Tax planning guidelines

Tax planning is a year-round activity - and a very important part of your overall financial strategy. With good professional advice and judicious planning, you may be able to achieve considerable gains and savings. However, your tax planning must fit in with, rather than dictate, your business and other financial objectives. In no way should you allow the tax planning tail to wag the financial dog.

To help you get the most out of your tax planning, we list here some general guidelines:

1. Do not purchase assets simply to obtain capital allowances to reduce your taxable profits. Similarly do not deliberately incur losses in your business simply to create tax losses and reduce your tax bill.
2. Do not allow your tax-saving strategy to cause unhappiness to you or your family. For example, don't distribute family company shares around the family if it will cause sleepless nights.
3. There are times when making substantial gifts can result in considerable tax benefits, but take care not to give away too much too early. Make sure the financial welfare of you and your spouse is adequately protected.
4. Before making outright gifts to younger members of your family, consider whether or not they are sufficiently mature to handle the responsibilities entailed. If you have any doubts you can always consider trust arrangements, under which they will not have control over the use of the funds until a later stage.
5. In assessing your likely future needs, take full account of the life expectancy of you and your spouse - and of the effects of inflation.
6. Do not draw too rigid a distinction between income and capital in your planning. It is not necessarily unwise to live off capital. Good planning sometimes involves spending capital as well as income, for example to facilitate gifts by older people. Remember, tax rules change - especially before / after General Elections - so try to avoid planning that takes a long time to come to fruition; and try to keep your plans flexible so you can adapt them when the rules do change.
7. Do not put off tax saving measures, but make the most of opportunities while they last. You never know when the rules will change. Provided you can afford a particular tax planning arrangement, and it makes sense regardless of whether or not the law changes, do not delay in implementing it.
8. Finally, be sure to take professional advice. The tax laws are complex, and expertise is required to optimise your tax position. You may do well to take advantage of our in-house expertise and wide network of contacts. Call us if you would like to arrange a tax planning review.

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