

Article topic: Tax Planning

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By George, there is tax to be saved!



Following the Budget, entrepreneurs can make substantial tax savings with the right planning.

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It's not often that the Chancellor gives business owners reason to celebrate, so this Emergency Budget is something of a rarity. Measures to reduce corporation tax and extend the NIC threshold and entrepreneurs' relief have made running a business more lucrative than it has been for many years. Business owners should, therefore, review their tax position now to make the most of the opportunities available.

Our top five tips:

- **Assets** - transfer income earning assets to corporate ownership and take advantage of reduced Corporation Tax rates (20% for smaller companies and 24% for larger companies by 2014).
- **Incorporate businesses** - incorporate your business and you can secure up to £5m of capital gains on goodwill. Profits can then be taken out as loan account withdrawals at a 10% rate rather than as income.
- **Shareholdings** - the Chancellor's commitment to maintain the 10% CGT rate for entrepreneurs has been sweetened further by the increase in the lifetime Entrepreneurs' Relief limit to £5m of business gains. By splitting private company shareholdings with other family members who are Directors or employees, you can obtain multiple £5m Entrepreneurs' relief allowances. You can also top up employee shareholders with less than 5% of shares, allowing them to obtain a 10% tax rate.
- **Capital spend** - maximise the rate of capital allowances by making business capital expenditure this year. Non-VAT registered businesses, such as property investors and charities, should accelerate any significant capital spend ahead of the VAT rate rise to 20% from 4 January 2011.
- **Pensions** - if your income has been less than £130k, consider making large one-off pension contributions this year. It is widely expected that the pension contribution limit will fall from £255,000 to around £40k, so this opportunity probably won't be around next year.

For more information on these opportunities, please contact a member of the Tax Planning team.

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