Save Substantial Tax!

Key areas to consider in business that can save you substantial tax

Start by Asking the Right Questions to your Advisor Remember that only **YOU** know your business, what it does and where it is heading. A good tax advisor will formulate tax planning and strategies **AROUND** your business and not the other way round.

Questions that will help you when talking to your advisor...
(The red comments look at the areas of tax)

1) What is your business and what do you do? Are your service or product based? General Tax
2) Where are your customers based? UK, Europe or outside of Europe? VAT 3
3) Does your business have to be based in the UK or are you an internet based business that can be situated anywhere in the world? Residency Of Business
4) Do your customers expect to be invoiced by a company? This will obviously affect your options
5) Who are your customers? **Businesses or Individuals?** VAT
6) What and when is your exit strategy? Forward thinking tax planning
7) Are you already earning an income elsewhere and if so are you a 40/50% tax payer? Profit extraction
8) Are you married and if so does your spouse work? Tax Efficient Profit Extraction
9) What do you expect your NET PROFITS are currently and what will they be in 12 month time? Current trading entity and tax strategies Accountability

Understand the Different Trading Entities Available in the UK and How They are Taxed?

Trading Entity	Tax on Profits	Additional Tax Suffered
Sole Trader	Income Tax	None
Partnership	Income Tax on profit share	None
LLPs	Income Tax on profit share	
Companies	Corporation tax	Income tax on money extracted fm co.

Corp Tax vs. Income Tax!

Corporation Tax		Income Tax	
Profits	Tax Rate	Income	Tax Rate
£1 - £300,000	20%	£0 - £7,475	PA's
£301,000 - £1,500,000	27.5%	£7,476 - £42,475	20%
		£42,475 - £150,000	40%
£1,500,001 +	**26%**	£150,000 +	**50%**

There are certain areas to which ALL BUSINESSES are bound to regardless of what their chosen entity is.

VAT: All business must (subject to the nature of their business) register for VAT if their turnover exceeds the current threshold. **This is currently £73,000.**

PAYROLL: To be done for all employees of the business. Any payments to employees must have the correct tax deducted and this must be paid to HMRC by the 19th day following the month end.

SOLE TRADERS		
MUST	**SHOULD**	**IDEAL**
Pay Income Tax on their profits. Pay Class 2 National Insurance contributions Pay Class 4 NICs on annual profits File a personal tax return by 31 Jan Pay tax twice a year on 31/01 + 31/07	Maintain quarterly management accounts so that profits can be reviewed regularly Discuss with advisor the accounting period date if just starting or to change the existing accounting date if it will make a difference to the tax payment Consider incorporation of business if taxable profits exceed **£35,000 but discuss this with a tax advisor** Consider expanding to a partnership	Prepare monthly management accounts Discuss future plans - expansion and/or exit? Review the profits of the year following the tax return date and adjust the payments on account if applicable Review total income coming in for the current and following tax year Review Capital Allowances if applicable Speak to a tax advisor about utilising loss relief efficiently - if applicable **If profits are expected to exceed £100K in the coming year then speak with your tax advisor**

PARTNERSHIPS		
MUST	**SHOULD**	**IDEAL**
Each partner pays income tax on their share of the profits of the partnership **Partnerships do not pay tax** Each partner must pay Class 2 + 4 NIC File a partnership tax return **AND** a personal tax return for each partner by 31 Jan Pay tax twice a year on 31/01 + 31/07	Consider becoming a LLP for protection purposes: limited vs. unlimited liability Consider incorporation of business if taxable profits exceed £35,000 **but discuss this with a tax advisor** Have a partnership agreement in place	Review the partnership agreement. Is it up to date? Does it need to be adjusted? Consider having a corporate partner for profit extraction purposes Value Goodwill before considering incorporation Look to see if personal cars are used within the business if considering incorporation

LIMITED LIABILITY PARTNERSHIPS		
MUST	**SHOULD**	**IDEAL**
File annual accounts to Companies House 9 months after the year end Pay tax in the same way as a partnership	Same principles as an "old" partnership	Consider having a corporate partner for profit extraction purposes

LIMITED COMPANIES		
MUST	**SHOULD**	**IDEAL**
File annual accounts to Companies House 9 months after the year end File a corporate tax return 12 months after the companies year end Pay Corporation Tax 9 months and 1 day from the companies year end Appreciate that a company is a separate legal entity Directors can only extract money from a company in 3 forms: wages/dividends or income File a P11D if any employees and/or directors are provided with any taxable benefits such as a company car. Class 1A NIC are payable on taxable benefits	Directors should ensure that all company expenses are paid directly from **the company. Mobile phone, entertaining staff expenses etc.** Document all dividends paid Consider setting up offshore "sister" companies for all business income received outside the UK Document all agreements with directors such as use of home agreement if the director uses their home as an office.	Meet with your tax advisor at least 1 month BEFORE your year end to discuss tax planning opportunities Speak with your tax advisor about available tax strategies and the risks associated