



Business Tax planning in recessionary markets

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As the economic downturn intensifies we have set out below a few business tax planning strategies that you might like to consider.

- **Anticipate higher rates of corporation tax.** The current marginal rate of corporation tax if your taxable profits are over £300,000 is 29.75%. This £300,000 limit is drastically reduced if there are associated companies. This may be an opportune moment to see if smaller, unprofitable associated companies can be dispensed with.
- **Company losses.** The fastest way to recover tax losses is to carry them back. However with corporation tax rising it may be better to carry losses forwards. If there is a carry back possible and you are aware of the losses quickly, you may be able to reduce the corporation tax due for the previous year.
- **Capital Allowances.** The new Annual Investment Allowance allows most businesses to write off the first £50,000 of capital expenditure (excluding cars) against its profits. This is a useful way to reduce your profits and consequently your tax bill.
- **Self-employed payments on account.** If your business profits are falling it may be possible to reduce the payments on account due in January and July. It is imperative that the claim to reduce is based on a realistic estimate of your current profits (or losses).
- **Tax Credits.** If you are self employed and for whatever reason your profits fall in the current year, you may become eligible to claim tax credits. This is so even if the profit reduction is due solely to claims for capital allowances.
- **Dividends.** If your company has limited reserves of retained profit don't forget that dividends can only be paid out of these reserves. As soon as the reserves are used up it is illegal to make further dividend payments. Any excessive dividend payments will be treated as loans and will need to be repaid to avoid personal and corporation tax penalties.

If you would like to discuss any of these topics, or indeed any other issues that concern you regarding the current downturn in the economy, please call.

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