GREAVES WEST & AYRE
WEALTH MANAGEMENT

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Year End Tax Planning 2023

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Time to Plan

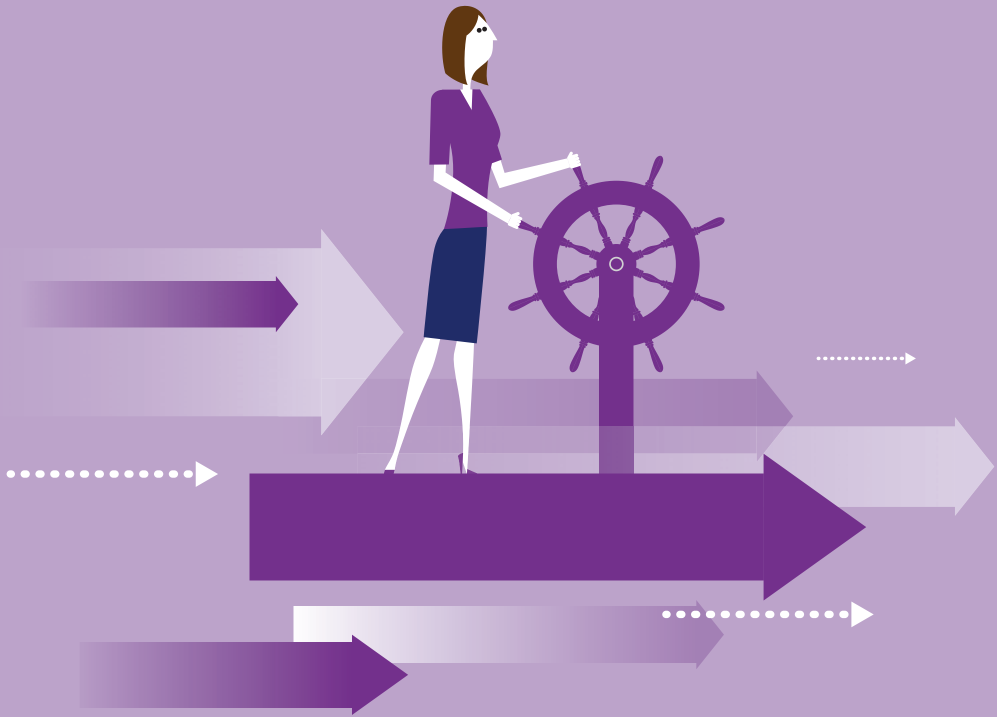
Wednesday 5 April 2023 sees the end of the current tax year. Following the Chancellor's plans to freeze and in some cases reduce tax-free allowances it's even more important to think about some timely tax planning.

Inflation concerns, the increasing public services budget combined with the ongoing recovery of Covid-19 costs has resulted in Jeremy Hunt using the tactic of not increasing allowances in order to raise additional tax income. The Scottish Parliament has followed suit, both freezing and reducing tax thresholds as well as increasing income tax rates.

In addition, allowances for Capital Gains Tax and dividends are being halved for the 23/24 tax year, and then halved again from April 2024.

Before we reach this year's April deadline, we would encourage everyone to take some time to review how you can make the most of current allowances. Acting now may give you the opportunity to take advantage of existing reliefs and exemptions before they are lost.

This brochure outlines a summary of the main allowances that are available. However, as everyone's situation is unique, we recommend that you get in touch with one of our financial advisers if you would like further information about how they might impact you specifically.



An ideal way of dipping your toe in the Investment Waters...

ISAs

ISAs remain one of the most straightforward and tax efficient ways of investing and are an ideal way to 'dip your toe in the water' if you are starting your investment journey. Returns from an ISA are tax free. In the current tax year individuals can invest up to £20,000 in either a cash or a stocks & shares ISA, or a mixture of both.

You can also provide a nest egg for your children or grandchildren by investing in a Junior ISA, which they can either access or convert to an adult ISA when they are 18. A Junior ISA must be opened by a parent or guardian but anyone can contribute to it and the allowance is £9,000 per child.

Since 2017 a Lifetime ISA (LISA) has been available as a flexible way to save towards a first home or retirement. You must be aged between 18 and 40 to open a LISA and you can pay into it until you are 50. You can save up to a maximum of £4,000 per tax year to which the government adds a 25% top up. If you use the full LISA allowance you can still use your remaining £16,000 ISA allowance elsewhere.

Remember ISA allowances cannot be carried forward past 5 April, so use it or lose it!

For more information or to arrange a no obligation appointment with one of our advisers, call us today on 01289 306688.

...even if you are not earning you can still make pensions contributions...

Pensions

Pensions allow your money to grow free of tax, you can access them once you are 55, they are outside of your estate for inheritance tax planning and can be passed down the generations. Most people under 75 years old get Income Tax relief on pension contributions up to the annual allowance, which makes them one of the best ways to save for retirement.

For 2022/23 you can generally contribute £40,000 gross or 100% of your earnings (whichever is lower). As well as receiving a 20% top-up from the government on any net personal contributions you make, you may also be able to reduce the amount of income tax you pay by extending your basic rate band and/or reinstating your personal allowance. And, by making calculated pension contributions, families with a parent who has income in excess of £50,000 may be able to claw back child benefit payments lost to the high income child benefit charge which was introduced in 2013.

For business owners, extracting profits as a pension contribution can be a good way of saving tax and National Insurance liabilities for yourself and the business.

It is worth remembering that even if you are not earning you can still contribute up to £2,880 (topped up to £3,600 by the government) into a pension. Or you could use this tool to make contributions for a family member who does not have relevant earnings.

It is also possible to carry forward any unused allowances from the past three years and use these to increase the current year's annual allowance - an option that is certainly worth considering while it is still available.

There is a lot to consider when making decisions about pensions and we would advise taking financial advice to make the most of the existing opportunities.

For more information or to arrange a no obligation appointment with one of our advisers, call us today on 01289 306688.

Act now before allowances are halved...

Use Your Annual Tax Allowances

In the Autumn Statement the Chancellor announced that the Capital Gains Tax (CGT) allowance, currently at £12,300, will be reduced to £6,000 from April 2023. This figure will be halved again to £3,000 from April 2024. If you have plans to sell or gift any assets in the near future, you should consider timing the 'disposal' of your assets before the CGT allowance is cut. Remember assets can be transferred between married or civil partners, so it makes sense to maximise the use of each partner's individual allowance before these are reduced. You may also want to consider using this years higher CGT allowance to convert holdings to an ISA.

If you are a basic rate taxpayer you are able to transfer part of your spouse's personal allowance to yourself provided your spouse earns less than £12,570, giving tax relief of up to £252. This is known as Marriage Allowance and can be claimed through the HMRC website.

If you run your own business through a limited company, the first £2,000 of dividends that you draw is tax free, irrespective of other income.

The personal savings allowance is £1,000 of tax-free interest for basic rate taxpayers, and £500 for higher rate taxpayers. There is no allowance for those paying tax at 45%.

Two further £1,000 tax-free allowances are available; one for property and the other for miscellaneous trading income.

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...identify opportunities for passing on wealth.

Inheritance Tax (IHT)

Every individual can make gifts of up to £3,000 per year exempt from IHT. This exemption can be carried over for one tax year only, providing a couple the potential to give up to £12,000 out of their estate in this tax year without any liability. You can also make multiple smaller gifts of £250 to anyone or regular gifts out of your income, as long as this does not impact your standard of living. In addition, you can make IHT-exempt gifts to a relative or friend getting married or entering a civil partnership; the amount exempt depends on your relationship to the couple.

It is possible to make larger gifts over and above the exemptions mentioned, but the giver needs to live for seven years for them to be completely free of IHT.

We regularly provide succession planning and inheritance tax reports to help our clients identify opportunities for passing wealth down through the generations.

For more information or to arrange a no obligation appointment with one of our advisers, call us today on 01289 306688.

...the government encourages people to invest in small and start-up UK companies...

Other Tax Efficient Investments

There are other investment options that are time limited and have tax incentives, where you can receive an income tax reduction of up to 30% of the investment value on Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCT), or even 50% on Seed Enterprise Investment Schemes (SEIS).

These are all schemes where the government encourages people to invest in small and start-up UK companies by offering them, as well as the income tax reduction, incentives such as roll over relief of capital gains (EIS, SEIS), exemption from IHT tax after just 2 years (EIS, SEIS) and tax-free dividends.

For more information or to arrange a no obligation appointment with one of our advisers, call us today on 01289 306688.

Have you recorded Gift Aid on your tax return?

Gift Aid Donations

If you are a UK taxpayer and make a charitable donation via Gift Aid, the charity is able to claim an extra 25p for every £1 you give. This doesn't cost you extra, Gift Aid assumes that the money has been already been taxed at the standard rate.

However, if you are a higher or an additional rate taxpayer you are eligible to receive a further 20% or 25% of the grossed-up donation as a reduction in your tax liability (21% or 26% if you are a Scottish resident). Therefore, it makes sense for the person in the family with the highest marginal tax rate to make any Gift Aid payments and record them on their tax return.

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In summary...

...prior to 5 April we would advise everyone to consider all the tax-saving and investment opportunities available to them. With growing pressure on the government to increase tax revenues to combat ongoing economic challenges, there's a great deal of uncertainty around how wealth will be taxed in the future. The halving of CGT allowances may be an indication of more stealth taxes to come.

The majority of allowances work on an annual basis, so it is always wise to plan ahead and this year more than ever it is a case of act now and use it or lose it!

Greaves West & Ayre has an expert Wealth Management division supported by a large team of experienced accountants and tax specialists.

We are in an ideal position to review your financial situation and offer independent advice, so please get in touch on 01289 306688.

Please be aware that your capital will be at risk when you invest, and that you may get back less than you invested. This brochure does not constitute financial advice, so before acting upon it the reader should always take appropriate financial advice.