

## Morris Cook Tax Checklist

2010/11 edition



### Have you spoken to your accountant about this issue?

Your business	Yes	No	N/A
<p>1. <b>Are you sure that you are taking money out of your business in the most tax-efficient way?</b>  <i>TIP: If your business is a limited company it is often better to take your money out by a combination of salary, benefits in kind and dividends.</i></p>	Yes	No	N/A
<p>2. <b>Are you paying your spouse a tax efficient salary?</b>  <i>TIP: This must be a 'sensible' salary which reflects the work done.</i></p>	Yes	No	N/A
<p>3. <b>Have you considered changing your year-end?</b>  <i>TIP: Sometimes tax breaks can be given to sole traders and partnerships that change their year-end. Calculations are complex and there must be a commercial reason for changing; however, massive tax-savings can be made for some firms.</i></p>	Yes	No	N/A
<p>4. <b>If you are a sole trader, have you considered taking your spouse into partnership?</b></p>	Yes	No	N/A
<p>5. <b>If you own a company, have you considered giving shares to your spouse as a gift and then using dividends to use up any lower tax bands and allowances, if applicable?</b></p>	Yes	No	N/A
<p>6. <b>Have you considered the best time to invest in fixed assets and the best way to pay for them?</b></p>	Yes	No	N/A
<p>7. <b>Do you have a pre year end tax planning meeting with your accountant?</b></p>	Yes	No	N/A
<p>8. <b>If your business has made losses in the past/is making losses, have you made sure that the losses are being used to reduce your current/previous tax bills by as much as possible?</b></p>	Yes	No	N/A
<p>9. <b>If you are a sole trader/partner earning less than £5,075 per annum you do not have to pay Class 2 NIC - have you considered paying it voluntarily?</b>  <i>TIP: Paying Class 2 NIC counts towards your Basic State Pension entitlement and other benefits</i></p>	Yes	No	N/A
<p>10. <b>If you work from home are you claiming for the costs of working from home?</b></p>	Yes	No	N/A
<p>11. <b>If your sole trader / partnership business is doing very well, have you considered becoming a limited company, as tax savings can be made in some cases?</b></p>	Yes	No	N/A
<p>12. <b>If limited liability is desirable, but a limited company is not a good option for your particular circumstances, have you considered a limited liability partnership?</b></p>	Yes	No	N/A
<p>13. <b>If you run a very profitable limited company, have you done everything possible to make sure that your profits are taxed at 21%, instead of 29.75%?</b>  <i>TIP: Small companies with profits up to £300,000 pay corporation tax at 21%. Then the tax rate jumps to 29.75% for profits of between £300,000 and £1.5M.</i></p>	Yes	No	N/A
<p>14. <b>If you run a 'one-man band' business, have you made sure that there is absolutely no chance of the taxman charging you much more by treating you as being employed by one or more of your best customers?</b>  <i>TIP: You may believe you are self-employed, but the taxman may think differently and it could end up costing you a lot of time and effort, not to mention back taxes.</i></p>	Yes	No	N/A
<p>15. <b>If you are a limited company or partnership working mainly for one customer, have you considered the IR35 rules and how they may apply to you?</b></p>	Yes	No	N/A
<p>16. <b>Have you planned ahead and taken action to minimise future tax bills when and if you decide to sell your business (Entrepreneur's Relief), or if your business forms part of your estate on death (Business Relief /Agricultural Relief)?</b>  <i>TIP: HMRC could take up to 40% of everything your business is worth. You should plan now to keep more of the money in your pocket rather than the taxman's.</i></p>	Yes	No	N/A

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| 17. | <b>Do you regularly check your turnover against the VAT registration limit (£70,000)?</b><br><i>TIP: You have 30 days after the end of the month you exceed the limit to register</i>  | Yes | No | N/A |
| 18. | <b>Have you considered if voluntary VAT registration would be beneficial to your business?</b>   | Yes | No | N/A |
| 19. | <b>Do you know that when you register for VAT you can reclaim the VAT on assets and stock purchased for your business in the four years before registration, provided that you still own them on the registration date and have a VAT invoice? (VAT on certain services in the 6 months before registration can also be claimed)</b> | Yes | No | N/A |
| 20. | <b>Have you reclaimed the output VAT on bad debts that are more than 6 months old?</b>   | Yes | No | N/A |
| 21. | <b>If your business has a turnover of less than £150,000, have you considered using the VAT flat rate scheme?</b><br><i>TIP: This makes the completion of VAT returns easier and can sometimes reduce the amount of VAT that you pay</i>   | Yes | No | N/A |
| 22. | <b>If your business has a turnover of less than £1,350,000 have you considered using the Cash accounting scheme and paying over output VAT when payment is received from a Customer instead of when invoiced?</b>  | Yes | No | N/A |
| 23. | <b>If your business has a turnover of less than £1,350,000 have you considered using the Annual accounting scheme, which allows businesses to complete one VAT return each year instead of four?</b>   | Yes | No | N/A |
| 24. | <b>Do you file your VAT returns online and pay you VAT by direct debit?</b><br><i>TIP: This gives you between 10 and 12 extra days to pay your VAT. For newly registered businesses and businesses with turnover over £100,000 online filing is compulsory. This may become compulsory for all businesses in 2012.</i>               | Yes | No | N/A |
| 25. | <b>Have you considered VAT deregistration if your turnover is permanently under the VAT deregistration limit (£68,000)?</b><br><i>TIP: This is beneficial if most of your customers are not VAT registered. If you receive invoices after deregistration that relate to before you deregistered you can still reclaim the VAT</i>    | Yes | No | N/A |

### Your employees (which includes you if you're a limited company)

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| 26. | <b>Do you have a company pension scheme? Are you making the most of pensions as a highly tax efficient way of rewarding and retaining key staff?</b><br><i>TIP: If you have 5 or more employees, you have to set up a stakeholder pension scheme. From 2012 all eligible employees will have to be enrolled into a workplace pension scheme.</i>              | Yes | No | N/A |
| 27. | <b>Have you considered any other type of pension arrangement to give you more control and flexibility and your staff and you the chance to save larger sums for retirement?</b><br><i>TIP: Options might include an Executive Pension Plan, a Small Self-Administered Scheme or an Unapproved Scheme.</i>   | Yes | No | N/A |
| 28. | <b>Do you fully understand how to calculate the tax value of benefits in kind?</b><br><i>TIP: Under self-assessment it is your responsibility to calculate these tax values and include them on your employees' P11Ds. Many of the calculations are not intuitive, and if you get them wrong you could face a fine of up to £3,000 for an incorrect P11D.</i> | Yes | No | N/A |
| 29. | <b>Have you considered your company car and van policy?</b><br><i>TIP: Sometimes it is more tax efficient to own the vehicle personally and claim a mileage allowance. There is no benefit in kind for a van provided it is used only for business journeys and travel between home and work</i>  | Yes | No | N/A |
| 30. | <b>Successive budgets have dramatically increased the tax on fuel given to employees for private mileage. Have you checked whether you and they would benefit from changing your fuel policy?</b>   | Yes | No | N/A |
| 31. | <b>Do you know that if your employees receive less than the HMRC mileage rates for business mileage in their own cars they can claim tax relief on the difference?</b>  | Yes | No | N/A |
| 32. | <b>When you take on a new employee do you make sure they give you a P45 or you get them to sign a P46?</b><br><i>TIP: You need to do this to make sure that the employee receives the correct PAYE allowance.</i>   | Yes | No | N/A |

33.	<b>When you employ students during a holiday do you get them to sign a P38S?</b> <i>TIP: This allows you to pay them free of tax under certain circumstances</i>	Yes	No	N/A
34.	<b>Do you provide your employees with free bicycles and associated safety equipment to cycle to work or for business related journeys?</b> <i>TIP: The employee is not taxed on the use of the bicycle as long as the company owns it.</i>	Yes	No	N/A
35.	<b>Do you thank your employees with an annual party or annual event?</b> <i>TIP: Provided the average cost per head (per employee/guest/employee's spouse) is under £150 and it is open to all employees it is tax free.</i>	Yes	No	N/A
36.	<b>Do you offer childcare vouchers to all employees who have children of school age or younger?</b> <i>TIP: This could save Tax and NIC for the employee and the Company</i>	Yes	No	N/A
37.	<b>If you use contract workers and freelancers, are you sure the taxman has no grounds for treating them as employees?</b> <i>TIP: This area can be a real minefield resulting in unexpected tax and NIC bills.</i>	Yes	No	N/A
38.	<b>Have you explored how and if the Government's Flexible New Deal could cut your wages bill?</b>	Yes	No	N/A
39.	<b>Have you asked HMRC for P11D dispensations to reduce your paperwork?</b>	Yes	No	N/A
40.	<b>If your business started after 22<sup>nd</sup> June 2010 have you applied for the National Insurance Contributions Holiday?</b>	Yes	No	N/A
41.	<b>Are you fully able to deal with the additional paperwork involved in administering the student loan scheme, as required by HMRC?</b>	Yes	No	N/A
42.	<b>Are you properly applying the minimum wage and working time regulations as required by HMRC, whose remit now includes the 'policing' of such programmes?</b> <i>TIP: HMRC has the power to hand out severe penalties for non-compliance.</i>	Yes	No	N/A
43.	<b>Are your PAYE payments to HMRC less than £1,500 per month?</b> <i>TIP: If yes, you can pay over the PAYE quarterly instead of monthly.</i>	Yes	No	N/A

### Your family

44.	<b>If you give money to charity, have you taken advantage of the Gift Aid Scheme?</b> <i>(You can now donate tax refunds to charity by electing on your Self Assessment tax return)</i>	Yes	No	N/A
45.	<b>Have you considered changing your mortgage?</b> <i>TIP: There may be a better deal around.</i>	Yes	No	N/A
46.	<b>Have you made full use of the fact that your children have the same tax free Income Tax Allowance and Capital Gains Tax Allowance as you?</b>	Yes	No	N/A
47.	<b>Have you made a will and has it been updated recently?</b> <i>TIP: A will becomes invalid when you marry. Without a will the courts would have to decide who will be the guardians of your children. Also, large amounts may have to be paid in unnecessary tax and legal costs and your spouse/civil partner will not automatically inherit all your assets.</i>	Yes	No	N/A
48.	<b>Have you considered giving inheritance tax free gifts during your lifetime?</b> <i>TIP: These include gifts on marriage of up to £1,000 or up to £5,000 if you are a parent of the bride or groom, regular gifts out of income, any gifts totalling up to £3,000 per year</i>	Yes	No	N/A
49.	<b>What would happen to your family and business if you were ill or died? Do you have life assurance, permanent health insurance and critical illness cover? Are your policies still relevant? Should your life assurance policy be written in trust?</b>	Yes	No	N/A
50.	<b>If you have a large estate, have you considered an insurance policy to pay your inheritance tax bills when you die? Or using lifetime gifts to avoid paying inheritance tax altogether?</b> <i>TIP: It is extremely sad to have to tell families that up to 40% of their loved one's estate must be paid to the taxman. It is also unnecessary, when the hard truth is that by acting early enough most people can prevent the taxman from getting a penny. If you give away assets and live for more than seven years after the date of the gift the amount is not counted as part of your estate on death.</i>	Yes	No	N/A

51. **If you and your spouse/partner have children or a low combined income, have you completed a Tax Credits Claim form?** Yes No N/A  
*TIP: Claims can only be backdated 3 months and so you can make a provisional claim now to cover if your income falls in the future*

## Your investments

52. **Have you reviewed your investments to ensure that they are appropriate and performing well? Are they giving you the right balance of income and capital growth?** Yes No N/A
53. **Have you considered investments that give you a tax-free return e.g. ISA's, Premium Bonds?** Yes No N/A
54. **If your spouse pays tax at a lower rate than you, have you considered passing some of your investments to them in order to reduce your combined tax bills?** Yes No N/A
55. **If some of your investments have done very well and grown in value, have you considered whether it is sensible to sell some of them to save yourself even higher tax bills in the future?** Yes No N/A  
*TIP: Everybody has a tax free capital gains allowance per year, but many people do not use this tax-free allowance and end up paying higher tax bills later.*
56. **Have you made sure that the non-taxpayers in your family receive their interest gross i.e. without their bank or building society deducting tax at source?** Yes No N/A
57. **Have you reviewed your pension arrangements?** Yes No N/A  
*TIP: Ten years ago, a pension fund of £100,000 would buy an annuity of £15,000. Now it will only buy an annuity of £9,000.*
58. **Have you considered ways of getting tax relief on the full cost of your investments and not just on the interest you earn?** Yes No N/A  
*TIP: Main examples are pensions, investments in enterprise zone properties, the enterprise investment scheme and venture capital trusts. The last three are high risk and it is recommended that you never invest more than you can afford to lose and always take professional advice before investing.*
59. **If you are considering investing in property (other than your home), have you considered taking out a loan to finance the purchase?** Yes No N/A  
*TIP: Even if you don't actually need to borrow now, it may still make sense to borrow and use your spare capital for other purposes. The reason for this is that you will get up to 50% tax relief on the interest you pay on the loan, making it one of the cheapest ways to borrow money.*
60. **Do you know that if you rent out a room in your own house that first £4,250 of rental income is tax free?** Yes No N/A
61. **If you own furnished holiday lettings have you brought forward major expenditure to complete it before the rule change on 6<sup>th</sup> April 2011?** Yes No N/A  
*TIP: Losses made after 6<sup>th</sup> April 2011 can only be offset against future holiday letting profits (up to this date can be offset against all earnings)*
62. **If you own two or more properties, have you elected which one should be treated as your principal private residence (if necessary)?** Yes No N/A

If you have answered 'No' to any of these questions, we strongly recommend that you contact your accountant immediately. Alternatively, you are welcome to contact us for a jargon-free, no obligation discussion on 01691 654545, Fax: 01691 679449. Visit our website at [www.morriscook.co.uk](http://www.morriscook.co.uk) or e-mail [partners@morriscook.co.uk](mailto:partners@morriscook.co.uk).

This checklist has been designed to alert you to some of the major issues you should be considering in view of current legislation and economic conditions. However, it is not a replacement for professional advice which is tailored to your precise needs and circumstances. We would be pleased to act for you should you wish to contact us.