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Companies - Getting the Timing Right

The timing of certain payments and receipts of income is crucial for tax purposes. By moving a date of payment or receipt by just a few days either side of the company's year end, you can reduce the tax bill and defer payment until the next tax year.

DO

- Ensure that charges on income (for example, annuities and royalties) are paid before the year end
- Ensure that any provisions made are against specific costs, not a general estimate
- Ensure that any pension contributions are paid before the year end
- Consider whether any additional remuneration/bonuses should be voted to directors in respect of the current accounting period (these can be paid up to nine months after the year end although the PAYE and National Insurance may need to be paid sooner than that)
- Ensure that you value stock and work in progress taking into account any reduction arising as a result of obsolescence
- Consider the effect of bringing forward any capital expenditure into the current accounting period

DON'T

- Sell assets such as property or shares that will give rise to a large chargeable gain, until after the company's year end
- Forget the effect this will have on your accounts as if you reduce your profits, the bank manager may wonder if that lending was such a good idea after all!
- Sell assets on which capital allowances have been claimed until after the year end

Do call us if you would like further help or advice on this subject.