TAX YEAR END
PLANNING CHECKLIST

STUART REILLY Independent Financial Adviser

With January behind us, it is time to start thinking about utilising your tax allowances.

The Treasury has a large deficit to make up and although taxes may not have increased, the combination of inflation and the Chancellor's freeze on allowances may mean that you will find yourself paying more to the taxman.

But there are ways to reduce the share of your money that the government can take:

Income tax

If you reduce your taxable income to below £150,000 you avoid 45% (or additional rate) tax, while reducing income below £ 50,271 will take you out of higher rate (40%) tax and into basic rate at just 20%.

Increasing Pension contributions is one of the simplest ways to reduce your taxable income. Paying more into your pension is usually a good idea as long as you do not exceed the £40,000 annual limit, especially as instead of taking your money, the taxman starts contributing with you.

For high earners, the personal allowance reduces by £1 for every £2 for those with adjusted net income in excess of £100,000. This means there will be no personal allowance available once adjusted net income exceeds £125,140. Making extra pension contributions not only increases pension provision, but for those who may be subject to a reduced personal allowance a personal pension contribution could claw back some of this allowance giving an additional tax saving.

Capital gains tax

Capital gains tax planning may make it possible to reduce your tax obligation by carefully timing the disposal of an asset. Correctly done, this can help maximise use of this year's annual exemption (currently £12,300). Any amount unused cannot be carried forward – it is a case of use it or lose it.

Savings and investments

Savings income and dividends from investment can both be liable to tax, but there are some simple ways to reduce your tax liabilities, or even eliminate them altogether.

Are you making full use of your personal savings allowance? This is £1,000 for a basic rate taxpayer and £500 for anyone who pays higher rate tax. This means that married couples and civil partners have a maximum of £2000 between them.

You can mitigate your tax by protecting your investments with an ISA. You have a £20,000 ISA entitlement this tax year and another after April, meaning that a couple can protect up to £80,000 of investment from the taxman by arranging ISAs at the right time.

Pensions

Because of its special tax status, a pension is a particularly attractive investment and it makes very good sense for most people to use their pension entitlement to the full. This is subject to an annual allowance of £40,000 and a lifetime allowance of, currently £1,073,100. You will usually pay tax if your pension pots are worth more than the lifetime allowance, so it makes sense to look closely at your current pension pot and ensure that you are still within the allowance.

Inheritance tax

You may not have to pay inheritance tax on your estate, but your loved ones probably will.

Anything you can do to reduce the value of your estate will reduce the amount the taxman can help himself to on your death.

You can make gifts of up to £3,000 each tax year as part of an annual exemption. If you have income that is surplus to your needs, you could also make regular gifts from this income.

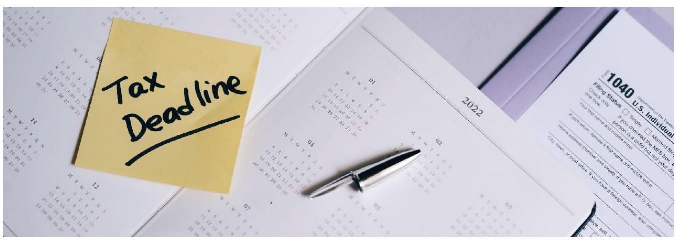
However this is subject to current HMRC legislation.

You could also pay premiums into a whole of life policy in trust to provide for any inheritance tax liability.

Getting some expert help

Managing tax is inevitably difficult, thanks to the mountain of legislation that has built up over the years.

> At Continuum we have the expertise you need, so please contact me now to assist.



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STUART REILLY Independent Financial Adviser

T: 0345 643 0770 **E:** wealth@mycontinuum.co.uk

www.mycontinuum.co.uk

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