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orangeenie Services

QUARTERLY NEWSLETTER FOR CUSTOMERS OF ORANGEENIE FREELANCER SERVICES

spring

Welcome to our Spring Newsletter, I hope that you had a fantastic Christmas and that the New Year is finding you well. As winter turns to spring, our attentions begin to turn towards the end of the financial year and possible tax planning opportunities.

We hope you find the enclosed articles useful and as ever, if you request clarification, please don't hesitate to contact your Client Accountant. We are here to help.

Helen Christopher

Operations Director, OrangeGenie Freelancer Services



Income Tax – Magic Numbers!

£42,475 is the magic number for 2011/12 and 2012/13. This is the income that anybody can receive without having to pay tax at 40%. (Income from all sources has to be included). Rates are slightly higher for anyone over the age of 65.

If your overall income for 2011/12 is below £42,475 you still have time between now and 5 April 2012 to draw further dividends from your company*, without incurring any additional tax – use it, don't lose it!

For 2012/13 the basic rate limit remains the same and you should talk to your accountant now to plan for your salary and dividend structure going forward. Depending on your circumstances and your approach to extracting funds we may be able to save you a considerable amount of tax.

If you are married or in a Civil Partnership and one partner/spouse has a much lower level of earned income, consider transferring income producing assets to the lower income earner. With the highest rate of income tax now at 50% savings could be considerable. (*subject to available profits)

Capital Gains Tax

The capital gains tax annual exemption is currently £10,600. It makes sense to use this if you are considering selling any assets such as stocks and shares. The first £10,600 of gain in any one year is completely free of Capital Gains Tax.

One point to note however, is that if you sell shares to make use of your exemption and plan to buy them back within 30 days, special rules apply which effectively negate the tax benefit. It is possible for your spouse or your ISA to buy back the shares and retain them in a portfolio. There will be dealing costs involved but they are unlikely to outweigh the tax saving.

Remember that your business or shares in your company are business assets. If in the future you come to cease to trade and you meet the criteria, Capital Gains Tax is payable at 10% using entrepreneurs relief on any gain you make. We can help you plan to take advantage of this.

Pension Contributions

Pension contributions are an effective way to provide a future benefits for yourself, whilst saving tax today. If you believe your personal income for the year will take you over the higher rate tax threshold of £42,475, then you will have a higher rate Personal Tax bill to pay once your self-assessment return is completed.

With effective tax planning you could reduce this liability through personal pension contributions. We can put you in touch with an Independent Financial Advisor who can advise on the best way forward with this – don't delay, all contributions would need to be paid before 5 April 2012.

Contributions made by your Limited Company into a pension scheme for you are deductible for Corporation Tax purposes and there are no personal tax implications.

We can put you in touch with an Independent Financial Advisor who can give you advise on what is best for you—just ask your accountant for further details.

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Childcare Vouchers

Under current rules employers can offer their employees childcare vouchers up to the value of £243 a month both tax and NI exempt.

This option is available to you as an employee of your own limited company. Call your accountant now to find out how this might work.

Nicer "ISAs"

ISAs, or Individual Savings Accounts, have been with us since 1999 and have proved a great success. The current limits for 2011/12 is £10,680 of which £5,340 can go into a Cash ISA with the rest going into a stocks and shares ISA. Alternatively you can put the whole amount into a stocks and shares ISA.

The increased limits for 2012/13 are £11,280 in total of which £5,640 can be put into a cash ISA.

No tax is payable on income received from ISA Savings and investments, such as interest or dividends, and no capital gains tax is payable on share disposals within the ISA – income and gains from an ISA don't even need to be reported on your Tax Return!

Finally, remember Children's ISA's can be opened for all children that did not benefit from the Governments, Child Trust Fund before they were withdrawn. The limit for a Children's ISA is £3,600 per annum.

Inheritance Tax

If the value of your assets is above £325,000 and such that your estate is likely to incur Inheritance Tax on your death, you might like to consider the exempt gifts that can be made during your lifetime.

Small gifts

You can make small gifts up to the value of £250 to as many individuals as you like in any one tax year. However, you can't give more than £250 and claim that the first £250 is a small gift. If you give an amount greater than £250 the exemption is lost altogether.

Annual exemption

You can give away gifts worth up to £3,000 in total in each tax year and these gifts will be exempt from Inheritance Tax when you die. You can carry forward any unused part of the £3,000 exemption to the following year, but if you don't use it in that year, the carried-over exemption expires.

Wedding gifts/civil partnership ceremony gifts

Wedding or civil partnership ceremony gifts are exempt from Inheritance Tax, subject to certain limits:

- parents can each give cash or gifts worth £5,000
- grandparents and great grandparents can each give cash or gifts worth £2,500
- anyone else can give cash or gifts worth £1,000

You have to make the gift - or promise to make it - on or shortly before the date of the wedding or civil partnership ceremony. If the ceremony is called off and you still make the gift - or if you make the gift after the ceremony without having promised it first - this exemption won't apply.

Capital Allowances – reduction in rates

If you are considering significant investment in equipment for your Limited Company or business you may want to make the purchase prior to 5 April 2012. Whilst this may involve bringing cash flow forward the Annual Investment Tax Allowance is set to decrease from £100,000 to £25,000 from April 2012.



Meet the team

Tendai Mapfeka - Client Accountant

Tendai is an experienced contractor accountant having worked for many years with freelancers.

Her previous roles have exposed her to a wide range of contractor clients from many diverse industries. Tendai's friendly and approachable personality means she is always happy to deliver beyond her clients expectations.

When she is not helping her clients with her superb tax advice, Tendai enjoys travelling and reading.

Referral Scheme

We love getting positive feedback and there is no greater compliment than recommending our services.



If you have friends or colleagues who are currently unhappy with their accountants or who are considering setting up their own business, we would love to speak to them.

Either pass on the number of your Client Accountant or direct them to our website.

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