WEALTH MANAGEMENT

Chartered Financial Planners

# Tax Year-End 2023/24

# Helping you reach life's biggest goals

The 2023/24 tax year ends on **Friday 5th April.**

After this date, many allowances will reset, so it could be your last chance to use some of them. Making the most of your tax reliefs and allowances can help your money to go further. It could help to secure you – and your family's – financial future, to retire in style or help you in planning how to pass on your wealth.

Reviewing your finances now could mean you discover an allowance you could make use of before the deadline.

# Why now is the perfect time to start thinking about the end of the tax year

## Nothing quite beats that feeling of knowing you're on course to reach your financial goals

Remember, there's still time. We're here to help and show you how to benefit from your available tax allowances and reliefs, now and in the future.

2024 may only have just started, but now is an excellent time to start thinking about the end of the tax year. Planning now can help you make the most of allowances and reduce how much tax you pay.

The end of the current tax year may seem like a long way off, but it's worth starting to think about it now for a variety of reasons.

- **Take your time reviewing the allowances that will reset.** If you leave your tax year planning until closer to the deadline, you may overlook some of the allowances that could be useful for you. By starting the process now, you give yourself plenty of time to review which allowances you should use.
- **Avoid being affected by delays.** The end of the tax year is a busy time for financial providers, such as pension companies or accountants. If you want to make a change, leaving it until the last minute could mean you're affected by delays and that you end up missing out. Taking steps now means you can make decisions without the pressure to do so quickly to meet deadlines.
- **Spread out contributions you want to make.** As part of your end of tax year plan, you may want to maximise contributions to your ISA or pension. By setting out your plans now, you can spread out these contributions over several months. It also means you have longer if you want to move fund/assets into tax-efficient wrappers.

# ISAs

## What is an ISA, and what makes them valuable?

To put it simply: an ISA acts as a tax wrapper that enables you to save and invest tax efficiently

You don't pay tax on the interest you earn on money in a Cash ISA. Similarly, returns from investments that are held in an ISA are free from Income Tax and Capital Gains Tax (CGT). ISAs could be a useful way to minimise your investments tax liability while also putting your money to work.

The annual ISA subscription limit for the 2023/24 tax year is **£20,000**. There are five different types of ISA that you can contribute to:

- **Cash ISA.** A Cash ISA operates similarly to a savings account, but the interest you earn is paid free of Income Tax. Some Cash ISAs are subject to restrictions, such as how much you can withdraw. So make sure you choose the best account for you
- **Stocks and Shares ISA**. Using a Stocks and Shares ISA allows you to invest in the stock markets and other assets. Returns are free of Income Tax and CGT. As with all investments, you should have a long-term outlook and understand your risk profile when using a Stocks and Shares ISA.
- **Lifetime ISA (LISA).** If you're aged between 18 and 39, you can open a LISA. A LISA can be a Cash or Stocks and Shares ISA. You will receive a 25% government bonus on your contributions. However, you will be penalised if you make a withdrawal before you turn 60 for any purpose other than buying your first home. The maximum amount you can place into a LISA each tax year is £4,000.
- **Innovative Finance ISA**. An Innovative Finance ISA is designed for peer-to-peer lending investments. Usually, these kinds of investments are higher risk than traditional alternatives, so seeking advice is the key.
- **Help to Buy ISA.** While you can no longer open a Help to Buy ISA, if you already have one, you can continue to contribute until November 2029. You can add up to £200 a month and the government will top up your savings by 25% (up to £3,000) when you buy your first home.

If you do not use your ISA allowance for the 2023/24 tax year, you will lose it.

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ISAs are an important part of saving and investing for many people.
According to official statistics, around 12 million adults subscribed to an ISA in 2020/21.
During that year, around £72 billion was added to ISAs. In total, £687 billion, was held in adult ISAs.

## Should you choose a Cash or Stocks and Shares ISA?

Whether you should choose a Cash or Stocks and Shares ISA will depend on your goals and financial circumstances.

A Cash ISA may be appropriate if you have short-term goals in mind or are using it to build an emergency fund. However, as inflation is higher than interest rates, your savings could be losing value in real terms.

A Stocks and Shares ISA may be appropriate if you're saving with long term goals in mind. While investment returns cannot be guaranteed, historically, markets have delivered returns over the long term that beat inflation. If you choose to invest, it's important you understand your risk profile and choose an option that is right for you.

Keeping on top of allowances and exemptions can be challenging. We can help ensure the ones that make sense for you are part of your financial plan.

## Saving for children through a Junior ISA (JISA)

A JISA is a tax-efficient way to save or invest for a child. The annual subscription limit for 2023/24 is **£9,000.**

The child can begin managing their ISA from 16, but they cannot withdraw money until they are 18. Like their adult counterparts, interest and returns are free of Income and Capital Gains Tax. If you don't use the allowance before the end of the tax year, you will lose it.

ISAs are amongst the most popular and widely used savings and investment products in the country. As they offer a range of options, there is likely to be an account that can fit into your financial plan.

The latest government figures reveal that in 2020/21:

- Roughly 12 million adults have ISAs
- A total of £72 billion was added to ISAs
- The proportion of cash ISAs fell to 66% from 75% in the previous tax year

## Your ISA allowances for 2023/24

Each tax year, you can contribute **£20,000** per person into an ISA (so £40,000 for a couple who each hold an ISA), and **£9,000** per child into a Junior ISA. This can be either a Stocks & Shares ISA, a Cash ISA, or a mix of both.

As well as making ISAs part of your plan now, you should also review them each year as allowances can change, as can your goals.

Your deadline for this year's ISA allowances is 5th April, the end of the current tax year. Contact us now for a no-obligation consultation to discuss starting an ISA or topping up your existing one.

# The Personal Savings Allowance (PSA)

The introduction of the Personal Savings Allowance in 2016 means that cash ISAs have lost part of their appeal. Many adults now benefit from tax-free savings, even if they aren't held in an ISA.

Basic-rate taxpayers can earn up to £1,000 interest per year tax-free. However, this allowance falls to £500 per year for higher-rate taxpayers, while additional-rate taxpayers do not benefit from the allowance at all.

As a result, ISAs may still be an important part of reducing your tax liability. You can make use of both your PSA and ISA allowance. The PSA applies only to interest on cash savings

## Your Personal Savings Allowance for 2023/24

The Personal Savings Allowance (PSA) means you don't have to pay tax on some of the interest you receive from your cash savings accounts. The allowance depends on which Income Tax band you're in:

**£1,000**

if you're a basic-rate taxpayer

**£500**

if you're a higher-rate taxpayer

You do not have a Personal Savings Allowance if you are an additional-rate taxpayer

Here's how much you could hold in a cash account (paying 5% annual interest) before you'd be liable for tax on the interest:

**Basic-rate taxpayer**
£20,000

**Higher-rate taxpayer**
£10,000

# Pensions

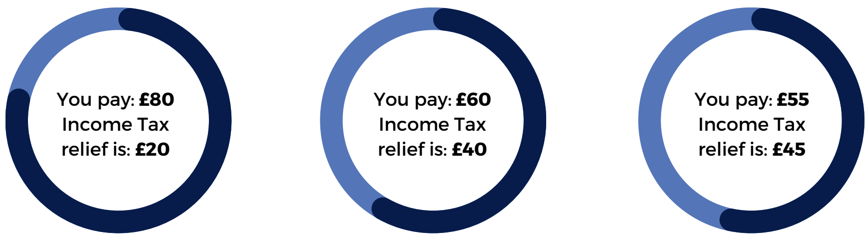
## Why investing in a pension is a vital ingredient for a happy retirement

Pensions are a long-term investment that help you save for your retirement in a tax-efficient way. This tax year, subject to certain criteria, you can contribute up to **£60,000** or 100% of your earnings, whichever is lower, and receive tax relief.

Keep in mind that the freezing of the Income Tax personal allowance and tax bands, along with the reduction of the additional-rate Income Tax threshold to £125,140, might lead to an increase in your tax payments. One strategy to mitigate the impact is to maximize your pension contributions.

## How does pension tax relief work?

**When you pay into your pension pot, you will receive tax relief on the contributions. So, to make a total contribution of, for example, £100:**

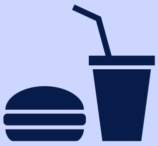



Basic-rate Income Tax | Higher-rate Income Tax | Additional-rate Income Tax

**You will need to claim any tax relief over the basic rate via your annual tax return.**

# FIND YOUR RETIREMENT LIVING STANDARD

**Here's an idea of what various levels of income in retirement will cover for a single person:**

| ITEM | MINIMUM | MODERATE | COMFORTABLE |
|---|---|---|---|
| **Overview** | **£12,800/year**<br>Covers all your basic needs, with some left over for fun | **£23,300/year**<br>More financial security and flexibility | **£37,300/year**<br>More financial freedom and some luxuries |
|  | DIY maintenance and decorating one room a year | Some help with maintenance and decorating each year | Replace kitchen and bathroom every 10/15 years |
|  | £54 a week on food (including food away from the home) | £74 a week on food (including food away from the home) | £144 a week on food (including food away from the home) |
|  | No car | 3-year old car replaced every ten years | 2-year old car replaced every five years |
|  | A week and a long weekend in the UK every year | 2 weeks in Europe and a long weekend in the UK every year | 3 weeks in Europe every year |
|  | £580 for clothing and footwear each year | £791 for clothing and footwear each year | £1,500 for clothing and footwear each year |
|  | £20 for each birthday present | £34 for each birthday present | £56 for each birthday present |

*These amounts would fund this lifestyle for people living outside London.
Source: https://www.scottishwidows.co.uk/retirement/living-standards.html

# Your pension allowances for 2023/24

There's a limit to how much you can pay into your pension every year without a tax charge applying. This is called the annual allowance. For the 2023/24 tax year it's **£60,000**, although if you have used up this year's annual allowance, any unused annual allowance from the three tax years before this tax year can be carried forward to the present tax year to boost the amount of annual allowance available.

But if you are an employee then you would still need to have the earnings to make a large contribution. For example, to pay in £60,000 you would need to be earning £60,000.

Your deadline to make the most of your annual pension allowances is 5th April, the end of the current tax year – so get in touch today for a no-obligation consultation.

# Inheritance Tax

## How to protect your family wealth

If you're concerned about Inheritance Tax (IHT), gifting to loved ones now can reduce the value of your estate and, so, the eventual bill.

However, not all gifts are immediately exempt from IHT. Some may be considered part of your estate for up to seven years. Taking advantage of gifts that are outside of your estate immediately can provide peace of mind.

Each year, your IHT annual gift allowance means you can pass on up to **£6,000** by using this year's **£3,000** and last year's gift allowance - if you didn't make use of it then.

This can be up to **£12,000** per couple.

The exemption can be carried forward for one year.

### Gifting small amounts

In addition to the annual exemption, you can gift small amounts (up to £250 per person) to as many people as you like.

## WHAT IS RESIDENCE NIL RATE BAND ('RNRB') ?

The residence nil rate band (RNRB) was introduced in 2017 and is an amount in addition to the standard nil rate band.

The RNRB is an inheritance tax free allowance currently set at **£175,000** per person and **£350,000** for a married couple and is frozen until at least April 2028. This means up to £500,000 can be passed down free from inheritance tax, or £1million for a married couple.

Unlike the main IHT Nil Rate Band allowance which each individual is entitled to on death, there are a number of requirements for a person's estate to qualify for the RNRB.

These are extensive and quite complicated. It is therefore a good idea to review your will to ensure the provisions are up to date. Also, you should take some estate planning advice if your estate value is near to or over the IHT threshold.

# Capital Gain Tax (CGT)

Capital Gains Tax (CGT) is the tax you pay on any profit when you sell or gift an asset.

For the 2023/24 tax year, the CGT exempt amount means an individual can normally make profits up to **£6,000** before CGT is due.

In some cases, spreading out the disposal of assets across several tax years can help reduce your CGT liability. You may also want to plan with your partner to maximise both of your annual exemptions.

If you exceed this allowance, your rate of CGT will depend on other taxable income:

- Standard CGT rate: 18% on residential property, 10% on other assets
- Higher CGT rate: 28% on residential property, 20% on other assets.

## Useful options that could reduce your Capital Gains Tax bill

1. Keeping your annual exempt amount in mind when planning to dispose of assets, so you don't trigger a CGT charge inadvertently.
2. Holding the shares in an ISA, which makes them exempt from CGT
3. Realising £6,000 of the gains from shares this tax year (by 5th April), which is the 2023/24 tax-free threshold, and the rest over the following years (but be aware of allowance changes – see below for more details).
4. Transferring your assets to your spouse or civil partner so you can both make use of your individual allowances.

## Times are changing

From 6th April 2024, the CGT allowance will fall from £6,000 to **£3,000.**

So if you've not yet used your CGT exemption, you don't have much time before the change comes in. Making sure you're using losses and realising gains at the most appropriate time can make a big difference to the amount of tax you have to pay. This could mean moving assets into different wrappers – pensions and ISAs, for example – to make sure you're not creating gains, or splitting the sale of assets over several tax years.

If you're not sure if your assets could be liable for CGT or the tax rate you'd pay, please contact us. for a free consultation to discuss this and ensure you don't end up paying too much tax.

# Dividends

Dividends are paid by companies to share out the profits they have made. If you hold shares in a dividend-paying company, you will receive payments. The amount you receive will usually be dependent on the company's performance and stock price.

How much tax you then pay on the dividends will depend on your Income Tax band:

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

## Mind your allowances

From the start of the next tax year (6th April) the Dividend Tax allowance will be cut to **£500** – which makes it worth while ensuring your stocks and shares are held in a tax-efficient wrapper, such as an ISA or a pension.

If you don't use your Dividend Allowance before the end of the tax year, you will lose it.

# Your tax year-end checklist

**Ensure you've made the most of your available tax reliefs and allowances to create the financial future you want.**

- **ISAs**
  Are you taking full advantage of this year's £20,000 ISA allowance? Or the £9,000 Junior ISA allowance?

- **PERSONAL SAVINGS ALLOWANCE**
  Have you got the correct balance between keeping a cash fund and making the most of this year's ISA allowance?

- **PENSIONS**
  Are you making the most of the tax-efficient benefits your pension can bring?

- **INHERITANCE TAX**
  Are you looking to reduce a potential IHT bill? You can gift up to £6,000 before 5th April by using this year £3,000 and last year's gift allowance if you didn't make use of it then.

- **CAPITAL GAINS TAX**
  Make sure you pay what you owe this year, but don't end up paying when you don't need to. Are you thinking about how the reduction of the tax-free threshold in 2024/25 will affect you?

- **DIVIDENDS**
  Are you thinking about how the cut to allowances from 2024/25 will affect you?

***Empowering your children's homeownership journey, contributing to their dream weddings, upgrading your home, ensuring a worry-free future, and leaving a lasting inheritance – these are the dreams we cherish. With strategic tax planning, we can turn these aspirations into realities.***

## Contact us to create the financial future you want

Keeping on top of allowances and exemptions can be challenging. We can help ensure the ones that make sense for you are part of your financial plan.

Contact us to discuss how to make use of 2023/24 tax reliefs and allowances. We can also help you put an effective plan in place for the upcoming tax year that considers changes and helps you make the most of your income and wealth.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