

**KL Accountants**

# Introduction to Tax Saving for SMEs

DBN Training Workshop  
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# KL Accountants

Who are we?

- Incorporated 2015
- Consett based
- ICAEW chartered accountants
- Accountancy services
- Tax planning
- Business advisory

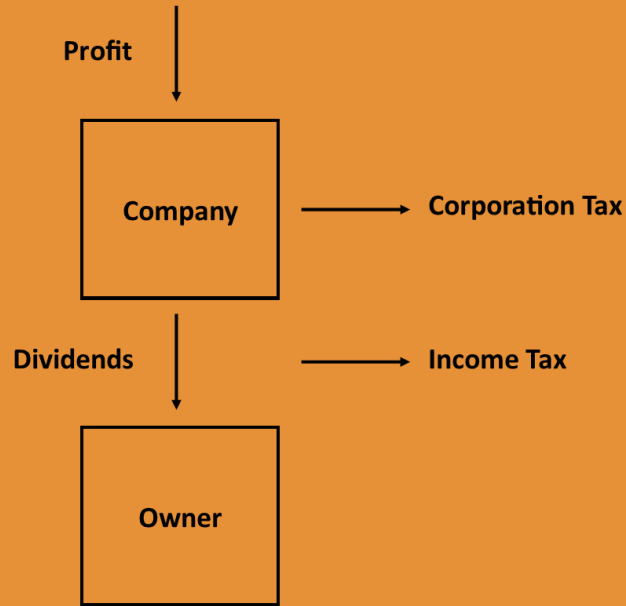


# 5 Ways to Save Tax

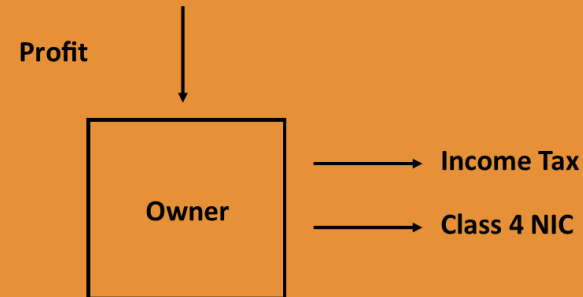
- Limited Company versus Sole Trader
- Optimal Dividend/Salary Mix
- Electric Vehicles
- Pension Contributions
- R&D Tax Relief

# Sole Trader versus Limited Company

## Limited Company



## Sole Trader



# Sole Trader versus Limited Company

Profit

Additional accountancy fees

Adjusted profits

Less:

Corporation tax

Income tax

Class 4 NICs

Net cash

**Saving from being a sole trader**

Sole trader or partner	Company
£50,000	£50,000
£0	(£660)
£50,000	£49,340
n/a	(£7,646)
(£7,486)	(£2,505)
(£2,246)	£0
<b>£40,268</b>	<b>£39,190</b>
<b>£1,078</b>	

# Sole Trader versus Limited Company

## Other Considerations

- No obligation to declare dividends matching profit generated
- Opportunity to invest within a limited company out of pre-tax income
- Limited liability
- Professional image
- Creates a more sellable asset
- More flexibility over ownership and control

# Optimal Dividend/Salary Mix

- Corporation tax payable at 25% (19% for lower profits under £50k)
- Directors salary expense of £758 per month
- Remainder of earnings extracted as dividends
- Additional shareholders to utilise basic rate bands

# Electric Vehicles - Personal Tax

## Tesla Model 3 Long Range

P11D Value	£	44,935
Percentage Charge		2.00%
Beneift in Kind	£	899
Tax Charge for Higher Rate Tax Payer	£	359

## Mercedes-Benz C-Class Saloon C 220 d

P11D Value		46,305
Percentage Charge		28.00%
Beneift in Kind	£	12,965
Tax Charge for Higher Rate Tax Payer	£	5,186



# Electric Vehicles - Buy or Lease

## BUY

### Pros

- 100% FYA for CT purposes
- Financeable via loan/HP
- Full control/ownership of asset

### Cons

- No VAT reclaim element
- Must be new to qualify for FYA
- Bear depreciation risk

## LEASE

### Pros

- 50% of VAT recoverable
- No balancing charge upon termination
- Full CT relief on monthly payments

### Cons

- No FYA on full list price
- No asset ownership

# Pension Contributions

- **Made via limited company, attracting CT relief at ~25%**
- **Growth within fund tax free**
- **No income tax implications**
- **Contribute up to £60k per year per director (£10k if in drawdown)**
- **Can draw down up to 25% tax free from 55 years of age**
- **Use brought forward allowances up to 4 years**

# R&D Tax Relief

- **Advancement in science and technology**
- **Overcomes technological uncertainty**
- **Additional 86% expenses post April 2023 (130% pre April 2023)**
- **Surrender loss for 10% tax repayment**
- **E.g.**
  - **Software development**
  - **Recipe improvement**
  - **Reducing waste**

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# Questions?