



# *Accountants & Business Advisors*



A quick overview of allowances, rates & reliefs  
available to utilise until 5 April 2014.

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# YEAR-END TAX GUIDE 2013/14

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**IMPORTANT:** The way in which reliefs, allowances & charges are calculated & applied depends on your individual & personal circumstances and may be subject to change. The information in this document is intended solely for information & is not in any way intended to constitute advice or recommendation & should not be used as a basis for any investment decisions. No warranty is given or intended as to the accuracy or completeness of the information contained within this document E &OE.

## INCOME AND PERSONAL ALLOWANCES

*Tax-free income*

**£9,440 - £10,660**

### The Basics

The majority of UK taxpayers will qualify for a tax-free income allowance, the personal allowance for under 65s is £9,440, the maximum for over 65s is £10,660 (conditions apply). Income in excess of the personal allowance is taxable at rates from 20% to 45%. Those with very low savings may pay just 10%.

### Planning

Make the best use of unused personal allowances within the family, be aware of marginal & higher rate income bands. The basic rate of 20% applies to the first £32,010 of taxable income over £150,000 the rate is 45%, from £100,000 to £118,880 personal allowances are gradually removed giving an effective rate of 60% for this band.

Personal Notes:-

## CAPITAL GAINS

*Taxing realised gains*

**tax free gains**

**£10,990**

### The Basics

Generally everybody qualifies for making annual tax free gains of £10,900 (trusts £5,450). In excess of the limit the rate applied is dependent upon income. Where the £32,010 lower rate band is not fully utilised any gains falling within this band will be taxed at 18% with any remaining gains taxed at 28% (trusts all 28%). Business owners can take advantage of Entrepreneurs' Relief under which qualifying gains are taxed at 10% (max. £10m gain limit for lower rate)

### Planning

Consider disposing of assets that are standing at a capital loss to minimise excess gains. Are family members utilising their tax-free exemptions? Consider transferring assets to them prior to sale either outright or putting them in joint-names. Can the gain be deferred or rolled over?

Personal Notes:-

## INHERITANCE TAX

*Tax on lifetime gifts & on death*

annual exemption

**£3,000**

### The Basics

Normally IHT at 40% is due on chargeable assets in excess of the current threshold of £325,000. Any unused nil rate band from the death of a spouse may be utilised for the estate for the surviving spouse. Any gifts or transfers transacted within 7 years of death are drawn back into the estate for the purpose of calculating the chargeable estate.

### Planning

Make sure you have an up to date will, utilise the annual £3,000 exemption and take advantage the exemptions available on gifts on marriage and gifts out of income.

Personal Notes:-

## PENSION CONTRIBUTIONS

*Income in retirement*

annual allowance

**£50,000**

### The Basics

Contributions only qualify if they are made for or on behalf of a relevant UK individual, relief is calculated based on net relevant income and currently restricted to the annual allowance of £50,000 (lifetime limit £1.5m). Contributions in excess of the limit are permitted but will give rise to a tax charge at the appropriate rate.

### Planning

Retirement planning should not be an option, it should be a high priority, depending upon your income; contributions can attract relief t up to 45%. Besides the obvious financial aspects consider your planned retirement age, income expectations and whether current arrangements will achieve these goals.

Personal Notes:-

## INDIVIDUAL SAVINGS ACCOUNTS

annual investment limit

*Tax-free savings account*

**£11,520**

### The Basics

For 2013/14 the annual investment limit for 18 and overs is £11,520, the cash element of this is restricted to £5,760. Any income or chargeable gains are tax free whilst in the ISA but there are not exempt from inheritance tax. 17 and unders may invest or have investments made for them in Junior ISAs to a limit £3,720 per annum.

### Planning

Some early investors in ISAs have investments worth over £1m and there are millions of other individuals who have taken advantage of the scheme. ISAs are generally readily accessible (subject to any scheme restrictions). Consider taking out an ISA before the end of the tax year.

Personal Notes:-

## TAX CREDITS

### The Basics

Those with low incomes may qualify for tax credits or the universal credit (launched October 2013). The transfer to Universal credit will be phased from commencement to 2017. As usual the calculations can be somewhat complex and are determined by net income, maximum benefit and your allowance.

The maximum benefit applies if you have no relevant income whatsoever, some income is ignored, it is therefore possible to qualify for the maximum benefit and still have a small amount of income. Net income as you would expect is earnings after tax, national insurance and pension deductions. Capital above a specified level may result in a notional income being brought into the calculations, again some income is ignored. Allowances are the maximum earnings allowed to still qualify for maximum benefit. Any excess income results in a percentage of the excess being deducted from the maximum benefit.

### Planning

Always check to see if you qualify, as some benefit may still be payable even if you have a fairly high income. As, stated above capital results in notional income, so consider gifting or spending capital on your property (property values are not generally regarded as capital). There are however safeguards in place to tackle excessive capital reduction. Benefit withdrawal for universal credit can range between 65% and 76% so there are tax planning opportunities.

Personal Notes:-

## CORPORATION TAX

### The Basics

The rate of tax chargeable is dependent on the scale of profits and whether there are any associated companies. From 01/04/13 the applicable rates are profits up to £300,000 at 20%, in excess of this and up to £1.5m at a marginal rate of 23.75% and over £1.5m at 23%. If there are 2 associated companies for example the lower rate ban will be reduced to £100,000 for each company. The Corporation Tax self-assessment regime requires companies to calculate their own tax liability, although this is often done by the company's accountants/auditors.

### Planning

Taxable profits are commonly reduced by taking advantage of the annual pension contribution exemptions and often invested in in Self-invested Personal Pension (SIPPs). Consider bringing forward qualifying capital expenditure to utilise the current £250,000 100% annual investment allowance, for a company paying at the marginal rate this potentially cuts the cost a £250,000 investment to £190,000. Consider whether profits can be pushed into the following year?

Personal Notes:-

## VALUE ADDED TAX

Registration threshold

**£79,000**

### The Basics

Registration is required and VAT chargeable if turnover in the previous 12 months was in excess of £79,000 or is expected to exceed this figure in the next 30 days. There are a number of schemes available which offer simplified accounting for VAT, such as the flat rate scheme, annual accounting scheme and the cash accounting scheme, as always conditions apply.

### Planning

Consider whether one of the special schemes would be appropriate for you? Have you claimed VAT bad debt relief for the VAT element of any bad debts suffered. Are you claiming for the VAT element of qualifying business mileage at the appropriate scale rate and claiming for the VAT on any commercial vehicles acquired?

Personal Notes:-

## BUSINESS DEDUCTIONS

### The Basics

Allowable deductions are those in respect of expenditure incurred wholly and exclusively for the purposes of the business, although this may be subject to a certain level of interpretation. Deductions may not be claimed in relation to depreciation but deductions are given instead by way of capital allowances in respect of qualifying capital expenditure.

### Planning

We have already mentioned capital expenditure and pension contributions but good record keeping is equally as important to ensure all expenses are claimed for and VAT receipts are obtained wherever possible. Directors' bonuses can be accrued for provided they are actually paid within nine months of the company year end, however pension contributions must be paid within the accounting year to qualify. Consider employing family members provided they are paid at commercial rates and they perform work of an equivalent value. Consider paying a combination of salary and dividends and providing benefits in kind.

Personal Notes:-

## ENTREPRENEURS' RELIEF

*10% on disposals up to*

maximum lifetime limit

**£10 MILLION**

### The Basics

Entrepreneurs' relief is available in respect of disposals by the owners of smaller businesses. The result is a net tax rate of 10% in respect of disposals with an overriding lifetime limit of £10m, that's a potential tax saving of up to £1.8m. The relief applies to disposals of material business assets in respect of sole traders, partnerships or limited companies.

### Planning

When planning a disposal, tax planning should be an important element. You should maximise the sale value whilst ensuring that the amount of tax payable is kept to a minimum. Tax planning opportunities exist but ensure that you are aware that some shareholders may not qualify for entrepreneurs' relief.

Personal Notes:-

**LANLORD'S ENERGY SAVING**

Saving per dwelling house

**ALLOWANCE** *tax deductible expenditure***£1,500****The Basics**

A tax deduction can be made for qualifying expenditure up to a maximum of £1,500 per dwelling house. Deductions from rental income can be made in respect of cavity wall, hot water, floor, solid wall and loft insulation and also draft proofing .

**Planning**

LESA does not apply to those properties where rent-a-room relief is being claimed nor does it apply where the property business includes commercial lettings of furnished holiday accommodation. A deduction cannot be claimed if the expenditure is in the course of construction nor can it be claimed if the landlord does not currently have an interest in the land which forms part of the property.

Personal Notes:-

**PENALTIES****The Basics**

HMRC ensures compliance through a strict penalty regime on the likes of income tax, VAT, PAYE, corporation tax and inheritance. Penalties cover such things as the notification that you have started in business, filing of returns and accounts with companies house, year-end PAYE submissions etc. Make sure you know all the relevant filing and payment dates, it's easy to forget. The Business & Tax Calendar on the Business & Tax Zone page of our website is a useful aid to achieving this.

**Planning**

HMRC levy penalties for the late filing of PAYE, VAT and corporation tax. Companies House levies penalties at the rate of £150 to £7,500 depending on how late the accounts are filed and whether your company is private or Plc.

Personal Notes:-



## CHANGES PREVIOUSLY ANNOUNCED

Main rate of corporation tax reduces to 21% effective 01/04/14 and to 20% effective 01/04/15.

Annual pension contribution allowance reduces from £50,000 to £40,000 effective 06/04/14 and the lifetime allowance falls to £1.25m.

The personal allowance with effect from 06/04/14 increases to £10,000 for 2014/15. with the lower rate threshold at £31,865 and the higher rate threshold at £41,865.

From 06/04/14 businesses may claim a deduction of £2,000/ year from their employer's national insurance liability.

In 2015 a transferable allowance is intended to be introduced to allow married couples where one has little or no income to transfer a proportion of their unused allowance to their spouse.

Personal Notes:-

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