

# 12 Ways to Legally Reduce Your Tax Bill



*You don't have to choose between  
your business and your life*

Growing tax bills - both Corporation and Personal - are a sign of a healthy, growing business, as well as you earning more personally! However, we all love to save some pennies here and there - and of course, hand over less of our hard earned cash to the tax man!

So check out 12 ways to legally reduce your tax bill:

## 1. Salary/Dividend Mix

Getting your salary/dividend mix right is something all directors can do - and this could change as your business changes and grows.

Usually the way to pay the least tax is setting your salary as the personal allowance (which is also the NI threshold from July 22), and then taking the rest of your take home as dividends.

## 2. Salary Sacrifice

Salary sacrifice lets you swap some of your salary for benefits. Reducing your pay means less tax and NI - so you basically get the benefit (without the benefit in kind) and keep more of your salary than you would if you paid for the benefit personally. It will also reduce the Employers NI bill for your business too. Plus it is a good way to give your employees benefits while saving tax for you and them - win-win!

## 3. Trivial Benefits

As a director your company can treat you (and members of your household) to 6 gifts of up to £50 each per year - check out all the details [here!](#)

## 4. Electric Cars

Historically putting your car through your business would mean the benefit in kind cost would far outweigh the corporation tax savings - boo! However, with pure electric cars this is actually reversed - yay!

The benefit in kind tax is currently only 2%, however depending on how you purchase the car you'll get corporation tax savings, and possibly VAT savings too. [Owning an electric car is therefore not only good for the environment, but also good for your pocket](#) - happy days!

Plus you can use salary sacrifice as a way to purchase - which is excellent for higher rate tax payers!



## 5. Christmas Parties

Each employee has an annual allowance of £150 inclusive of VAT to spend on things like Christmas parties and the cost will reduce your corporation tax bill, as well as be tax free to the employee. Partners of employees also get this allowance. So if you're a sole director that means your company can treat you and your partner to a nice Christmas or birthday dinner, as long as you stick to the allowance. Now before you go off partying, as always there are a few rules to note - [check out more info here!](#)

## 6. Donations

Donating money or goods is a great way to support your chosen charity. Depending on how you donate will decide how the donation reduces your tax bill. For money or goods donated through your company this will reduce your corporation tax bill - find out more [here.](#)

If you donate personally and it qualifies for Gift Aid, then make sure to include the donation on your personal tax return and this will extend the basic rate band of tax by the amount of the donation, so the point at which you pay higher rate tax is increased.

## 7. Pensions

Pensions are a win win - you get to save for your retirement and also save some tax! There are two ways to contribute and reduce your tax bills - as always which one you choose depends on your own specific circumstances!

The most popular way is making employer contributions from your company, and this will then save you corporation tax.

If this is not the best option though for your circumstances you can also contribute personally. Doing it this way means your basic rate band will be extended by the contribution, so the point at which you pay higher rate tax is increased!

It's definitely advisable to have a chat with a Financial Planner as well as your accountant (they can also chat to each other!) to work out the best way for you to contribute to your pension.

## 8. Buying/Upgrading Assets

It's not often we'd recommend going on a spending spree, but if you're looking to upgrade or buy additional assets then ahead of your year end is the perfect time to maximise tax savings!

## 9. Life Insurance

Now this is a newish one, and again some very specific rules apply here. Normal life insurance plans should be paid from your personal funds - or if paid via your business this would be a benefit in kind - or added to your directors loan for dividends to cover.

However, if you take out a relevant life plan, this can be paid by your company and is not a taxable benefit - therefore you will save corporation tax.

Now, before you go cancelling your current life policy, speak to a Financial Planner to check if this is the right option for you, and of course get the new policy set up before cancelling your current one - you don't want to risk having no cover at all!

## 10. Working From Home

You may be able to claim tax relief for gas, electric, metered water, business phone calls, including internet access if you work from home on a regular basis for all or part of the week. You can either claim £6 a week (no need to keep evidence of your extra costs) or the exact amount of costs you've incurred above the weekly amount (you need evidence such as receipts, bills or contracts). Check out more in our blog from Caroline: [Calculating your use of home as an office.](#)

# 11. Switching your mobile to a business contract

If you switch your mobile to be a business contract you will be able to get a full corporation tax deduction (compared to a % for personal mobile contract) and no personal for taking the money out of your business to pay for it. Employees can have a mobile phone without triggering any personal tax as well, without having to salary sacrifice - another way of giving benefits to employees and paying less tax. As with many things with HMRC there will be certain conditions to satisfy though, so check with your accountant before switching!

## 12. Tax-free childcare

You can get up to £2,000 per year per child to help with childcare costs. To do this, simply set up an online childcare account and the government will pay £2 to your chosen childcare provider for every £8 that you pay. It can be used to pay for approved childcare, such as childminders, nurseries, nannies, afterschool clubs and play schemes.

You need to be working, and expect to earn at least the National Minimum Wage for 16 hours a week on average. And if you started your business less than 12 months ago, the earnings limit doesn't apply!

You won't be eligible if you or your partner expect to earn adjusted net income of more than £100,000 in the current tax year. Your child must be 11 or under. If you have a disabled child, you may get up to £4,000 a year until they're 17. You can find out more in our [Childcare](#)

[Blog.](#)

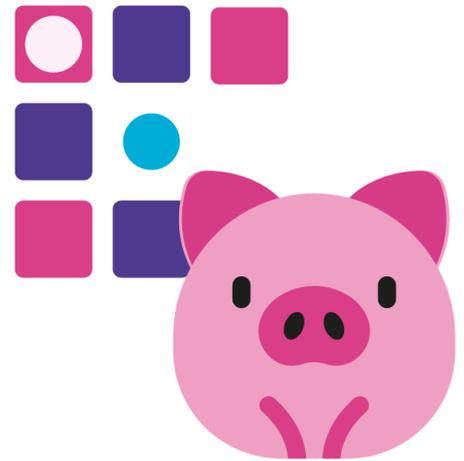
# ABOUT PINK PIG FINANCIALS

*Financial freedom for business owners  
running busy lives too*

You started your business with ambitions. You had a dream lifestyle in mind, even if it felt far away on the horizon.

But it's hard to let your ambition lead the way when you're buried under admin and financial obligations.

Being a business owner can feel lonely. Chatting with other like minded people can really help you navigate this journey in a happy healthy way.



## OUR MISSION:

To make the accounting process as quick and simple as possible for parents, so you can spend more time doing the things you love with the people you love.

We do that by understanding where you are today. Once we've defined your goals and freed up your time, we can forecast your tomorrow, taking practical steps towards your ideal lifestyle.

We believe accounting must revolve around the milestones in your life. Just ticking boxes isn't enough. You want to be mentally free from overwhelm, and financially free to take the next step forward.

## Here's the truth:

-  You can run a successful business and take time off.
-  You can make a profit and be present.
-  You can have both.

For more information on how Pink Pig Financials can help you have your cake and eat it too, email us or visit our website [www.pinkpigfinancials.co.uk](http://www.pinkpigfinancials.co.uk).



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