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Year-end Tax Planning Guide for your business

Introducing your Business Tax Planning guide

Your business' year-end is one of the most important opportunities to review your finances, reduce tax liabilities and put plans in place for the year ahead. This guide talks you through the key areas to review before your year end and how early planning can help your business.

We understand that every business is different, which means the right year-end strategy will depend on your circumstances, profitability and future plans. Getting advice before your accounting year end can help you identify tax-saving opportunities, improve cash flow and make the most of the reliefs and allowances available to you. If you would like tailored advice, get in touch with our team. We are here to help you plan ahead with confidence and make informed decisions for the year ahead.

Rob Thomson

Harry King
Tax

Thomas Aitchison
Tax Manager

Get in touch

Why business year-end planning matters

Whether you're a sole trader, partnership, LLP or limited company, taking action before your year end can help you maximise available tax reliefs, improve cash flow and take advantage of opportunities that may no longer be available once the year has closed.

Effective year-end planning can help you:

- Make full use of available allowances and reliefs
- Improve cash flow management
- Review how profits are extracted from the business
- Prepare for upcoming tax liabilities
- Identify opportunities for growth and investment

By reviewing the position before your business' year end, you can make informed decisions that support both tax efficiency and wider business objectives.

Key tax planning opportunities: Corporate entities

Review how you extract profits

For company directors and shareholders, the way profits are taken from the business can have a significant impact on your overall tax position.

Before your year end, consider:

- Whether your salary remains appropriate
- Making additional dividend payments if profits allow
- Using available dividend allowances
- Taking advantage of lower tax bands where possible
- Careful planning can help mitigate both personal and business tax liabilities.

Review Directors' loan accounts

If directors have withdrawn funds from the company outside of salary or dividend payments, it is important to review any outstanding director loan balances before year end.

Consider:

- Whether any balances should be repaid
- The tax implications of outstanding loans
- Whether alternative profit extraction strategies would be more efficient
- A review can help avoid unexpected tax charges and ensure loan accounts are managed effectively.

Consider employer pension contributions

Employer pension contributions can be one of the most tax-efficient ways for business owners to extract value from their company while supporting long-term financial planning. In many cases, qualifying contributions can reduce a company's corporation tax liability while helping directors build retirement savings in a tax-efficient manner.

Reviewing pension arrangements before your year-end can help identify whether additional contributions could form part of your wider remuneration and tax planning strategy.

Explore Research & Development (R&D) Tax Relief opportunities

Many businesses are carrying out innovative work without realising they may qualify for R&D tax relief.

Activities such as developing new software, improving internal systems, creating new products, or overcoming technological challenges may all fall within the scope of a claim.

Reviewing projects before your year-end can help identify qualifying expenditure and ensure valuable reliefs are not overlooked, particularly where innovation is an ongoing part of the business.

Understand your Corporation Tax position

For limited companies, Corporation Tax rates vary depending on taxable profits. As it stands the rates are currently:

- 19% for profits up to £50,000
- 25% for profits over £250,000

Marginal Relief may apply between these thresholds.

Various factors, including associated companies, can affect how these thresholds apply.

A year-end review can help forecast liabilities, identify planning opportunities and reduce unexpected tax costs.

Key tax planning opportunities: All businesses

Maximise Capital Allowances and investment reliefs

If your business is planning investment in equipment, machinery or technology, timing those purchases before year end could make a significant difference to your tax position. The Annual Investment Allowance (AIA) currently allows businesses to claim up to £1 million of qualifying expenditure against taxable profits.

Examples may include:

- Machinery and equipment
- Office furniture
- Technology and IT infrastructure
- Commercial vehicles (subject to qualifying rules)

Before making investments, consider:

- Whether planned purchases should be brought forward
- What capital allowance reliefs may be available
- Whether all qualifying expenditure has been identified

Ensure you're not missing any allowable business expenses

Many businesses miss valuable deductions simply because expenses have not been reviewed thoroughly. This may be a consequence of allowable expenditure being incurred through a non-business account or a business incorrectly assuming an expense to not be deductible.

Expenditure which has been incurred 'wholly and exclusively' for the purposes of the business can obtain relief in some way and ensuring these allowable costs are captured will help a business reduce profits and improve tax efficiency.

Review employee reward and Payroll planning

Your business year end provides a valuable opportunity to assess whether your employee reward arrangements continue to support both your people and your commercial objectives.

This may include reviewing salaries, bonuses, benefits and any salary sacrifice arrangements to ensure they remain effective and tax-efficient.

For businesses looking to attract and retain talent, it can also be a useful time to consider whether existing reward structures still align with workforce goals and future growth plans.

Forecast upcoming tax liabilities

Effective year-end planning is not just about reducing tax; it is also about managing cash flow.

Before year end, it is useful to understand:

- Expected Corporation Tax liabilities
- Personal tax liabilities arising from profits or dividends
- VAT obligations
- Future funding requirements

Forecasting ahead can help businesses budget appropriately and avoid cash flow pressures later in the year.

Review losses and available reliefs

Where a business has experienced a challenging trading period, losses may present valuable planning opportunities. Depending on your circumstances, it may be possible to offset losses against profits of earlier years, carry them forward to future periods, or make use of other available reliefs.

Plan for future growth, succession or exit

Business year end is not just an opportunity to review tax liabilities; it is also a useful point to consider your longer-term goals.

Whether you are planning for future growth, bringing new shareholders into the business, preparing for succession or considering a future sale, early planning can help ensure your business structure supports those ambitions.

It can also provide an opportunity to discuss areas such as Business Asset Disposal Relief (BADR), Inheritance Tax, business valuations and subsequent planning points. All if which will help you make an informed decision that supports your future objectives.

Many businesses miss valuable opportunities simply because planning begins too late. Starting conversations early often creates the widest range of planning options.

Questions to ask before year-end

A proactive discussion can uncover opportunities that may otherwise be missed. Consider asking:

What can we do before year end to improve our tax position?

We can help you identify practical opportunities, such as reviewing pension contributions, tax-efficient investments, spousal transfers, profit extraction strategies and available tax reliefs, helping you make the most of available allowances and reduce your overall tax liability.

Are we claiming all available reliefs and allowances?

Typically speaking, in year allowances and reliefs are lost after the tax year end.We can review your position to ensure you're making full use of available reliefs, allowances and deductions, including opportunities that are commonly overlooked.

What is our projected tax liability?

We can help provide clarity around your expected tax liabilities, helping you understand what you'll owe and when payments are due. This gives you greater visibility over cash flow, allows for more effective budgeting, and helps avoid unexpected costs or last-minute surprises.

Are there opportunities to improve cash flow?

We can help identify ways to improve cash flow, including reviewing funding and refinancing options, optimising banking facilities, exploring R&D tax relief claims and identifying potential savings across. The result is a clearer picture of your cash position and practical steps to improve it.

Should we review our profit extraction strategy?

We can review opportunities to improve tax efficiency, whether that's through salary and dividends, considering a limited company structure, making use of spousal allowances, or managing income levels to remain below key thresholds.

Do we need to extract more money from the business in order to meet lifestyle requirements?

We can assess whether your current level of profit extraction remains appropriate for your goals. This includes reviewing whether surplus profits could be redirected into pensions or investments.

Are there any upcoming tax changes we should prepare for?

We can help you stay ahead of upcoming tax changes by reviewing how changes to rates, thresholds, allowances and reliefs may affect you and your business. Planning ahead can help you adapt early and take advantage of any available opportunities.

Choosing the right business year-end

While many businesses keep an established accounting year end, selecting the right date can simplify administration, support cash flow forecasting and create valuable tax planning opportunities.

The most suitable year end will depend on your business structure, reporting requirements and commercial objectives.

Sole Traders & Partnerships

Recommended year end: 31 March or 5 April

Following Basis Period Reform, aligning your accounting date with the tax year can help simplify reporting and reduce administration. Benefits include Simpler tax reporting, easier Self-Assessment preparation, and reduced accounting complexity. Many businesses prefer 31 March as it aligns with a month end and simplifies bookkeeping.

Limited Companies

Common year ends: 31 March or 30 April

Limited companies are not affected by Basis Period Reform, meaning the most appropriate year end will often depend on profitability, growth plans and reporting requirements. 31 March can help align reporting with the UK financial year, while 30 April may provide additional preparation time for new businesses.

Limited Liability Partnerships (LLPs)

Recommended year end: 31 March or 5 April

LLP profits are taxed on individual members through Self-Assessment, aligning your accounting year end with the UK tax year can simplify reporting and reduce administration. It can also make profit allocation between members more straightforward.

Key tax deadlines

31st July

Second Payment on account (if applicable)

Applies where Self-Assessment tax liabilities exceed £1,000 and less than 80% of the income tax charged for the year has been collected at source through PAYE.

31st October

Self-Assessment Tax Return (paper submission)

Deadline for filing paper Self-Assessment Tax Returns, including Partnership Tax Returns.

31st January

Self-Assessment Tax Return (online submission)

Deadline for filing online Self-Assessment Tax Returns, including Partnership Tax Returns.

Additional deadlines for Limited Companies

- **Annual Accounts**
  Due 9 months after year end.
- **Corporation Tax Payment**
  Due 9 months and 1 day after the chargeable accounting period end.
- **Company Tax Return**
  Due 12 months after accounting period year end.
- **Confirmation Statement**
  Due every 12 months

Additional deadlines for LLP’s

- **Annual Accounts**
  Due 9 months after year end.
- **Confirmation Statement**
  Due every 12 months.

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