

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)
- Ensure that you value stock and work in progress taking into account any reduction arising as a result of obsolescence
- Plan to bring 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.