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An Introduction to
End of tax year planning

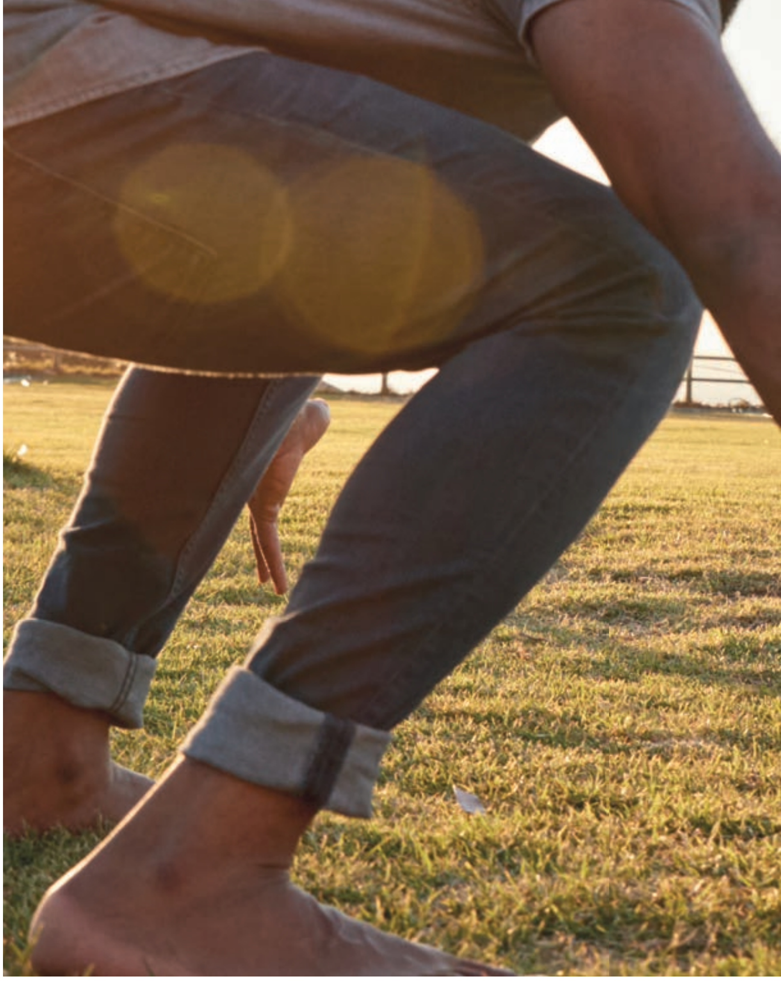
Getting to grips with the basics

- Taking a look at the main tax planning opportunities for the 2019-20 tax year
- Including your pension, ISAs, IHT and CGT
- Using your Dividend Allowance
- Don't miss the tax year-end deadline 5 April 2020
- We're here to help, get in touch

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.

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

- ✓ **Pensions**
  current Annual Allowance of **£40,000**
- ✓ **Individual Savings Accounts (ISAs)**
  maximum contribution of **£20,000** each
- ✓ **Junior Individual Savings Accounts (JISAs)**
  maximum contribution of **£4,368** per child
- ✓ **Gifting for Inheritance Tax (IHT) purposes**
  up to **£3,000** a year
- ✓ **Using Capital Gains Tax (CGT) allowances**
  £12,000 annual exemption per person
- ✓ **Enterprise Investment Schemes (EISs)**
  maximum investment of **£1 million** (or **£2 million** as long as at least **£1 million** of this is invested in knowledge intensive companies)
- ✓ **Venture Capital Trusts (VCTs)**
  maximum investment of **£200,000**
- ✓ **Seed Investment Schemes (SEISs)**
  maximum investment of **£100,000**



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.

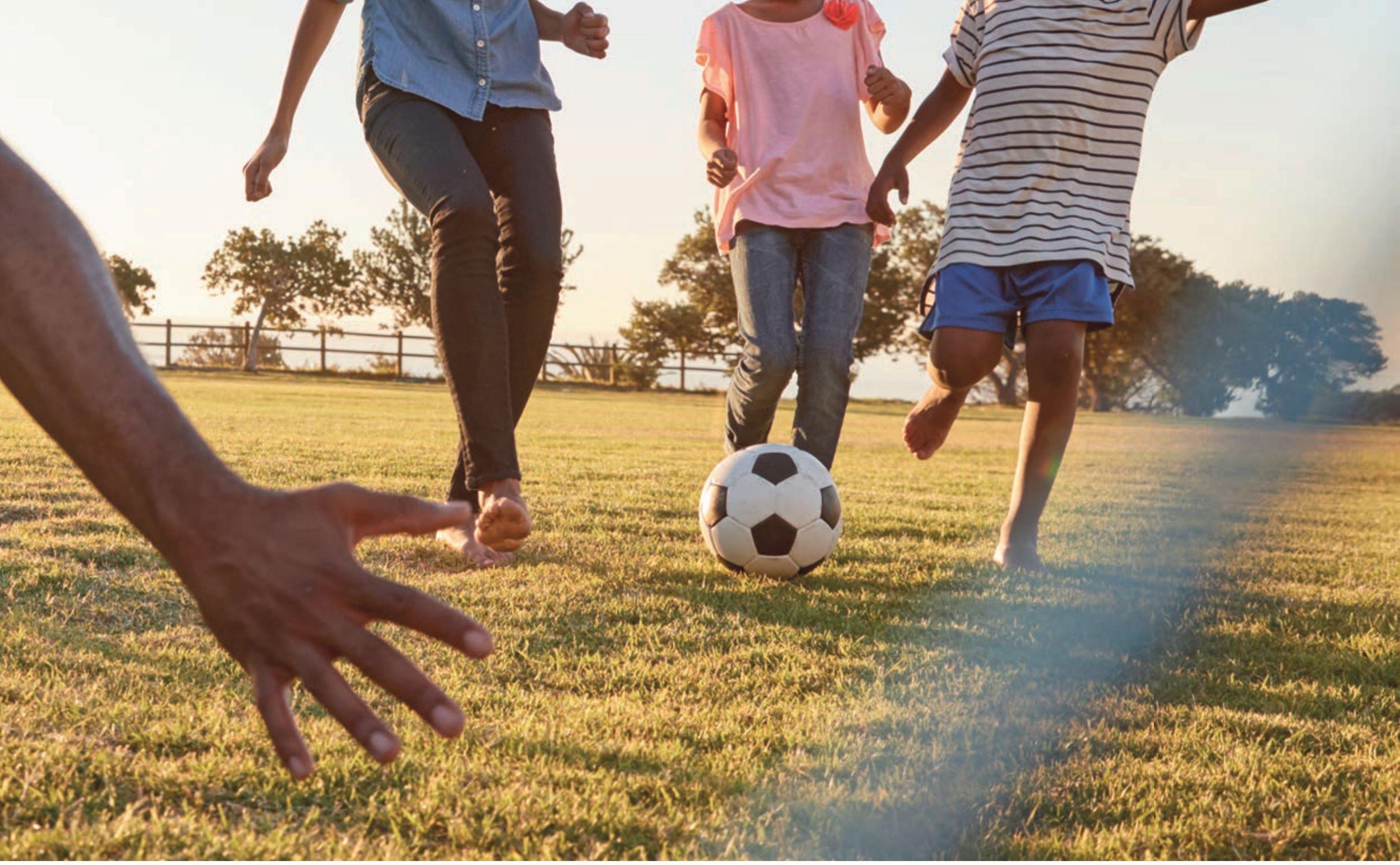
This annual allowance is currently **£40,000**, or 100% of your earnings, whichever is lower. You can, however, carry forward unused allowances from the past three years, provided you were a pension scheme member during those years. There are a couple of exceptions to this rule. One relates to people with defined contribution pensions who start to draw money from them, in which case the allowance drops to **£4,000** in some situations; the other tapers the allowance if your income plus pension contributions exceed **£150,000** a year.

A Lifetime Allowance also places a limit on the amount you can hold across all your pension funds without having to pay extra tax when you withdraw money. This limit is currently **£1,055,000**.

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 now a generous **£20,000** for the 2019-20 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. 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 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.

Other ISA options available include the **Help to Buy ISA** (not available to new investors after 30/11/19) and the **Lifetime ISA**.

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 **£4,368** per child.

If your child already has a Child Trust Fund, then you should look to fully fund this. The allowance is the same as the JISA but corresponds to your child's birthday year rather than the tax year.

Gifting for Inheritance Tax (IHT) purposes

You can give away 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 Capital Gains Tax (CGT) allowance

Every individual is entitled to a CGT annual exemption which is currently **£12,000** (£6,000 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.

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.

Venture Capital Trusts (VCTs), Enterprise Investment Schemes (EISs) and Seed Enterprise Investment Schemes (SEISs)

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

These are traditionally higher risk investments but can offer up to 50% tax relief and provide portfolio diversification.

EISs – maximum investment of **£1 million** (or **£2 million** as long as at least **£1 million** 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.

SEISs – maximum investment of **£100,000** with 50% tax relief, CGT exemption where SEIS shares are sold more than 3 years after they are issued, further CGT exemption of 50% where an individual makes a capital gain and reinvests the gain in qualifying SEIS.

Using your Dividend Allowance

For the current tax year, investors can earn up to **£2,000** in dividend income tax-free.

Since new rules surrounding taxation of dividends came into effect in April 2016, dividends in excess of the allowance are subject to new tax rates:

Basic rate	**7.5%**
Higher rate	**32.5%**
Additional rate	**38.1%**

The whole concept was introduced to incentivise more people to reinvest their dividend income and to deter tax-minimising strategies.

* We're here to help

With the tax year-end imminent, please get in touch with us as soon as possible if you have any questions or want to discuss any aspect of your end of year tax planning. We look forward to hearing from you.

Warning statement

The value of investments and income from them may go down. You may not get back the original amount invested. A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation. It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor. No part of this document may be reproduced in any manner without prior permission. Information is based on our understanding of taxation legislation and regulations. Tax treatment is based on individual circumstances and may be subject to change in the future.