

SAVING TAX WITH A CLEAR CONSCIENCE?

Employers of all sizes will need to submit electronic returns o

Reading the national press right now, you might get the idea that all tax saving schemes are 'morally repugnant' but remember, avoidance is legitimate tax planning and it is evasion which is not. The lines between the two are blurring however don't forget that there are some HMRC approved/state sponsored ways for you to save tax, all with a clear conscience.

Here are just some of those tax breaks at a glance:

Entrepreneurs Relief – relief from capital gains tax
 Business Property Relief – relief from inheritance tax
 Enterprise Investment Scheme – relief for investing in smaller growing UK companies
 R&D tax credits – Corporation tax deduction for qualifying research and development
 Patent Box Relief – Reduced corporation tax on profits made from exploiting patents

ENTREPRENEURS' RELIEF – MR 10%

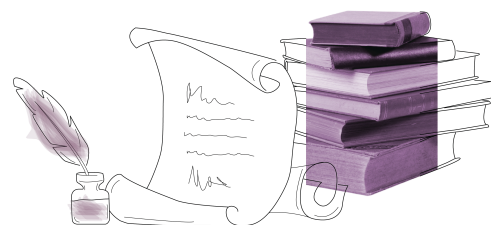
Entrepreneurs' relief is a relief from capital gains tax. Individuals and trustees can claim the relief on the gain that arises on the disposal of a business, shares in personal companies and business assets. The asset has to be held for at least one year before the date of disposal, a tax rate of 10% is applied to the first £10 million of capital gains as long as you have met the qualifying conditions.

BUSINESS PROPERTY RELIEF – IT'S ALL ABOUT LEGACY

Business Property Relief is a relief from inheritance tax. 100% relief is available on a business/interest in a business or shares in an unquoted company, generally the shares must have been held for at least two years before disposal.

RESEARCH & DEVELOPMENT TAX CREDITS

For every £10,000 that Small and Medium Enterprises spend on qualifying research and development, they can claim a deduction of £22,500 from their taxable profits. Companies



making a loss can either increase the amount of their carried forward losses or surrender the tax credit for cash payment from HMRC, getting almost £25 for every £100 spent on qualifying R&D.

PATENT BOX RELIEF – TECH HAVEN

Patent Box Relief reduces corporation tax on profits made from exploiting patents, a tax relief designed to promote innovation. Profits made from exploiting patents developed by a company will attract corporation tax at a reduced rate of 10% from April 2013.

ENTERPRISE INVESTMENT SCHEME

The Enterprise Investment Scheme provides tax reliefs that are designed to encourage investments in small UK companies. EIS provides investors with income tax relief of up to 30% on the amount invested in EIS shares, if the shares are held for three years. The shares can also be exempt from capital gains tax on disposals, if the shares are held for three years. Furthermore, if the shares are held for at least two years, full relief is available to reduce their value for inheritance tax purposes to zero.

ENTERPRISE MANAGEMENT INCENTIVE

The Enterprise Management Incentive scheme is a tax-efficient way of giving employees a stake in a business. An employee is granted share options, for which they pay nothing; the share option exercise price is pegged to the value of the business at the date they are granted. When performance conditions have been met or when the business is about to be sold, the options

can be exercised. The employee hopefully sells the shares for more than he/she had to pay to exercise the options. If so, any gain is taxed as a capital gain (28% or possibly 10%) and not as income, which could be up to 50%.

The above is just a flavour of some of the state sanctioned tax avoidance planning you can undertake – don't forget that using an ISA or contributing to a pension are also tax avoidance but clearly behaviors HMRC would like to encourage.