



# End-of-Year Tax Planning Strategies for SMEs.







# A Comprehensive Guide for Business Owners and Growing Enterprises

Running a Small or Medium-sized Enterprise (SME) across Chester, Wrexham and Warrington is incredibly rewarding, but the end of the financial year often brings a sense of dread. For many business owners, it feels like a stressful race to gather receipts, decode HMRC jargon and tick compliance boxes

But year-end shouldn't just be a retrospective administrative headache. When approached proactively, it is your single biggest opportunity to gain clear insight into your business's health, safeguard your hard-earned profits, and legally minimise your upcoming tax liabilities.

Whether you are a sole trader nearing the VAT threshold or the director of an established limited company facing the latest wealth preservation rules, this guide is designed to put you back in control.

As expert accountants, we've consolidated the most critical tax planning strategies, covering everything from year-end prep to Inheritance Tax, along with vital steps you need to take after the deadline has passed.

**Contact us today for a consultation  
and let us help you achieve complete  
peace of mind.**

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## Chapter 1:

### Getting Your House in Order (Pre-Year-End Basics).

The foundation of any good tax strategy is accurate data. So if your books are disorganised, your tax planning will be guesswork. Hence, before the financial year closes, ensure these critical technical areas are up to date:

- Reconcile Everything:**  
Ensure all bank and credit card statements, sales invoices, and purchase bills are accounted for up to the year-end date. Missing documentation directly leads to missed deductible expenses.
- Conduct an Inventory Count:**  
If your business holds stock, a physical count is necessary to determine an accurate closing stock value. This directly impacts your Cost of Goods Sold and, ultimately, your taxable profit.
- Review Debtors and Creditors:**  
Identify any invoices owed to you that are unlikely to be paid (bad debt), as this can often be written off as a tax-deductible expense.
- Account for Accruals and Prepayments:**  
If you paid for a year of insurance just before your year-end, part of that payment belongs to the next financial year. Accruals and prepayments ensure your expenses match the correct period.



## Chapter 2:

### Navigating VAT Compliance.

VAT can feel like a complex hurdle, and missing deadlines or thresholds carries strict HMRC penalties. Which is why, as part of your year-end review, you must assess your VAT position:

- The Rolling £90,000 Threshold**  
You are legally required to register for VAT if your taxable turnover (your total sales income before expenses) exceeds £90,000 in any rolling 12-month period.
- Voluntary Registration as a Strategy**  
Even if you haven't hit the £90,000 mark, registering voluntarily can be a smart move. It allows you to reclaim the VAT you pay on business-related expenses (like IT equipment or local services) and can boost your business's professional profile, as many larger B2B clients prefer dealing with VAT-registered suppliers
- Making Tax Digital (MTD) & Penalties**  
If you are VAT registered, compliance with MTD is mandatory. You must keep digital records and submit returns using approved software like Xero or QuickBooks. Remember, HMRC now operates a strict points-based penalty system for late submissions (resulting in £200 fines) and escalating percentage-based fines for late payments.

**This isn't based on your financial year.**

Instead, it requires constant, real-time tracking. So if you cross this threshold, you must register within 30 days of the end of the month you crossed it.





## Chapter 3:

### Legally Minimising Corporation Tax.

For limited companies, Corporation Tax takes a significant bite out of your profits. So this means you cannot wait until after the year-end to reduce this bill. Action must be taken before your accounting period closes.

Here are the most effective ways to legally reduce your taxable profit:

- Maximise Capital Allowances & Full Expensing:**  
 If you need to buy machinery, IT equipment or commercial vehicles, do it before your year-end. Utilising the Annual Investment Allowance (AIA) or Full Expensing allows you to deduct up to 100% of the cost of qualifying assets from your profits in the year of purchase.
- Employer Pension Contributions:**  
 When your limited company pays into a director's or employee's pension pot, it is usually treated as an allowable business expense. This saves Corporation Tax while building your personal wealth.



Currently, the rate you pay depends entirely on your company's taxable profits:

- Under £50,000: 19% (Small Profits Rate)**
- £50,000 to £250,000: 19% to 25% (Marginal Relief applied)**
- Over £250,000: 25% (Main Rate)**

- Optimise Directors' Remuneration:**  
 Taking your entire income as a high salary triggers heavy Income Tax and National Insurance. A more tax-efficient strategy is to take a small salary (up to the NI threshold) and extract the rest as dividends, which attract lower personal tax rates.
- Explore R&D Tax Relief:**  
 If your company spends money developing new products, processes, or services, you may qualify for Research & Development relief, allowing you to claim enhanced deductions and significantly lower your bill.



## Chapter 4:

### Protecting Your Wealth (Inheritance Tax Planning).

For high-earning SME owners, building a successful business is only half the journey. Protecting that wealth from the 40% Inheritance Tax (IHT) rate is critical, especially given the major legislative changes coming into effect in 2026.

#### The Frozen Thresholds and the £2M Taper Trap

Currently, a married couple can pass on up to £1 million tax-free. However, if your total estate (including business assets, property and cash) is worth more than £2 million, your residence allowance begins to taper away. Here, many local business owners accidentally fall into this trap as their company valuation grows.

#### The 2026 and 2027 Game-Changers

- The Pension Trap (April 2027):**  
 Unused pension pots will soon be brought into the scope of Inheritance Tax (IHT). Meaning pensions will no longer be the safe IHT haven they once were.

**Proactive Steps:**

Review your estate planning now! Consider lifetime gifting (the 7-year rule), maximising your £3,000 annual exemptions, or using Trusts to ring-fence wealth for the next generation safely.



- The £2.5M Relief Cap (April 2026):**  
 Historically, Business Property Relief (BPR) and Agricultural Property Relief (APR) allowed you to pass down trading businesses and farms 100% tax-free. However, from April 2026, this 100% relief is capped at £2.5 million per person (£5 million for couples). Any business or agricultural assets exceeding this cap will only receive 50% relief, resulting in an effective 20% tax rate.



## Chapter 5:

### Post-Year-End Strategies (Setting Up for Success)

Tax planning doesn't stop once the deadline has passed, and the return is filed. In fact, the weeks immediately following your year-end are the perfect time to implement forward-looking strategies for the next 12 months.

- **Transition to Real-Time Cloud Accounting:**  
If gathering your end-of-year data was a struggle, use the start of the new financial year to migrate to cloud accounting software. Platforms like Xero integrate directly with your bank feeds, giving you a real-time dashboard of your cash flow, rolling VAT turnover and profit margins. Turning hindsight into foresight.
- **Review Your Pricing and Profit Margins:**  
Your freshly prepared accounts tell a story. So look at your Cost of Goods Sold (COGS) and operating expenses. **Have your supplier costs increased? Are your margins shrinking?** The post-year-end period is an optimal time to confidently raise your prices or renegotiate with vendors to protect your profitability for the year ahead.

- **Set a Dividend Schedule:**  
Rather than taking ad-hoc withdrawals from your business throughout the year, use your year-end profit figures to establish a structured, tax-efficient dividend schedule. This ensures you only declare dividends when there are sufficient distributable reserves, keeping you strictly compliant with company law.
- **Establish a Continuous Advisory Relationship:**  
The biggest mistake business owners make is only speaking to their accountant once a year in a panic. So make sure you set up quarterly review meetings. By monitoring your management accounts every 90 days, you can adjust your tax strategy, plan asset purchases, and navigate thresholds long before the next year-end approaches.



## Take tax planning off your agenda. Let Ellis & Co handle it for you.

Compliance, tax planning and wealth preservation shouldn't be stressful, and they shouldn't consume the time you need to actually run your business. At Ellis & Co, we understand the unique challenges facing the business communities in Chester, Warrington and Wrexham. With our expert accountants, we don't just process your past. We proactively shape your future.

So when you partner with us, you get:

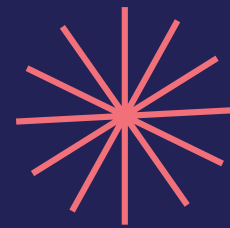
- **Compliance Certainty:**  
We handle all HMRC and Companies House submissions, from VAT to Corporation Tax, so you never miss a deadline.
- **Strategic Growth Insights:**  
We analyse your accounts to highlight KPIs and implement strategies that legally minimise your liabilities.

- **A Dedicated Trusted Adviser:**  
You get a consistent, accessible partner who speaks plain English, knows your business inside out, helps you expand your network and is available when you need them.

**Ready to make your next financial year your most profitable and tax-efficient one yet?**

**Get in touch with our team today for an initial, no-obligation consultation.**

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