101 Practical Tax Tips

2023/24

By
Sarah Bradford

Publisher details

This guide is published by Tax Insider Ltd, 3 Sanderson Close, Great Sankey, Warrington WA5 3LN.

'101 Practical Tax Tips' (formerly 101 Tax Secrets Revealed) was first published in July 2010, second edition September 2010, third edition May 2011, fourth edition April 2012, fifth edition May 2012, sixth edition August 2012, seventh edition April 2013, eighth edition April 2014, ninth edition November 2015, tenth edition October 2020, 11th edition August 2021, 12th edition May 2022, 13th edition May 2023.

Copyright

A CIP Copy of this book is available from the British Library.

ISBN 978-1-7394249-1-6

All rights reserved

Trademarks

Disclaimer

This guide is produced for general guidance only, and professional advice should be sought before any decision is made. Individual circumstances can vary and therefore no responsibility can be accepted by Tax Insider, the co-author Sarah Bradford, or the publisher Tax Insider Ltd for any action taken or any decision made to refrain from action by any readers of this guide.

Tax rules and legislation are constantly changing and therefore the information printed in this guide is correct at the time of writing - April 2023.

Neither the authors nor Tax Insider Ltd offer financial, legal or investment advice. If you require such advice then we urge you to seek the opinion of an appropriate professional in the relevant field. We care about your success and therefore encourage you to take appropriate advice before you put any of your financial or other resources at risk. Don’t forget, investment values can decrease as well as increase.

The content of this guide is for information only and all examples and numbers are for illustration. Professional advice should always be sought before undertaking any tax planning of any sort as individual circumstances vary and other considerations may have to be taken into account before acting.

To the fullest extent permitted by law Sarah Bradford and Tax Insider Ltd do not accept liability for any direct, indirect, special, consequential, or other losses or damages of whatsoever kind arising from using this guide.

The guide itself is provided ‘as is’ without express or implied warranty.

Contents

About This Guide 1

Chapter 1: Making The Most Of Allowances And Lower Rates Of Tax 3

1. Keeping The Full Personal Allowance 4
2. Make Use Of The Marriage Allowance 6
3. Utilising Your Annual CGT Exemption 8
4. Transfer Income-Earning Investments To Use Non-Taxpayers' Personal Allowances 11
5. Utilising A Spouse's Or Civil Partner's Annual CGT Exemption 13
6. Equalising Marginal Rates Of Tax 15

Chapter 2: Savings And Investments 19

7. Use Your Personal Savings Allowance 20
8. Use Your ISA Allowance 22
9. Using ISAs To Save For Retirement 24
10. Make Use Of A Lifetime ISA 26
11. Junior ISAs 28
12. The Tax-Free Savings Band 29
13. Using The Tax-Free Savings Band: Couples 31
14. Equalising Savings Income To Save Tax 33
15. Savings And A Mortgage? Consider Reducing Your Mortgage 35
16. Utilise The Dividend Allowance 37
17. Pension Funding 40

18. Making The Most Of The Pension Tax Annual Allowance 42

19. Pension Contributions And High Earners 45

20. Making Pension Contributions For Family Members 48

21. Take Advantage Of The Abolition Of Lifetime Allowance Charges 49

22. Invest In A Venture Capital Trust 50

23. Invest In An Enterprise Investment Scheme (EIS) 51

24. Invest In A Seed Enterprise Investment Scheme 54

Chapter 3: Family Companies 55

25. Pay A Small Salary To Retain State Pension Entitlement 56

26. Optimal Salary Where NIC Employment Allowance Is Not Available 59

27. Optimal Salary Where The NIC Employment Allowance Is Available 62

28. Extraction Of Profits In A Tax-Efficient Manner 65

29. Dividend Allowance For All 68

30. Use An Alphabet Share Structure To Tailor Dividends 70

31. Timing Of Bonus Payments To Delay Tax 72

32. Make Use Of Loans To Directors 74

33. Leave A Loan To A Director Outstanding And Pay Section 455 Tax 76

34. Choose Which Loans To Repay 79

35. Employ Your Family 82

Chapter 4: Employers And Employees 83

36. Quarterly PAYE Payments 84

37. Pay PAYE On Time To Avoid Penalties 85

38. Allow For Bank Holidays When Making PAYE Payments 87

39. Submit RTI Returns On Time 89

40. Reduce Your Employer's NIC Bill By £5,000 90

41. Use Basic PAYE Tools 92

42. Take Advantage Of The Exemption For Paid And Reimbursed Expenses 93

43. Claim A Deduction For Mileage Payments 95

44. Company Cars – Make Green Choices 97

45. Company Cars – Electric Cars And Hybrid Cars 99

46. Cut The Fuel Benefit Charge 102

47. Company Car Or Car Allowance? 104

48. Putting Your Mobile Phone Through The Company 106

49. Tax-Free Benefits Using Salary Sacrifice Arrangements 108

50. Working Abroad – Tax-Free Trips For Your Family 110

51. Claiming Tax Relief For Expenses 112

Chapter 5: The Self-Employed 115

52. No Class 2 Or Class 4 NICs To Pay For Low Earners 116

53. Notional Class 2 NICs And Free Qualifying Year 117

54. Paying Class 2 NICs Voluntarily 118

55. Choosing A 31 March Accounting Date For A New Business 120

56. Consider Changing Your Accounting Date To 31 March 122

57. Use The Cash Basis To Calculate Taxable Income And Save Work 124

58. Claim Simplified Expenses 126

59. Self-Employed? Consider If Incorporation Is Worthwhile 128

Chapter 6: Losses 131

60. Maximising Trading Losses 132

61. The Loss Relief Extension To Capital Gains 135

62. Special Relief For Early Year Losses 136

63. Relief For Losses On Cessation 138

64. Losses And Capital Allowances 140

65. Unlisted Share Losses 142

66. Beware Cap On Income Tax Reliefs 143

67. Registering Your Capital Losses 144

68. Registering Your Rental Losses 146

Chapter 7: Capital Allowances 149

69. Capital Allowances: Annual Investment Allowance 150

70. Take Advantage Of Full Expensing For Companies 152

71. Claim The 50% FYA For Companies 154

72. Short Life Assets 156

73. Write Off Small Pools 157

74. Zero Emission Cars And 100% FYA 158

75. Electric Charge Points And 100% FYA 160

76. Time Your Capital Expenditure 161

Chapter 8: VAT 163

77. Should I Register For VAT Voluntarily? 164

78. The VAT Cash Accounting Scheme 166

79. Is The VAT Flat Rate Scheme For Small Businesses Beneficial? 167

Chapter 9: Capital Gains Tax 169

80. Timing Your Disposals For CGT 170

81. Transfer Assets To Your Spouse Or Civil Partner 172

82. Roll-Over Relief For Business Assets 174

83. Make A Negligible Value Claim For Worthless Assets 176

Chapter 10: Property 177

84. Utilise Rent-A-Room Relief 178

85. Furnished Holiday Lettings 180

86. Claim The Property Income Allowance 182

87. Claim Relief For Replacement Domestic Items 183

88. Principal Private Residence Relief 184

89. Choosing Your Main Residence 185

90. The Final Period Exemption 187

91. Private Lettings Relief: Shared Occupancy 188

Chapter 11: Inheritance Tax 191

92. IHT And Gifts Out Of Income 192

93. Make A Will 194

94. Potentially Exempt Transfers 195

Chapter 12: Tax Returns And Administration 197

95. File Your Tax Return By 30 December 198

96. File Your Tax Return On Time To Avoid Hefty Penalties 199

97. Avoid Unnecessary Interest 201

98. Check Your Tax Code 202

99. Payments On Account 204

100. Watch Out For The Online Tax Calculation... 206

Chapter 13: Final Tips 207

101. Register For Child Benefit 208

102. BONUS TIP: Beware The Gift Aid Tax Trap 211

About This Guide

All taxpayers like to save tax and there are many simple steps that can be taken to achieve this aim.

This guide contains 101 ultimate tax tips. By reading through these practical tips, you will come across at least a few that will apply to your circumstances and save you some tax. Or at the very least they have given you food for thought and you will take some professional advice before taking any action or refraining from any action as a result of reading these tips.

The tips are for guidance only and professional advice should always be sought before undertaking tax planning of any sort. The savings that can be made will depend on the precise circumstances and the examples are a guide only.

There are always more tips as tax is a very complex subject. However, this book covers the more practical ideas so that everyone can take something from it.

Chapter 1:
Making The Most Of Allowances And Lower Rates Of Tax

1. Keeping The Full Personal Allowance
2. Make Use Of The Marriage Allowance
3. Utilising Your Annual CGT Exemption
4. Transfer Income-Earning Investments To Use Non-Taxpayers' Personal Allowances
5. Utilising A Spouse's Or Civil Partner's Annual CGT Exemption
6. Equalising Marginal Rates Of Tax

1. Keeping The Full Personal Allowance

The personal allowance allows a person to receive the first £12,570 of their income tax-free for 2023/24. This is worthwhile. However, once income exceeds a certain level, the personal allowance may be lost.

For 2023/24 the basic personal allowance is reduced where a person has 'adjusted net income' in excess of £100,000 by £1 for every £2 by which this limit is exceeded until the allowance is fully abated.

This means that anyone with adjusted net income of more than £125,140 in 2023/24 loses all their personal allowance.

However, it is possible to preserve entitlement to the personal allowance by reducing income to below £100,000. There are various ways in which this can be achieved, for example by transferring income-producing assets to a spouse or civil partner (see Tip 4).

Likewise, adjusted net income can be reduced by making pension contributions, which is in itself beneficial due to the higher rate relief that is available on pension contributions up to the available annual allowance. Charitable donations made under gift aid would also work (although the donor would lose the benefit of money made as the donation).

Alternatively, a sole trader or proprietor of an unincorporated business could employ a spouse or civil partner or other family member and pay them a salary to reduce his or her self-employment income, shifting income to the family member.

Note: the personal allowance will remain at £12,570 for future tax years up to and including 2027/28.

Keeping The Full Personal Allowance

John expects to have adjusted net income of £128,000 for 2023/24. To prevent losing his personal allowance, he makes contributions into his registered pension scheme of £30,000. This reduces his adjusted net income to £98,000, allowing John to retain his personal allowance.

Making pension contributions is tax efficient as John receives tax relief on his pension contributions at his marginal rate of tax, as well as boosting his pension pot in the process.

2. Make Use Of The Marriage Allowance

The marriage allowance allows an individual to transfer 10% of his or her personal allowance (rounded up to the nearest £10) to his or her spouse or civil partner, as long as neither pays tax at a rate that is higher than the basic rate of tax.

Where one partner does not fully utilise their personal allowance, the marriage allowance enables them to give the benefit of some of that allowance to their partner, saving the couple tax of up to 20% of the allowance. This is useful where it is not possible to transfer income-producing assets from one spouse or civil partner to the other in order to mop up the personal allowance (see Tip 4).

For 2023/24, the basic personal allowance is £12,570 and the marriage allowance is £1,260. Making use of the marriage allowance will save tax of up to £252 (£1,260 x 20%).

The transferor's personal allowance is reduced by the amount of the marriage allowance – from £12,570 to £11,310 for 2023/24 – and the transferee's personal allowance is increased by the amount of the marriage allowance, from £12,570 to £13,830 for 2023/24. Each partner's tax code is amended – with the M suffix denoting the individual is in receipt of the marriage allowance and the N suffix denoting that the individual has transferred the marriage allowance to their spouse or civil partner.

The allowance cannot be tailored – the transfer is 10% of the allowance rounded up to the nearest £10 or nothing (i.e., £1,260 for 2023/24). Where the transferor's income is less than the personal allowance but is more than an amount equal to the personal allowance less the marriage allowance (i.e., between £11,310 and £12,569 for 2023/24, claiming the marriage allowance will still be worthwhile and will save tax, but the saving will be less than £252. The transferee will save £252, but the transferor will pay tax to the extent that his or her income exceeds their reduced personal allowance – £11,310 for 2023/24, being the personal allowance of £12,570 less the marriage allowance transferred of £1,260.

Note: the personal allowance will remain at £12,570 and the marriage allowance will remain at £1,260 for tax years up to and including 2027/28.

The allowance must be claimed. This can be done online on the GOV.UK website.

Make Use Of The Marriage Allowance

Josh and Hannah are married. Hannah does not work as she stays at home to look after their two-year-old son. Josh earns £20,000 a year. They claim the marriage allowance to transfer £1,260 of Hannah's personal allowance for 2023/24 to Josh. As a result, Hannah's personal allowance is reduced to £11,310 (£12,570 – £1,260) and Josh's personal allowance is increased to £13,830 (£12,570 + £1,260). By making the transfer, Josh pays £252 (£1,260 x 20%) less tax.

Harry has income from freelance work of £12,000 in 2023/24. His wife Lily has income of £18,000 from her job as a teaching assistant.

As Harry is unable to utilise £570 of his personal allowance for 2023/24, the couple claim the marriage allowance. Lily's personal allowance is increased to £13,830 and her tax bill is reduced by £252 (£1,260 x 20%). Harry's personal allowance is reduced to £11,310 and, as a result, he must now pay tax on £690 of his income (£12,000 – £11,310), a tax bill of £138 (£690 x 20%). By claiming the marriage allowance, the couple are £114 better off (£252 saved by Lily less the £138 additional tax payable by Harry).

3. Utilising Your Annual CGT Exemption

If you have significant capital gains within your portfolio then it is important to utilise the annual capital gains tax exempt amount.

For the 2023/24 tax year, this is worth £6,000 per person. Any net gains (after deducting allowable losses) within this figure are exempt from capital gains tax.

The capital gains tax annual exempt amount is gradually being reduced. It was reduced from £12,300 for 2022/23 to £6,000 for 2023/24. It is to be further reduced to £3,000 for 2024/25. It is prudent to time disposals to make maximum use of the available annual exempt amount, realising gains in 2023/24 rather than 2024/25 where the higher annual exempt amount for 2023/24 remains available.

As each individual has their own allowance, spouses and civil partners can make gains of £12,000 in 2023/24 before any capital gains tax is payable, using the no gain/no loss rules to transfer assets between them before the sale to ensure that one spouse or civil partner's annual exempt amount is not wasted (see Tip 5).

It is important to remember that the allowance is lost if it is not used in the tax year – it can't be carried forward. Where, for example, an individual has shares to sell, they could use their tax-free allowance each year to sell off just enough shares (or other qualifying assets) to realise a gain equivalent to the annual exemption. Once gains equal to the annual exemption have been realised, any further disposals should ideally be deferred until the following tax year to avoid triggering a capital gains tax liability.

It should also be noted that there is no relief for inflationary gains and where an asset that has been held for a long time is disposed of, the gain is effectively treated as if it had all been made in the year of disposal. Only the annual exempt amount for that year is available to set against the gain.

Note: the capital gains tax annual exempt amount will fall to £3,000 for 2024/25.

Utilising Your Annual CGT Exemption

Smart John

John has a significant share portfolio and is a higher rate taxpayer.

For 2023/24, he will be liable to capital gains tax at 20% on any chargeable gains (or 28% if from a residential property) in excess of his capital gains tax annual exempt amount of £6,000.

He has held his shares for a number of years and has always made use of his annual exemption for capital gains tax purposes, selling sufficient shares to realise a gain approximately equal to the capital gains tax exempt amount (£6,000 for 2023/24). He makes no further disposals in the tax year once his annual exemption has been utilised.

By utilising his annual exemption for 2023/24, he is able to realise tax-free gains of £6,000. Had he already used his annual exempt amount, he would have had to pay capital gains tax of £1,200 (£6,000 x 20%) on the gain on the shares.

By using his annual exemption each year and only making disposals within the annual exemption rather than disposing of further shares once his annual exemption has been used, he can dispose of his shares without having to pay any capital gains tax.

He reinvests the sale proceeds in further shares.

Not So Smart Jack

Jack does not spread the sale of his shares over several years but instead sells shares and realises gains of £35,000 in 2023/24. He has other income of £60,000. As he is a higher rate taxpayer, he pays capital gains tax at 20%.

The annual exemption of £6,000 is set against the gain of £35,000, leaving net chargeable gains of £29,000. He pays tax on these gains of £5,800 (£29,000 x 20%), leaving him with £29,200 after tax to reinvest.

Compare this with John, who is able to reinvest all his sale proceeds by realising his gains completely tax-free by selling his shares over a number of years and making best use of the annual exempt amount.