Retire Invest

STRAIGHT TALKING FINANCE

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An introduction to

End of Tax Year Planning

Getting to grips with the basics

Your main tax planning opportunities for the 2023/24 tax year

Focus on your pension, ISAs, IHT and CGT

Using your Dividend Allowance

Don't miss the tax year-end deadline – 5 April 2024

We're here to help

As the end of the tax year approaches, now is the perfect time to ensure you have your financial affairs in order and to double check that you've taken advantage of all the tax-efficient allowances available to you.

Your pension

You can contribute as much as you like into your pension, but there is a limit on the amount of tax relief you will receive each year.

This annual allowance is currently **£60,000**. An individual can't use the full £60,000 Annual Allowance where 'relevant UK earnings' are less than £60,000, although your employer still could. You may be able to, however, carry forward unused allowances from the past three years, provided you were a pension scheme member during those years.

Threshold Adjusted Income limit is £200,000 and the Adjusted Income Limit is £260,000. If your income plus pension contributions exceeds the Adjusted Income Limit, your Annual Allowance is reduced by £1 of every £2 you are over the Adjusted Income Limit.

The Lifetime Allowance on pensions will be removed from 6 April 2024.

If you have children under 18, a spouse who does not work, or who may not be earning enough to pay Income Tax, you can invest into a pension for each of them. The maximum annual contribution you can currently make is **£2,880** which, along with tax relief, would amount to **£3,600** a year.

Your Individual Savings Account (ISA) allowance

The ISA allowance is **£20,000** for the 2023/24 tax year. You can put all the £20,000 into a Cash ISA, or invest the whole amount into a Stocks and Shares ISA or Innovative Finance ISA. You can also mix and match, putting some into Cash, some into Stocks and Shares and the rest into Innovative Finance if you wish. However, the combined amount can't exceed your annual ISA allowance. It will be possible to subscribe to multiple ISAs of the same type every year from April 2024.

With pension contributions subject to annual and lifetime limits, ISAs represent an excellent way of topping up retirement income. There is no Income Tax or Capital Gains Tax (CGT) payable on ISA proceeds.

You cannot carry over your ISA allowance once the tax year has ended.

In certain circumstances, investors can use existing holdings to open or top up their ISAs, this arrangement is known as a **Bed & ISA**. This is a way of transferring assets held outside an ISA into an ISA so that future investment income and growth are sheltered from tax. The investments are sold, cash is transferred into the ISA and the investments are repurchased. Charges apply and you could end up with a CGT liability if the gain you make on selling the asset together with any other taxable gains you make within the tax year exceeds the annual CGT allowance.

A **Lifetime ISA** is another option available.

Junior ISA Contributions

Junior ISAs are a tax-efficient way to build up savings for your children (and grandchildren) and can be opened for any child under 18 living in the UK. The money can be held in cash and/or invested in stocks and shares.

They work in exactly the same way as your own ISA, however, the maximum investment is **£9,000** per child.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

Above the CGT allowance, basic rate tax-payers selling investments would pay CGT at 10%, with higher rate tax payers paying at 20%.

Spouses have two annual exemptions between them and can take advantage of the rules allowing assets to be gifted with no CGT implication until the asset is subsequently disposed of.

The CGT allowance will be reduced from £6,000 to £3,000 from April 2024.

As the end of the tax year approaches, now is the perfect time to ensure you have your financial affairs in order and to double check you've taken advantage of all the tax-efficient allowances available to you

Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EISs)

In addition to simpler tax planning ideas, there are other more complex areas, such as VCTs and EISs, which are tax year end sensitive.

These are traditionally higher risk investments but can offer up to 30% tax relief and provide portfolio diversification.

EISs – maximum investment of **£1m** (or **£2m** as long as at least **£1m** of this is invested in knowledge intensive companies) with 30% tax relief provided the investment is held for 3 years, gains are also exempt from CGT provided they have been held for 3 years.

VCTs – maximum investment of **£200,000** with 30% tax relief provided the investment is held for 5 years, gains exempt from CGT, conditions apply.

An extension of the EIS and VCT schemes from April 2025 to April 2035 was announced in the Autumn Statement. Not all EISs and VCTs are regulated by the FCA.

Gifting for Inheritance Tax (IHT) purposes

You can make gifts worth up to **£3,000** in each tax year. These gifts will be exempt from IHT on your death. You can carry forward any unused part of the £3,000 exemption to the following year but if you don't use it in that year, the exemption will expire.

Certain gifts don't use up this annual exemption, however, there is still no IHT due on them e.g. wedding gifts of up to **£5,000** for a child, **£2,500** for a grandchild (or great grandchild) and **£1,000** to anyone else. Individual gifts worth up to **£250** are also IHT free.

These are relatively small sums, but you should use these up where possible to gradually reduce your overall estate.

Using your CGT allowance

Every individual is entitled to a CGT annual allowance which is currently **6,000** (£3,000 for trusts). You can't carry forward this relief and so you may look to crystallise gains up to this amount before the end of the tax year. Capital losses can also be used to offset gains.

Using your Dividend Allowance

For the current tax year, investors can earn up to **£1,000** in dividend income tax-free.

How much tax you pay on dividends above the Dividend Allowance depends on your Income Tax band:

Basic rate	8.75%
Higher rate	33.75%
Additional rate	39.35%

The Dividend Allowance reduces from £1,000 to £500 from 6 April 2024 for individuals who receive dividend income.

The information contained in this guide is based on our understanding of current allowances and rates at 03.01.24, which could be subject to change.

We're here to help

We're only a phone call away, so if you have any questions or would like to discuss the best pension options for your individual circumstances, please do get in touch.

Tax year-end deadline 5 April 2024

Here's a reminder of the main tax planning opportunities:

- **Pensions**
  current Annual Allowance of **£60,000**
- **Individual Savings Accounts (ISAs)**
  maximum contribution of **£20,000** each
- **Junior Individual Savings Accounts (JISAs)**
  maximum contribution of **£9,000** per child
- **Gifting for Inheritance Tax (IHT) purposes**
  up to **£3,000** a year
- **Using Capital Gains Tax (CGT) allowances**
  £6,000 annual exemption per person
- **Enterprise Investment Schemes (EISs)**
  maximum investment of £1m (or £2m as long as at least £1m of this is invested in knowledge intensive companies)
- **Venture Capital Trusts (VCTs)**
  maximum investment of £200,000