

20th October 2009

Guard Cashflow - Minimise Tax Payment

We must consider all options to minimise our tax liability payable to Revenue at the end of the month.



In your day to day business, look at cutting costs and cutting taxes in a similar vein. The onus is on us, the tax payers, to ensure that our tax payment is minimised next month so that we can utilise whatever available resources we have to saving or improving our business in the current climate of reduced income and poor trading. We need to reduce our taxes legitimately and sensibly by picking ideas or securing investments that will help reduce your tax payable and utilise your energy and cash flows more beneficially.

Some areas to consider are;

1. Capture all business expenses and in particular look at minimising stock values and establish if any capital expenditure can be seen as a repair and claimed as a tax deduction earlier.
2. Once all business expenses are captured and if a tax loss arises, this tax loss may be offset against all other taxable income and, if your trade ceases, it can be offset against profits of the previous three years, thereby resulting in tax refunds. This might also apply to development sites held personally where their valuation has fallen and therefore you should establish if it is possible to create a tax loss.
3. Some individuals operate their trade through a limited company and yet they may have large loans in their personal name which were used to buy property etc. Accessing funds to repay these loans means taking it from the company, creating a large tax liability. Instead of this you should look at cashing in your pension scheme, transferring some property into the company in order to free up some cash, possibly retiring from the business and arranging for it to buy your shares, and so on. Simply look at alternative means of extracting funds from your company rather than in the form of a taxable salary.
4. Ensure that your income is minimised and that you are utilising all lower rate bands by reflecting income in say a spouse's name also. Ensure you are utilising all available tax reliefs even the most simplest ones like medical expenses, service charges, donations, and so on. Remember, if these have been forgotten in the past, a claim should now be made and a tax refund sought for the last 4 years.

5. Pensions are the most obvious investment this year and not only can they reduce your tax liability, they also provide for your retirement and the income in it grows tax free. Pensions should be looked at seriously particularly in the context of changes made in last years budget and in particular those expected in the forthcoming budget. Now might also be a good time to invest in pensions as the investment is being made when markets are low. Pension investments could also be made in the context of generating cash by retiring from the scheme and enabling amounts to be withdrawn tax free.
6. Other tax efficient investments are BES and Film schemes which have the effect of immediately reducing your tax exposure. Finally, Seed Capital relief might be available if you are setting up a new business and, if using the proceeds of a redundancy payment, check if tax was paid on this and if so whether further relief is available.

Whilst taxes can be a little bit more complex this year, individuals should be concerned about saving overall cashflow and ensuring it is utilised to the most advantageous way to improve business.

If you have any queries or would like to discuss in confidence, please contact Mairead O'Grady, Taxation Partner at mogrady@rbk.ie or Tel (01) 6440100 or 090 6480600.

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About RBK

Russell Brennan Keane is one of Irelands leading business advisory and accountancy firms. With 50 years experience providing professional advisory services to a range of clients in the mid to large corporate market in Ireland, from offices in Dublin, Athlone and Roscommon.

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