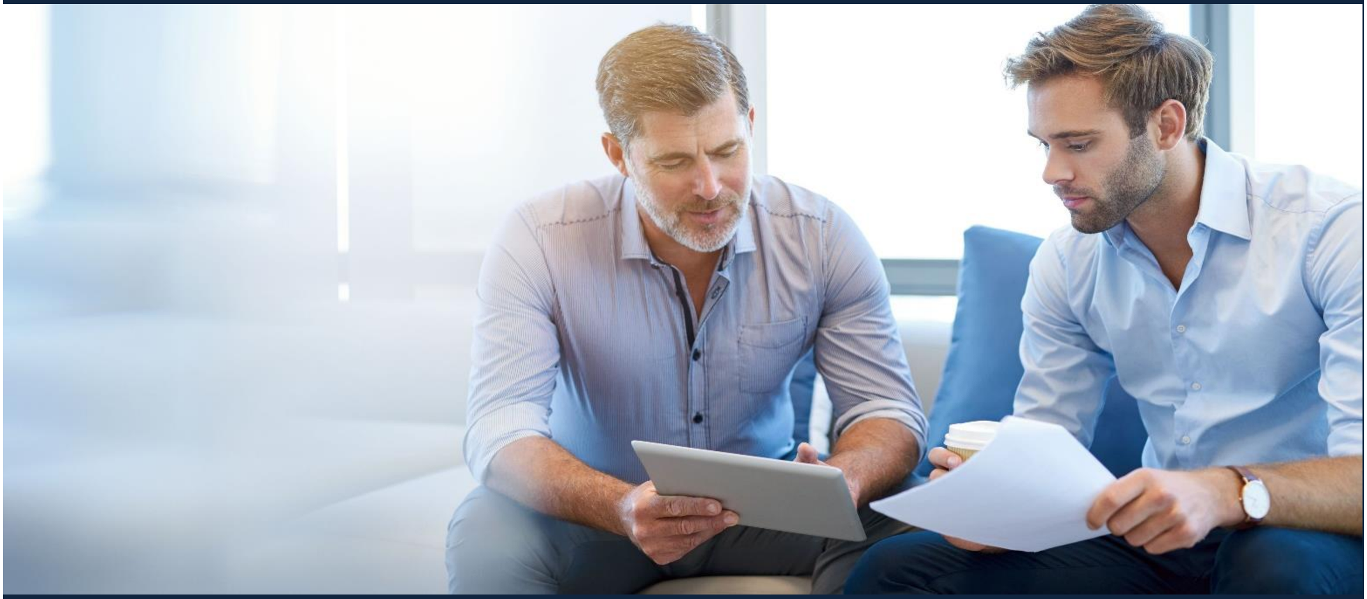
Broadcast

FACTSHEET: WHY IS TAX PLANNING A WORTHWHILE INVESTMENT?

SPECIAL ISSUE

01753 888211
www.nhllp.com



Most of us would rather avoid the word "tax" and yet tax planning offers a unique opportunity to reduce the amount of tax that you pay and make a positive contribution to your efforts to outpace the current economic downturn and emerge financially more secure.

The rest of this factsheet sketches out some of the opportunities for individuals and businesses to save tax, more importantly, it also sets out the case for investing in an appropriate level of tax planning; for you or your business.

What our tax planning services do not offer
We are all entitled to use the present tax legislation to mitigate our tax payments. What you are not entitled to do is evade tax by adopting strategies that stretch the credibility of laws set by Parliament beyond those originally intended.

Penalties for engaging in tax schemes that would be challenged by HMRC as tax evasion can be punitive and in some cases are treated as fraud.

There are plenty of tax planning opportunities without straying into the world of tax schemes which we execute further below.

What does tax planning achieve?
Tax planning achieves two major outcomes:

- It reveals one-off tax saving opportunities, but it also reveals ongoing tax savings; savings that you will reap for many years with no further investment in professional advice.
- Without straying into tax evasion, tax planning will also ensure you pay the minimum tax applicable to your circumstances, and no more.

HMRC are tax collectors. They are obliged to publish details of any tax savings options open to you, but under no obligation to tell you. A review of your personal and business circumstances is required to achieve this, and this is what tax planning advice will provide.

In the following three sections we outline some of the areas that we could cover as part of an annual tax planning review. However, these are just the tip of the tax planning iceberg. Much will depend on consideration of your personal and business circumstances.

Personal tax planning objectives

- Take advantage of all allowances and reliefs to which you are entitled.
- Direct your income into tax-free forms – for example, tax-free benefits in kind.
- Advising on the tax benefits of certain investment opportunities; the Enterprise Investment Scheme (EIS) or Venture Capital Trusts (VCT) for example.
- Consider pension payments as a way to reduce taxes, particularly higher rates of income tax as well as providing for income when you retire.
- Share income producing assets with family members.
- Consider use of companies, partnerships or trusts to shelter income from higher rates of income tax.

Company tax planning objectives

- Choosing the best tax structure for your company if incorporating a self-employed business.
- Maximise tax relief for investment in new or used vehicles, equipment and buildings.
- Formulating the best mix of profit extraction choices: salary, dividends, pension contributions, rents, or interest. For example, a husband and wife can receive £100,000 p.a as a couple for an income tax cost of £6,600.
- Choosing the best tax strategy when you dispose of your business to increase the funds available for your retirement. For example, a sale to an Employee Ownership Trust (EOT) gets a full exemption from Capital Gains Tax or 0%!

VAT

- Deciding when to register or deregister.
- Choosing the most beneficial special rate scheme if available.
- Dealing with complications if part of your business turnover is partially exempt.

There is no one-fits-all approach

Every person and company, to some extent, is unique. Good advice for one could be bad advice for another. This is why listening to banter shared in your local bar may not be the best place to pick up advice.

There is no substitute for discussing tax planning options with a qualified tax practitioner.

How much does tax planning cost?

Cost may not be the most appropriate word to use. This fact sheet illustrates that tax planning is a sound investment. Accordingly, we will always strive to ensure that you secure a return on your investment.

This may not always result in the tax savings you achieve immediately exceeding the cost of our services.

For example, changes in legislation may require changes in the way you organise your financial affairs for the current tax year and in future tax years. In which case it is necessary to consider the long-term tax savings with any short-term fees payable in order to make a true comparison.

One thing is clear. We will always determine the positive benefits of our advice whether this be a reduction in taxes payable or the avoidance of penalties and interest charges that may arise if no advice is taken. We will also provide you with a quote for our fees before undertaking any planning work on your behalf.

When should you seek advice?
Change should be the motivating factor; has tax legislation or have your personal or business circumstances changed?

Ideally, we should discuss these changes – whenever possible – BEFORE the change occurs.
Waiting until after the event, for example, after your business year end, may be too late to take appropriate action.

Tax planning is not a formulaic exercise. At its best, it is reshaping existing strategy in order to mitigate the tax effects of change on existing planning.

And so, the quick answer to this question is talk to us. If you are going to:
- buy or sell a property,
- experience a change in your personal circumstances, such as new family or retirement,
- want to buy or sell a business, or
- consider any other options that impact your personal finances or business affairs.

If your personal or business financial affairs warrant a periodic review, we would suggest that this is considered at least annually to ring-fence any changes in legislation or any other circumstances.

We can help
Please call us on **01753 888 211** or email **info@nhllp.com** if you need guidance with any of the issues raised in this Broadcast. We would be happy to help.