000 into your child's Junior ISA.

The fund builds up free of tax on investment income and capital gains until your child reaches 18, when the funds can either be withdrawn or rolled over into an adult ISA. Relatives and friends can also contribute to your child's Junior ISA, as long as the £9,000 limit for 2022/23 is not breached.

11 Make the best use of tax-free savings and dividend allowances.

For 2022/23, savings income of up to £1,000 is tax exempt for basic rate taxpayers, with a £500 exemption for higher rate taxpayers. The tax-free dividend allowance of £2,000 is available for all taxpayers. Married couples and civil partners can save tax by ensuring that each person has enough of the right type of income to make use of these tax-free allowances.

12 **Take advantage of the individual savings account (ISA) investment limit and generate tax-free income and capital gains.**

The maximum amount that can be invested in ISAs is £20,000 for 2022/23. You can put the whole amount into a cash ISA, a stocks and shares ISA, an Innovative Finance ISA, or any combination of the three as desired. Transferring funds into an ISA early in the tax year will maximise the amount of tax-free income arising in the year. ISAs can offer long-term tax advantages as an alternative to pension savings.

EXAMPLE

Jerry is an additional rate taxpayer, and has £120,000 invested in a stocks and shares ISA. He uses his dividend allowance and CGT exempt amount against non-ISA income and gains. During 2022/23, the ISA produces dividend income of £4,000 and capital gains of £8,000. By investing in an ISA, Jerry has saved income tax of £1,574 (£4,000 at 39.35%) and CGT of £1,600 (£8,000 at 20%) for 2022/23.

13 **Plan your capital gains to make best use of any capital losses.**

If you realise capital gains and losses in the same tax year, the losses are offset against the gains - *before* the CGT exempt amount (£12,300 in 2022/23) is deducted. Capital losses will be wasted if gains would otherwise be covered by your exempt amount. Consider postponing a sale which will generate a loss until the following tax year, or alternatively realising more gains in the current year.

14 **Generate a 50% income tax credit on an investment of up to £100,000 by investing through the Seed Enterprise Investment Scheme (SEIS).**

When you make a capital gain and reinvest that amount in SEIS shares, it can qualify for a 50% CGT reduction on gains of up to £100,000 when the maximum amount is invested. If the gain was taxable at 28% the overall tax relief is 64% (50% income tax plus half of 28%). Also, any capital gains arising on the SEIS shares are exempt from tax if the shares are held for at least three years. Beware that the income tax credit is clawed back if the shares are held for less than three years. Investing in small companies can be very risky, so take independent financial advice.

15 **Obtain a 30% income tax credit by subscribing for shares in a Venture Capital Trust (VCT) or an Enterprise Investment Scheme (EIS).**

In 2022/23, the maximum subscription in VCT shares is £200,000. The shares are exempt from CGT when they are sold. A subscription in EIS shares costing up to £2 million (investments in excess of £1 million must be made in knowledge-intensive companies) qualifies for the income tax credit. In addition, you can defer tax on your capital gains by reinvesting an unlimited amount of gains in EIS shares. VCT and EIS shares can be risky investments and you must hold VCT shares for at least five years and EIS shares for three years in order to retain your income tax credit.

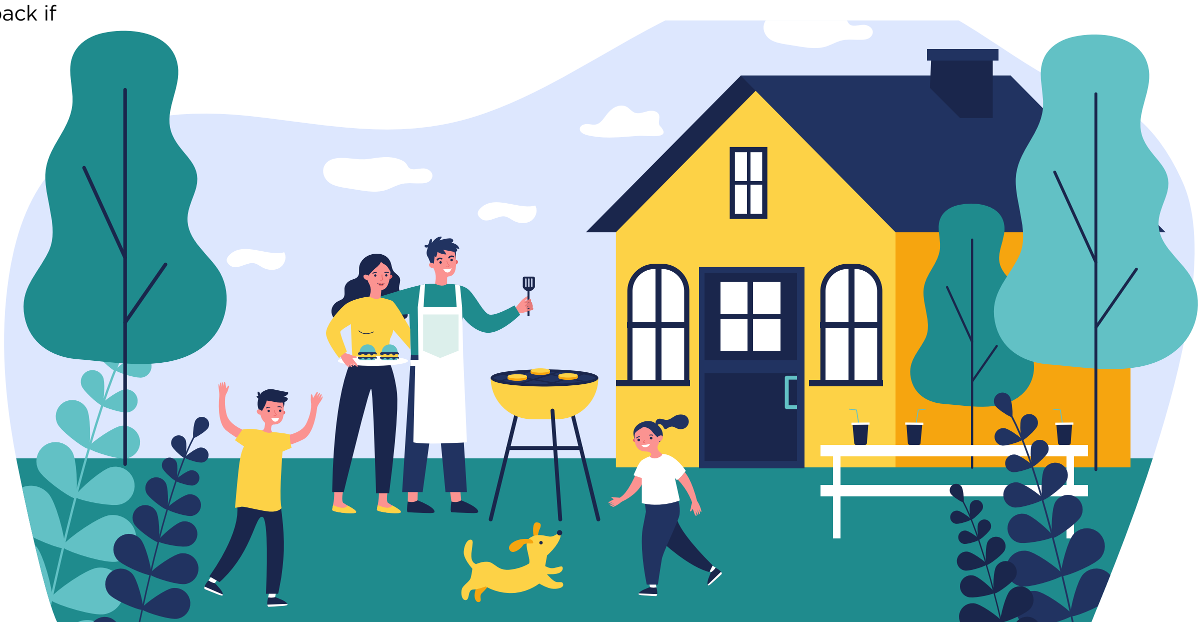
Tip

Invest in a small trading company under the Seed Enterprise Investment Scheme (SEIS) and gain a 50% income tax credit on an investment of up to £100,000.

Your property – making the most of bricks and mortar

16 **Let rooms in your own home to one or more lodgers.**

Rent-a-room relief allows up to £7,500 of rent per property to be received tax-free per year. The rooms must be let as residential accommodation in the home you live in, and no expenses can be claimed. If the gross rent is higher than £7,500, you need to declare the income on your tax return. However, you can then claim a deduction of £7,500 instead of the actual expenses incurred. Payments received under the Homes for Ukraine Scheme are not taxable and therefore do not count towards the rent-a-room relief cap.



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17 Let out your drive or garage for tax-free cash.
The property income allowance allows you to receive up to £1,000 income tax-free from property that doesn't qualify for rent-a-room relief (Tip 16). This could be from letting out spare space in your garage - or even your drive - for commuter parking. If the gross income before deduction of expenses is no more than £1,000 you don't have to report the income on your tax return. Where the rent received is more than £1,000, you can deduct the higher of £1,000 or the actual expenses incurred; paying tax on the net amount.

18 When you occupy a second home tell HMRC which of your properties should be treated as your main home for tax purposes.
The property that has always been your main home is free of CGT on sale or disposal. Any other property which you used as your main home for a period will be exempt from CGT for the time you lived there, and you elected for it to be your main home. If a property has been your nominated main home at any time, the gain for the last nine months of ownership is exempt from CGT, even if you do not live there during that final period. You might not be able to nominate a property that is situated overseas.

19 Check how many days your holiday accommodation is actually let for.
To qualify for a range of tax reliefs, each of your commercially let furnished holiday properties needs to be let for at least 105 days during the tax year and be available for letting for at least 210 days. Should you not meet the minimum period of occupancy condition for 2022/23, a period of grace election will deem the test to be met if either you met the threshold in 2021/22, or (somewhat unlikely given the Covid-19 pandemic) you have made an election for 2021/22 based on occupancy for 2020/21. Where you let a number of holiday properties, you can also average the number of days of actual letting across all your UK properties.

Tip

Furnished holiday lets, including second homes which are let out, can be registered as a business so they qualify for small business rates relief. This has previously been quite easy to achieve, but the rules for English property will change from April 2023 so that in future a 70-day letting requirement will have to be met, as in Scotland from April 2022.

Retirement planning – preparing for the future

20 Maximise tax relief on your pension contributions by using all of your annual allowance.
The annual allowance for 2022/23 is £40,000, but you can also use surplus allowance from the previous three tax years (see Tip 21). To avoid an annual allowance tax charge, the pension contributions made by yourself, plus those made by your employer on your behalf, must be covered by your available annual allowance. Beware that your annual allowance may be restricted to a maximum of £4,000 where your total income plus pension contributions for the year exceeds £240,000, and your net income exceeds £200,000. Your annual allowance is also restricted if you have already drawn more than the tax-free amount from a money purchase pension scheme. Always take professional financial advice before making a significant investment.

21 Take advantage of your unused annual pension allowances from earlier years.
You can bring forward unused pension allowances of up to £40,000 from each of the three previous tax years, to boost your allowance for the current year. This allows you to pay pension contributions over the current year's annual allowance – in theory up to £160,000 – and still enjoy full tax relief on those contributions at your marginal tax rate. However, the total tax relievable pension contributions are also limited by your taxable earnings for the year. The calculations can be

EXAMPLE

Jane earns £100,000 per year and is opted into her workplace pension scheme. The pension contributions made by Jane and her employer amount to £8,000 per year (Jane contributing £3,000, and her employer £5,000), and this has been the case for the last three years. During April 2022, Jane received a large inheritance and wishes to maximise her pension contributions for 2022/23.

Jane's financial adviser calculates that Jane has unused annual allowances of £128,000 in 2022/23 being £32,000 (£40,000 - £8,000) from each of the years: 2019/20 to 2022/23. However, Jane can only pay up to £97,000 (£100,000 - £3,000) in additional pension contributions for 2022/23 as the total contributions cannot exceed her earnings.

complex, so it is best to do your pension planning well before the end of the tax year.

22 Ask your employer to pay pension contributions to top-up your pay.

If you are due a pay rise and do not need the extra money day to day, you could ask your employer to pay the increase as a contribution directly into your pension scheme. The employer receives tax relief for the contribution and there are no NICs to pay – a saving for both you and your employer. You must agree in writing to adjust your salary before the revised pension contributions are paid for this arrangement to be tax-effective.

23 Make pension contributions or charitable gifts to retain your child benefit.

Child benefit is clawed-back as a tax charge when the higher earner of a couple has adjusted net income over £50,000 (see Tip 7). You can reduce your annual adjusted net income to below this threshold by making pension contributions or charitable donations under Gift Aid. If your income is more than £50,270, meaning that the excess is liable to higher rate tax, this will also have the effect of keeping your total income within the basic rate band, and preserve your savings allowance at £1,000 rather than £500 (see Tip 11).

24 Plan to sell your shares to your company on retirement, leaving your successors in control of the business.

The next generation of shareholders in your company may not have the cash to buy your shares when you exit the business. Instead of them having to borrow to finance the purchase, the company itself can buy your shares and cancel them, leaving the remaining shareholders controlling the company. You end up with cash and, provided a set of strict conditions are met, up to £1 million of the gain should qualify for business asset disposal relief and be taxed at no more than 10%.

Tip

You can carry forward unused pension allowances from the three previous tax years and use these to cover pension contributions greater than the current year's annual allowance.

Estate planning – handing on your wealth

25 Plan to maximise your inheritance tax (IHT) nil rate band on death.

Everyone has a nil rate band of £325,000 on which no IHT is charged. If you have children, or step-children, you can add up to £175,000 (known as the residence nil rate band) to your nil rate band by leaving your home to one or more direct descendants on your death, or to certain types of trust. Having a Will will make it clear who should inherit the home. This extra relief is restricted to the net value of the home, after deduction

of any mortgage. It is also restricted where your estate is worth over £2 million on death. It may be worth paying down a mortgage or making some lifetime gifts to reduce the value of your estate below £2 million. The total value of the nil rate band is fixed until at least 6 April 2026.

26 Long deceased spouses can help save IHT today.

Widows and widowers inherit the unused proportion of their late spouse's or civil partner's nil rate band for IHT – even if they died many years ago. This could mean that up to an extra £325,000 of the estate will be tax free. The residence nil rate band (see Tip 25) is also inheritable, regardless of when the first spouse died.

EXAMPLE

Mia's estate is valued at £950,000 for IHT purposes. The estate includes her main residence valued at £300,000, but this is bequeathed to Mia's brother, rather than to her two children (who inherit the remainder of the estate). Mia's husband died five years ago, without using any of his nil rate band or residence nil rate band. Currently, IHT of £120,000 (£300,000 at 40%) will be payable in respect of Mia's estate on her death, but if Mia changes her will so her children inherit her main residence, the IHT payable will be reduced to nil.

27 Make a Will and tell people about it.

If you die with no surviving relatives and you haven't made a Will, the intestacy rules mean that the whole of your estate will go to the government. That's 100% tax! If you want your relatives, friends, and favourite charities (see tip 29) to benefit on your death, make a Will and ensure it can be found after you die. If you have a surviving spouse or civil partner, they may only get a portion of your estate if a Will can't be found after your death. The residue will then be subject to IHT at 40% to the extent that it exceeds £325,000 (up to £500,000 if the residence nil rate band is available).

28 Legalise your relationship to save IHT.
Being married or in a civil partnership will save IHT as your spouse/civil partner can inherit any amount from you tax free, as long as they are UK domiciled. This tax exemption doesn't apply if you are not legally married to your partner. Your surviving spouse/civil partner can also inherit your unused nil rate band and residence nil rate band (together worth up to £500,000), which will save further IHT payable on their own death.

29 Cut your IHT rate by leaving gifts to charity in your Will.
By writing your Will so that at least 10% of your net estate is left to charities, the IHT on the remainder of your taxable estate will be charged at 36% instead of 40%. The exact calculation of your net estate is complex, so take professional advice when drawing up or amending your Will.

30 Make regular IHT-free gifts out of your annual income.
A regular pattern of gifts given from your net income are free of IHT provided the gifts don't change your normal standard of living or reduce your capital assets. The amounts of the gifts and/or the recipients can be different each year.

EXAMPLE

Rebecca pays the quarterly gas and electricity bills of her niece and nephew out of her surplus net income. These regular gifts are free of IHT as they do not affect Rebecca's lifestyle or eat into her capital assets.

31 Use your IHT-free gift allowances.
In addition to regular gifts out of your net income (see tip 30), you can make IHT-free gifts of up to £3,000 each tax year, and gifts on marriage/civil partnership ranging from £1,000 to £5,000 (depending on your relationship to those who are marrying). If you miss making the gifts totalling £3,000 in one year, you can catch up in the next tax year by giving a total of £6,000, but you can only carry forward the £3,000 allowance for one tax year.

32 Invest in businesses to save IHT.
The value of shares in unquoted trading companies, including companies listed on the AIM stock exchange, are free of IHT if you hold them for at least two years. You don't have to be involved in the company for the shares to qualify. The investment risk can be mitigated by investing in AIM portfolios, including AIM ISAs. Any interest you hold in an unincorporated business will generally also be free of IHT.

33 Value let property correctly on death.
To assess the amount of IHT due after a death, the executors must value assets at their open market value on the date of death. However, if a property was let at that time, the value should take into account the sitting tenant and the time left until the tenancy or lease can be surrendered. The value of a property where there is a sitting tenant can be lower than if there is vacant possession.

Your business – making the rules work for you

34 Choose the most tax-advantageous structure for your new business.
When starting a new business venture, it can be difficult to predict the level of income it will generate. If losses are a real possibility, running the business as a sole trader or partnership will give you maximum flexibility to set-off those losses against your other income (see Tip 37).

Where regular profits of £50,270 or more are expected, operating as a company will allow you to shelter undrawn profits (which would have been subject to higher rates of tax if received by an unincorporated business) and make tax-efficient pension contributions (see Tip 22). The current rate of corporation tax is 19%, which is just under the 20% basic rate of income tax. The marginal rate of corporation tax on profits over £50,000 will rise to 26.5% from 1 April 2023, but this is still favourable compared to the higher income tax rates of 40% and 45% (41% and 46% in Scotland). The amount of tax you pay overall will depend on the manner in which you extract funds from your business.

35 Use the £1,000 trading allowance.
Sometimes it is difficult to know exactly when a business begins, as many start gradually in order to test an idea in the market. You can receive up to £1,000 per year of tax-free income from a trade without having to declare this to HMRC. Once you generate more than £1,000 of sales in a year you need to register your business with HMRC or risk a penalty.

36 Don't miss your VAT registration requirement.
If your business is not VAT registered, you must keep an eye on your turnover for the previous 12 months on a rolling basis. When it exceeds £85,000, you must register for VAT by the end of the month following the month in which your turnover exceeds the threshold. Once registered, you must apply VAT to all of your sales (except those which are exempt) and submit VAT returns to HMRC using making tax digital (MTD) compliant software. You will also have to keep your VAT records in a digital format.

37 Make the best use of your trading losses.
As a serious self-employed business person (HMRC generally expects you to be working an average of at least 10 hours a week for your business), any trading losses you

make can be set against your total income for the tax year in which loss arose and/or the previous year. Relief for a trading loss made in 2021/22 can then be extended to offset against trading profits made in the three previous tax years. There is a cap on how much loss can be offset against your total income (but not profits of the same trade) being the higher of £50,000 and 25% of your income for the year.

38 Lower your tax rate by involving your family.
When your taxable profits go above £50,270 per year, consider bringing in your spouse or adult children as partners in your sole-trader business. A partnership can spread the profits over the basic rate bands and personal allowances of your family members, keeping the average tax rate of the family below 40%. The proportion of profits allocated to each partner can vary each year, although it is advisable to have a partnership agreement drawn up to document this.

39 Use your own car for business journeys.
By using your own car for business journeys, you can receive a tax- and NIC-free mileage allowance of 45p per mile for the first 10,000 miles, and 25p per mile for any additional miles, per tax year. These rates also apply if you drive an electric car! If you work for yourself, you can use these mileage rates to calculate the cost of the business journeys you take in your own car, which is generally easier than working out the business proportion of the entire running costs of the vehicle.

Tip

Keep accurate records of all business journeys you take, including the distance and reason for each journey. There are apps which you can download on your phone to make this easier. All those short trips to buy business supplies or visit customers add up.

Employment and remuneration – looking after your employees

40 Feed employees with free or subsidised food in a staff canteen.
Where the food is available to all employees, or all who work at a particular site, there is no taxable benefit for employees when they receive free or subsidised food. A catering or restaurant business must designate an area exclusively for staff use to eat their employer-provided meals.

41 Provide electric- or low-emissions company cars.
For 2022/23, all-electric company cars can be provided to employees with a taxable benefit of just 2% of the list price of the vehicle. Where a hybrid car is provided with CO_2 emissions of up to 50g/km and electric-powered range of 130 miles or more, the taxable benefit is also 2%. The employer can claim a 100% first year capital allowance deduction for the cost of new wholly electric cars.

42 Encourage clean commuting by providing electric charging points.
Provide electric vehicle (EV) charging points at your business premises for your employees to use. There is no taxable benefit for the employees who use the electricity to power their cars and the business can claim a 100% deduction (and maybe even a 130% super-deduction) for the costs of installing EV charging points before April 2023.

EXAMPLE

On 6 April 2022, TW Ltd provided its director, Elaine, with a brand-new electric car which has a list price of £20,000. TW Ltd also pays for car insurance, servicing and any repairs. TW Ltd can claim a deduction of £20,000 plus the related running costs when calculating its trading profit. The 2022/23 taxable benefit for Elaine is £400. If she is a higher rate taxpayer, the tax cost of using the car for the entire year will be just £160.

43 Assist employees with the extra costs of working at home.
Employers can pay £6 per week (£26 per month) tax- and NIC-free to employees who regularly work at home. There needs to be a formal arrangement with the employer that the employee is required to work at home. The allowance is not available where the employee simply chooses where they work.

44 Help employees meet unexpected bills with small loans.
You can provide an interest-free, or low interest loan, to your employees to help them pay any personal bills. The loan must be repayable and it is advisable to have a formal loan agreement in place which sets out the repayment terms. As long as the total amount lent by the employer to the employee does not exceed £10,000 at any point in the tax year, there is no taxable benefit for the employee

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45 Provide free transport to help employees get to work.

Where your employees are finding it difficult to afford fuel for their cars, you can lay on a works bus so they can travel to work for free. The vehicle used must seat at least nine passengers. There is no taxable benefit for the employees as long as the bus is used mainly by your employees and their children.

46 Provide your employees with an annual health check and eye test.

The health check is free of tax. Medical treatment paid for by an employer is generally a taxable benefit. However, there is an annual exemption of up to £500 where you fund medical treatment that will assist an employee's return to work from sickness or injury. The eye test is also tax free if the employee needs to use a computer screen or similar display screen as part of their job. Any special corrective lenses required to use that equipment can also be provided tax free.

47 Supply your employees with one tax-free mobile phone each.

Employer-provided mobile phones are tax free, as long as it is the employer rather than the employee who owns the phone and takes out the contract with the telecoms company.

48 Encourage your employees to cycle to work with a subsidised bicycle.

You can lend bicycles and associated safety equipment to employees to use to commute to work and for any other private journeys. The bicycle and safety equipment can be provided instead of a portion of pay under a salary sacrifice scheme. The employee can be invited to buy the bicycle at a significant discount at the end of the loan period, and there is no limit on the value of the bicycle that can be provided.

Tip

Where an employer has not paid the home working allowance to an employee who regularly works from home (Tip 43), the employee can claim £6 per week as a tax deduction in their tax return or as a standalone claim from HMRC. Claims can be made up to four years after the end of the tax year.

49 Provide a nursery or crèche for employees' children.

A workplace nursery can be a very valuable benefit for working parents, and it's tax free for the employee if qualifying conditions are met. The employer must be responsible for the management and financing of the nursery, and the care must be provided on the employer's premises (which must not be a private home) or in an area hired for that purpose. You will also need to meet registration requirements.

EXAMPLE

Brian is the director of his own company, BVC Ltd. He has an interest in botany. BVC Ltd occasionally provides Brian with books and equipment relating to his hobby. As long as each item does not cost more than £50, and the total value of the gifts BVC Ltd makes to Brian in any tax year do not exceed £300, there is no taxable benefit for Brian.

50 Increase employee morale with trivial benefits.

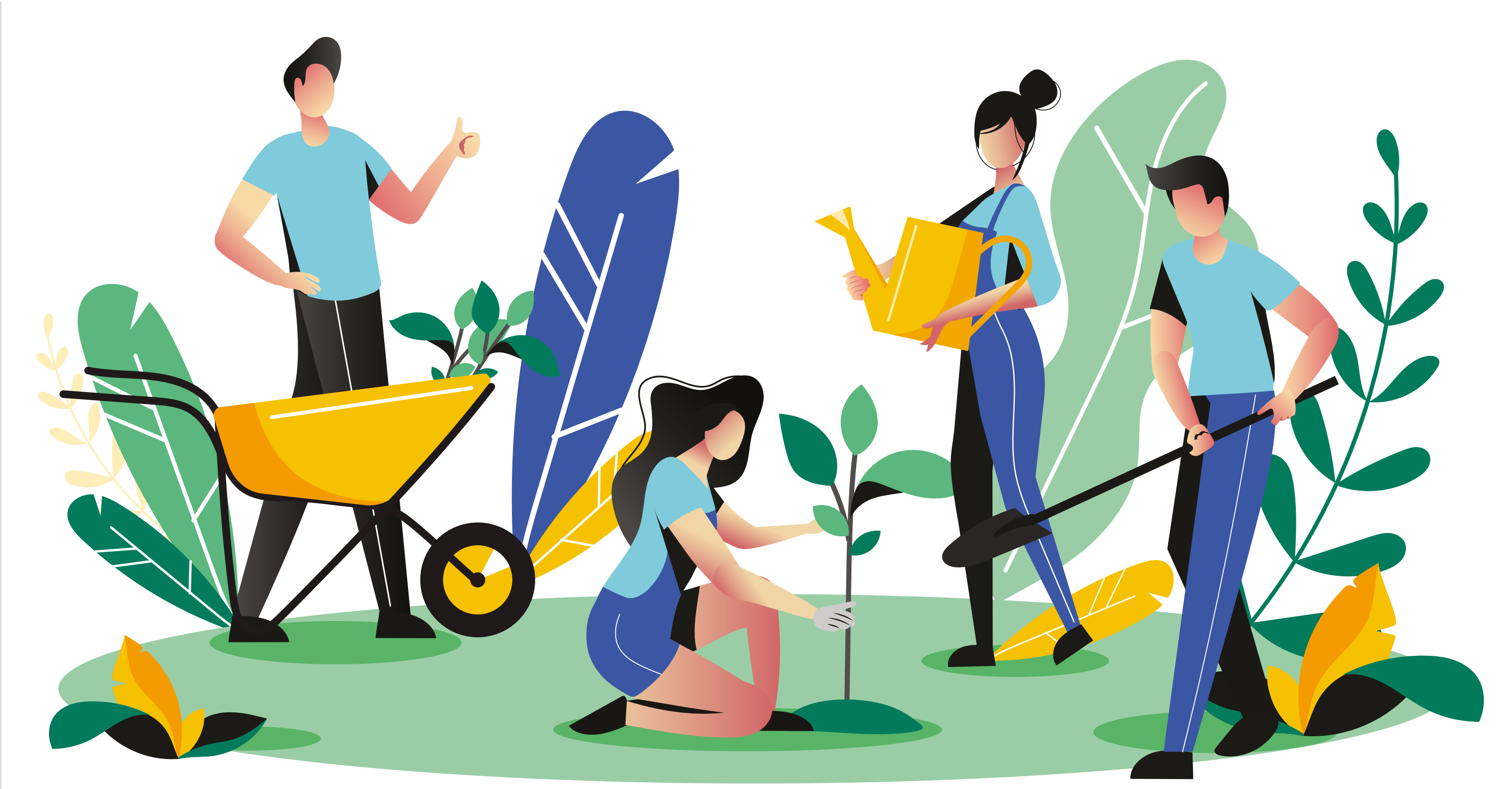
Employees and directors can be provided with tax- and NIC-free free gifts worth up to £50 per item. The gift must not be cash or a cash voucher, it must not be provided as a reward for services, and the individual must not be entitled to receive the item under any contractual obligation. Directors of close companies and their family members can not receive more than £300 of such trivial benefits in any one tax year.

Levels and bases of taxation and tax reliefs are subject to change and their value depends on individual circumstances.

Past performance is not a reliable indicator of future performance.

Forrester Boyd

CHARTERED ACCOUNTANTS



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