



Business Growth Accountants

Strategy ~ Accountancy ~ Tax



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Jonathan Moules

Business Questions

How can I limit my tax burden?

I run a small business installing green energy equipment with a £2.5m turnover and 20 employees. I am seriously concerned about the changes to tax rates in April – especially the new 50 per cent rate for high earners and the impact it could have on me and my business. What can I do to limit the tax burden?

There are a number of ways to reduce the tax burden, including the new 50 per cent tax rate.

You could look at alternatives to being paid by salary and dividend. You could consider a pay advance – salaried bonuses given before April 5 will be taxed at 40 per cent. Another good tax planning idea is to bring forward the purchase of any fixed assets, as small companies have an annual investment allowance of £50,000 that can be set against capital purchases each tax year.

In addition, you could

review the methods of remuneration for employees. One underused tax planning tool is childcare vouchers – £55 per week can be paid by an employer towards an employee's childcare costs, as long as the childcare provider is registered.

Also note that higher-rate pension tax relief will disappear from 2011 for those earning more than £150,000. So, for business owners looking to make pension contributions, it is worth paying in more while the higher-rate relief is still available.

The key to success with business finance is proactive planning – so that is what you must do.

Alan Woods is a director of Woods Squared Accountants, an accountancy firm based in the Wirral