

12 key business and tax points to consider for 2012

With Christmas just around the corner and the New Year fast approaching we would like to draw your attention to some key business and tax points that need consideration for 2012. We are optimistic that 2012 can be a financially prosperous year and hope that the following helps you along the way to achieving success in 2012.

With the 12 days of Christmas coming up, we have drafted a few points to mull over during holiday period and 2012.

Paying the right amount of tax



Spousal income - Married couples should ensure their finances are arranged for maximum tax efficiency by utilising their personal allowance and lower tax bands. Assets can be transferred between spouses and civil partners without a tax charge so it may be sensible to transfer income generating assets to the spouse within the lower tax band.



Make the most of your capital gains tax exemption limit each year (2011/12 £10,600) - Consider transferring the asset into joint names prior to any sale to utilise both annual exemptions or spread the disposal over two separate tax years if possible.



Bed and Breakfasting now Bed and Spousing - In the past, individuals could sell shares to crystallise a capital loss and buy the same shares back the next day. This was known as Bed and Breakfasting. There are now rules in place that prevent this planning but these rules do not apply if the shares are reacquired by a spouse or civil partner, or a third party such as an ISA or a trust.



Business owners should aim for a tax efficient mix of salary, dividends, bonuses and benefits. Considerable tax savings can be made by extracting funds from a company in the form of dividends or rent instead of salaries and bonuses. We can help with getting the mix just right!

Clever planning



Succession planning – Are you getting the best out of your employees? Are you thinking of retiring and enjoying your golden years? Enterprise Management share option schemes (EMI) are a tax efficient way of providing an incentive to motivate staff to help grow the business and enabling them benefit from that future growth on a future sale of the company.



R&D claims in the business – In an effort to stir the economy, the government has introduced proposals to increase the relief available to UK companies that are involved in research and development as part of their business. Companies are now entitled to 100% additional relief for qualifying expenditure on R & D. This may even increase to 125% from April 2012, (subject to EC state aid approval). This is relief for 200-225% of the actual expenditure – definitely worth having.



Corporate structures – Deciding which vehicle to use when setting up a business is never an easy decision. The use of companies can be an effective way of protecting the individual from the associated commercial risks and can in most cases prove to be more tax efficient for the individuals owning the shares. Corporate tax rates are lower than income tax rates and extracting funds by way of dividends also has the advantage of national insurance savings.

Protecting the cash



Sort out the working capital – strong profitable businesses often get into difficulty when business owners fail to pay enough attention to their working capital cycle. In the current economic climate many businesses are seeing an increase in the time it is taking for their customers to pay them and this is having the effect of putting pressure on their own cash position. Ensure your business is prepared by having adequate short term funding in place and keep on top of your credit control function to ensure unpaid debts are chased promptly.



Sort out the financing – banks are monitoring covenants and taking action on breaches far more diligently than in the past. Business owners should monitor the debt levels and any covenant agreements they have on a regular basis and open conversations with their lenders and advisers if they fear they may fall breach of their agreement. This will maximise the chance of coming to a swift solution to any potential issues.



Protect your credit rating – With Lenders wanting to minimise risk, many will only offer terms to Companies with strong credit ratings. In addition even when obtaining debt is possible a strong credit score will ensure better terms are offered. Therefore Companies should ensure wherever possible bills are paid on time to maintain their credit score.

Protecting your wealth



Trusts - an ideal way for passing your wealth down to the next generation but they enable the assets to be protected in the event of a divorce or bankruptcy of a beneficiary.



Will planning – ensure you leave your estate to those you want to benefit. The rules of intestacy can mean your assets do not end up with those you truly want to benefit.

We hope the above points have given you food for thought. We appreciate that there is a lot to take into consideration, points that may need further explanation and questions you may want answered, we will therefore be holding a seminar on 21st February 2012 to give you a greater overview of these key points. Please click on the following link to view [further details about this event](#).

The seminar will be taking place at our office, Torrington House, 47 Holywell Hill, St Albans, Hertfordshire, AL1 1HD.

If you would like to join us at this event please RSVP to Natalie Pouyiouros at natalie.pouyiouros@wmtllp.com or call her on 01727 838 255.

If you would like to discuss any of the above points in the meantime, please do not hesitate to contact your usual Partner on 01727 838 255.