carbon
WRITING YOUR LIFE STORY

END OF TAX YEAR ACTIONS: A CHECKLIST

It doesn't feel like long ago we were packing away our Christmas tree and moving into a new year with a list of resolutions but we are now swiftly moving into 'tax year end' season. Our clients will have already had conversations about this with their planner, but here is a useful checklist of the allowances available before the end of the tax year on 5th April 2023:

- ☑ **ISA Subscriptions:** A real 'use it or lose it' allowance of £20,000 per person in each tax year, giving you freedom from Income and Capital Gains Tax, allowing your money to grow and be withdrawn tax free. 'Stocks and shares' ISAs are our general preference for long term money to provide real growth and take advantage of the tax benefits but if you are not in a position to commit longer term, consider a 'cash' ISA which can be transferred to a 'stocks and shares' ISA in the future. Lifetime ISAs can be used to purchase a first home or save for later life if you are over age 18 and under 40. You can put in £4,000 (this counts towards your total £20,000 allowance) each year until age 50 and the government will add 25% bonus.

- ☑ **Annual Gift Exemption for Inheritance Tax:** For those seeking to gift monies to their family, you can reduce the value of your estate for Inheritance Tax (IHT) purposes with the £3,000 gift allowance, and you can use last year's allowance too, if not used already. There are also birthday and Christmas gift allowances for family members and gifts out of normal expenditure allowances to consider. See our blog from last year on the basics of IHT: Life & Legacy Blog - Part 2: Legacy, and reducing Inheritance Tax - Carbon Financial

- ☑ **Investments for children:** You can make pension contributions for children or grandchildren of up to £3,600 each and subscribe up to £9,000 each into Junior ISAs. For details regarding investments for children see our recent blog: Tax-free investments and free government money for children - Carbon Financial

- ☑ **Using Capital Gains Tax Allowance:** Capital gains is likely to be more of an issue in future years as the exemption reduces from £12,300 this year to £6,000 next year and £3,000 the year after. It might be worth considering selling taxable assets for next years ISA allowance as well as this years to make use of the last year of capital gains exemtption of £12,300. Alternatively, is now the time to sell those old shares or that fund that you've never quite got round to dealing with? It's very likely that some/more tax will payable if you defer into future years.

More on page 2

Please get in touch with your planner, call us on **0131 2200 000** or email **enquiries@carbonfinancial.co.uk** as soon as you can should you wish to consider any of the above.

Remember the deadline is 5th April and any action would need to be considered well before this deadline.

carbon
WRITING YOUR LIFE STORY

END OF TAX YEAR ACTIONS: A CHECKLIST CONTINUED

- **Pension contributions:** You can save up to £40,000 or your total pensionable income, whatever is lower into a pension each year. A 'carry forward' rule allows you to bring forward any unused allowances from the previous 3 tax years which could increase your allowance to £160,000 if your earnings are high enough. Even non earners can make contributions of up to £3,600 and secure tax relief (you contribute £2,880 and tax relief tops this up to £3,600 automatically). For those with a high income (£200,000+) remember taper relief can reduce the amount you are (effectively) permitted to contribute. You pension lifetime allowance should also be considered when making large contributions. Those with pension protection (please speak to us for further information) should not make any contributions without very seriously considering the consequences. Business owners can make employer contributions from their business to their pension (please always check with your accountant as it needs to have been earned). An additional benefit to this is corporation tax relief on contributions, speak to us about whether doing this now or after April is the best option given corporation tax will increase from 19% to 25% next tax year.

- **Making withdrawals to fund retirement:** It may be worth considering taking more than you need in this tax year in order to make use of your income tax and capital gains tax exemptions. Building a tax efficient retirement income is a key aspect of our annual service.

Other considerations:

- **Income tax:** We all have £12,570 personal allowance at 0% income tax which can be filled up by pension income or other taxable income. At the higher end, you lose your personal allowance by £1 for every £2 your net income is above £100,000, an effective rate of tax of 60% (40% higher rate plus loss of tax free personal allowance). Pension contributions and charitable donations are useful ways to reduce your net income to regain some of this.
- **Dividend tax:** Remember that each of us have a dividend allowance of £2,000 each year, reducing to £1,000 next year and £500 the year after.
- **Personal savings allowance:** Basic rate tax payers have an allowance of £1,000, higher rate reduces to £500 and additional rate taxpayers lose this allowance altogether.
- **EIS, SEIS and VCT:** These are government initiatives designed to assist small to medium sized enterprises which each have unique and very beneficial tax incentives across Income tax, Capital Gains tax and Inheritance tax. The increased investment risk of these type of investments must be considered along with the tax opportunities that they present.
- **State pension rule changes:** The transitional rules allowing you plug your National Insurance record gaps is ending on 5th April 2023, reverting back to the normal 6 year rule. Please see our recent blog on the matter: State Pension what is it and what is changing in April 2023

Please get in touch with your planner, call us on **0131 2200 000** or email **enquiries@carbonfinancial.co.uk** as soon as you can should you wish to consider any of the above.

Remember the deadline is 5th April and any action would need to be considered well before this deadline.