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5th April is fast approaching, but there's still time to be smart about the tax you pay…

The tax year finishes on 5th April and major changes are being brought in for 2016/17. Here are a few points to consider for your business. Some are relevant to companies, whilst others apply to individuals so please contact us if you need extra guidance.

Dividends

If you are an owner-manager, you probably pay yourself a salary, topped up with dividends from your company. The rules for dividends are changing from 6 April so you may find it beneficial to bring forward dividend payments into the 2015/16 tax year. This will depend on your personal circumstances so please seek advice if you are unsure. The table below compares the effective tax rates on dividends in this tax year and next:

Effective tax rate on dividends	**2015/16**	**2016/17**
First £5,000 of dividends	Not applicable	0%
Basic rate band	0%	7.5%
Higher rate band	25%	32.5%
Additional rate band	30.56%	38.1%

Remember a company may only declare a dividend if it has sufficient profits to do so.

You must declare the dividend by 5th April 2016 for it to be included within your income for 2015/16.

Sharing income between spouses

This may be tax efficient if you and your spouse are in different tax bands, e.g. one of you pays basic-rate tax and the other pays higher-rate tax. Income may be shared between you by transferring investments, e.g. your partner may receive dividends from your family business if he/she becomes a shareholder of the business.

Remember to make ownership changes in good time so that the related income is shared between you in a tax effective way.

Pension contributions

These tie your money up for the longer term, but may be a very tax efficient option up to the annual allowance limit of £40,000 (or more if carry forward or transitional rules apply).
As an employee or sole trader, you benefit from tax relief on your personal contributions at the highest rate of income tax that you pay. Your pension contributions must not exceed your salary/ profits for a sole trader.
Employers may also make contributions to their employees' pensions so this may be relevant to you if you are an owner-manager of a company. The company contributions are regarded as an expense of employing staff and are deducted from profit prior to the calculation of corporation tax. Also, no National Insurance Contributions are payable on this staff expense. While generally there is no limits to the employers' contributions, they must satisfy the test that the expense is 'wholly and exclusively for the purpose of trade'.

To benefit from tax relief in 2015/16, pension contributions must be made to a registered pension scheme by 5th April 2016.

Spouse or Child Pension

This may be tax efficient if you have a non-earning spouse or children. You may make contributions to a personal pension or stakeholder pension scheme of £2,880 for each of them from your net salary, which will be grossed up to £3,600 by HMRC.

To benefit from tax relief in 2015/16, pension contributions must be made to a registered pension scheme by 5th April 2016.

Child benefit

Just to remind you that there is an additional tax charge if either you or your partner earns more than £50,000 in the tax year. The benefit you receive will be recouped gradually as your or your partner's income rises above £50,000, with the child benefit being eroded completely once the income reaches £60,000.

If you are an owner-manager of a company you may wish to consider how your earnings are split between tax years to keep below the threshold.

Individual Savings Account (ISA)

These are savings accounts that are not taxed. Anyone over the age of 16 can save into a cash ISA, but you must be over 18 to apply for a stocks and shares ISA. For 2015/16 you may invest up to £15,240 into an ISA, which could be all in cash, all in stocks and shares or the investment may be split between the two.

If you want to use your ISA allowance for 2015/16 you must make the investment by 5th April.

Capital Gains Tax (CGT)

CGT applies to any gains you make when you sell assets such as land or investments. Some assets are exempt (including your main home) while transfers between spouses and civil partners do not incur a CGT charge. You only pay CGT on profits over the annual allowance, which for 2015/16 is £11,100. The CGT rates vary depending on your total income, with basic-rate tax payers paying 18% CGT and higher-rate tax payers paying 28% CGT.

If you are planning to sell some investments, it may be beneficial to consider the timing of the disposals and/or the ownership between you and your partner so that you make the best use of your annual allowances.