

RESOURCE

# 5 Ways You Could Be Saving Tax

[www.klaccountants.co.uk](http://www.klaccountants.co.uk)

 **KL ACCOUNTANTS**

A lot of our clients are interested in legally reducing their Corporation Tax and income tax bills. This guide is a summary of the type of advice we give them.

# Make Employer Pension Contributions to Directors

Directors can take advantage of the annual pension allowance (£40K plus previous 3 years unused allowance) by making a company pension contribution to their pension funds. The pension contribution is tax deductible. Growth within the pension is free from income and capital gains tax and 25% of the pension fund can be drawn down tax free post age 55.

# Pay Minimal Salary and Maximum Dividends

Pay a salary below the secondary NI threshold (currently £9,100). In some circumstances you can pay a salary below the primary threshold (£12,570) where you can benefit from the employer's NI allowance).

**Take the remainder of your drawings as dividends.**

# Take Advantage of the Capital Allowance Super Deduction

From 1 April 2021 until 31 March 2023, companies investing in qualifying new plant and machinery assets will be able to claim a 130% super-deduction capital allowance on qualifying plant and machinery investments.

## Buy a Zero Emission (Electric) Company Car

You will get a 100% first year capital allowance on the purchase price of the electric car you buy. So if you buy a car for £50K either outright or via HP you can reduce your taxable company profits by £50K. The other massive advantage is that the income tax benefit in kind for electric cars is only 2%. This means that the pay equivalent of the £50K car is only £1,000. For a 40% tax-payer this amounts to a cost of only £400 p.a.

## Claim R&D Tax Relief

You may be surprised to discover that some of your company costs could qualify for R&D tax relief. You don't have to operate in the field of science and technology. Fundamentally, to get R&D relief you need to explain how a project:

- **looked for an advance in science and technology**
- **had to overcome uncertainty**
- **tried to overcome this uncertainty**
- **could not be easily worked out by a professional in the field**

## Claim R&D Tax Relief (continued)

Your project may research or develop a new process, product or service or improve on an existing one. If you a small or medium sized company relief allows companies to :-

- **deduct an extra 130% of their qualifying costs from their yearly profit, as well as the normal 100% deduction, to make a total 230% deduction**
- **claim a tax credit (receive actual cash back) if the company is loss making, worth up to 14.5% of the surrenderable loss.**



**Thank you for reading...**

See how we can help you  
get the most from your  
business finances.

[Find out more](#)

[www.klaccountants.co.uk](http://www.klaccountants.co.uk)

 **KL** **ACCOUNTANTS**