



## STRATEGIES FOR TAX PLANNING IN 2012

An often overlooked part of putting your finances in order is making sure that your tax planning is effective. Are you claiming all the tax relief you're entitled to? Are your investments arranged in the most tax efficient way?

To give your financial planning a head start, here are ten strategies for efficient tax planning in the year ahead.

1. Work with your professional advisers on a consistent, long-term basis. They will be able to give you all the appropriate advice to make sure that your financial affairs are arranged in a way that is both tax efficient and right for your long-term financial planning. A regular review meeting with your independent financial adviser is always time well spent.
2. Be organised. Make sure that you submit your tax returns on time. The rules have changed and the full £100 penalty will now be due if your return is late, even if there is no tax outstanding. Make sure you submit your return by October 31st if it's non-electronic, or by 31st January following the end of the tax year. In addition, make sure you keep good records. This may not seem very exciting, but HMRC are increasingly stressing the importance of accurate record keeping. Everything tax related – interest statements, dividend vouchers, payslips, P60's and so on – needs to be kept.
3. When you're choosing between different investments, it is the overall investment strategy that is the main consideration, not the tax position. You should make investments based on whether they are right for you and your financial planning: an investment strategy based purely on saving tax may do more harm than good.
4. Remember that interest paid on bank and building society deposits will have tax deducted at 20%. If you do not pay tax then you can sign a form to have the interest paid without the deduction of tax. Alternatively, you can submit a repayment claim to HMRC.
5. Make full use of your personal allowances. The basic personal allowance for 2011/2012 is £7,475 and this can be used effectively if you and your spouse are both involved in running a business. Even if only one of you is involved, the other could be employed in order to use up his or her personal allowance.
6. The contributions which an employer makes to a pension scheme are generally tax and NI free for most employees. If you want to boost your pension, it may be worth considering 'salary sacrifice' – giving up some of your salary to increase your pension contributions. You'll need to discuss this with your employer and you may need some specialist advice

from an independent financial adviser, but it can be a very effective way of increasing the amount going into your pension.

7. In most small companies the directors and the shareholders are one and the same, and so they can choose the most tax efficient way to pay themselves. Using dividends as opposed to salary can result in savings to NIC, but it does require some planning.
8. The current threshold for VAT registration is £73,000: it may be worth registering voluntarily if your turnover is below this, although registration obviously brings extra administrative responsibilities. When you first register for VAT you can reclaim input tax on goods purchased up to three years before registration, providing you still have them at the time of registration.

If there is any aspect of your financial planning that you would like to discuss then please don't hesitate to contact us on [enquiries@money-wise.co.uk](mailto:enquiries@money-wise.co.uk), or speak to your current Money Wise adviser in the usual way.

*Any information concerning the taxation treatment of a recommended investment or action is based on our understanding of current Inland Revenue law and practice. Taxation law may be subject to future change. Tax advice is not regulated by the Financial Services Authority.*