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Critchleys top ten tax tips to help you through the credit crunch

In today's economic climate we are all looking for ways in which we can save money and one way of doing this is by giving ourselves a tax health check to ensure that we maximise the tax saving opportunities available to us that will help us save tax. Here are a few suggestions that you might like to consider:

1. Use all of the allowances available to your family

We each have a tax free personal allowance, currently it is £6,035 per person rising to £6,475 with effect from 6 April 2009. This means that not only could you have the benefit of your own allowance but that of your spouse, civil partner and/or children. Therefore, you could consider transferring income producing assets to your spouse, civil partner and/or children in order to take advantage of their personal allowance against the income generated and save tax.

Please note that this strategy is really only effective in the case of those children who are age 18 or over.

2. Check your PAYE code

The Revenue doesn't always get it right; you could be paying too much tax because the deductions in your code number are too high. It pays to check.

3. Maximise your contributions to Individual Savings Accounts (ISAs)

ISAs are tax efficient investments in that the income and/or capital gains generated are free from tax.

The maximum allowable contribution for the current tax year is £7,200. Therefore, if you haven't used your full allowance you may want to consider investing more to use it up before 6 April 2009, since any unused portion cannot be carried forward. If you don't have an ISA you may want to consider taking one out as part of your investment and/or tax mitigation strategy.

4. National Savings Certificates

The income from this type of investment is also tax-free.

You can invest up to £15,000 in each issue without it affecting any of your other tax free investments and, with the interest rates being fixed, you will know how much income you will earn each year.

5. Salary sacrifice opportunities

There may be salary sacrifice opportunities available through your employer. Eg, if you have children and your employer offers childcare vouchers in exchange for reducing your salary, you can receive £2,916 worth free from tax and national insurance.

6. Rent a room relief

If you have ever thought of renting out a room in your house then the idea might become more attractive as you can receive rent of up to £4,250 per annum free of tax. Any sums in excess of £4,250 will be taxed at your normal rate.

7. Using your own car for business

If you use your own car for business, then your employer can reimburse you 40p per mile for the first 10,000 miles and 25p per mile (still 40p for national insurance contributions) thereafter.

Should your employer pay less than the above amounts then you can claim for tax relief on the difference.

8. Choosing your company car

The tax charge on company cars is based on both the list price and the CO₂ emissions of the car. The more expensive the car is and the higher the emissions are, the more tax you pay. You might want to consider carefully your choice of car in light of the tax that would be payable on it. For instance, qualifying low emissions cars create a taxable benefit of only 10% of the list price.

9. Pension contributions

At a time when we are tightening our belts, you may not even want to consider making further pension contributions. However they are extremely tax efficient.

What is better is that if you could persuade your employer to make contributions to your pension. Not only are these contributions effectively tax free salary, but both you and your employer will avoid paying national insurance contributions.

10. Pay your tax on time

Since interest and surcharges will be levied on tax paid late it makes sense to pay it on time. However, if you will have trouble paying your tax, speak to HMRC as soon as possible as you may be able to negotiate an installment plan.

For further intelligent tax tips please speak to your usual Critchleys contact.

Alternatively...

www.critchleys.co.uk/Tax