Fiske

Year-end tax planning 2023/24

What to think about

With the financial year-end rapidly approaching, there are a few jobs that you may need to consider before midnight on April 5th – especially since it falls just after Easter and you might rather be concentrating on other things at that point. Hopefully, this document will help you avoid a last-minute rush.

Why is year-end tax planning important?

Every individual has certain tax reliefs and allowances associated with their earnings, savings and investments. By maximising these opportunities, you can pay less tax, pass on your wealth more efficiently and potentially retire earlier.

The allowances are reset at the start of every tax year, and – although there are some carry-forward opportunities – the general rule is 'Use them or lose them'. Year-end tax planning will help ensure you do not pay any more tax than you need to.

Make the most of your ISA allowance

It pays to use as much of your ISA allowance as possible, because any returns are free from Capital Gains Tax and income tax.

If you already have one or more ISAs, you can maximise the benefits of your savings by investing up to £20,000 in an Adult ISA (ISA) and up to £9,000 in a Junior ISA (JISA).

If you do not have an ISA yet and have a significant amount of cash to save or invest, you should invest what you can before the end of the tax year to make the most of your 2023/24 allowance – because you cannot carry it over.

There are a couple of choices. Stocks & shares ISAs are the usual option for longer-term investment (five years or more), while cash ISAs – which are looking more attractive now that interest rates are increasing – are suitable for money you might want to get hold of sooner. If you are unsure how to invest, you can put your money into a cash ISA now and transfer it to a stocks & shares ISA later.

Spread the money around if you have a lot in cash ISAs. There is a risk if you hold more than £85,000 in an individual bank or building society, as this is the limit of cover for each licensed UK financial institution.

If you are a parent or grandparent, consider opening a JISA for your children or grandchildren. The money is locked in until they are 18, and it is a way of enabling them to own shares.

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‘Max out’ on your pension

Most people can invest up to £60,000 in a pension for the tax year 2023-24, although this can be reduced for those earning more than £260,000 per annum. Your contributions qualify for income tax relief, which means the government pays extra money into your pension. This is why pensions are hard to beat as an investment. You can pay in a lump sum if you wish.

20%

If you are a basic-rate taxpayer, you will get 20% tax relief
This means every £1 you pay in becomes £1.25 (because £1.25 taxed at 20% would become £1).

40%

If you are a higher-rate taxpayer, you will get 40% tax relief
This means every £1 you pay in becomes £1.66. The 20% tax relief will be paid automatically, but you will need to claim the rest via your tax return. It may be worth speaking to an accountant about this.

Unlike with ISA contributions, it may be possible to carry forward pension contributions for up to three years if you do not use your full personal allowance in a single tax year. This means you can still take advantage of the tax benefits. We recommend you seek professional advice to be sure of your personal position.

The pension lifetime allowance (LTA) charge was removed on 6 April 2023.

In the tax year 2023-24 certain pension benefits will be tested against the LTA (£1,073,100) and could be taxed at your marginal rate of income tax.

The LTA will be abolished completely in April 2024.

The tax associated with pensions is complex, and you should speak to a tax adviser for more clarification.

Capital Gains Tax

The Capital Gains Tax (CGT) allowance is currently £6,000. It will fall to £3,000 from April 6th 2024, so now is a good time to use your allowance if you have investments that will result in a capital gain.

You could consider transferring assets between spouses or civil partners to make use of your combined allowances.

Don’t forget about your tax-free dividend allowance

If you hold stocks and shares outside of an ISA, you can make the most of tax allowances on dividends. Up to £1,000 of income from dividends incurs no tax, but this allowance will drop to £500 at the start of the new tax year.

Give money away

You can use gifting to reduce inheritance tax (IHT) and preserve family wealth.

Each individual can give away up to £3,000 each year. You can carry forward any unused gift allowance from the previous year.

Higher-rate taxpayers can claim income tax relief against their Gift Aid when donating to registered charities and Community Amateur Sports Clubs (CASCs). They can claim relief at 20% (and additional-rate taxpayers at 25%) of the gross value of the donations, while the charitable organisation can reclaim the basic rate of tax.

Claim for business expenses

Ensure you claim for tax relief on business expenses. It is available for things such as membership of a professional body, working-from-home expenses and use of transport for business reasons.

Could you make more from your investment strategies?

Higher-risk, tax-efficient investments that may give higher returns include Venture Capital Trusts (VCTs), the Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS). These government initiatives are designed to encourage investment in early-stage businesses. As an investor, you can benefit from various tax reliefs. You will need to speak to a professional adviser before investing in one of these schemes, which are most suitable for high-net-worth individuals who can sustain the loss of the capital they have invested.

Reduce your taxable income

Consider taking action to reduce taxable income if you expect to earn between £100,000 and £125,140, as you will be taxed at a marginal rate of 60% on income in this range. Many people pay more into their pension, while those with a higher risk appetite may invest in a VCT, the EIS or the SEIS.

Keep hold of your child benefit payments

If possible, consider switching income from one spouse to another so that you both remain below the £50,000 threshold for High Income Child Benefit Charge.

Consult and review

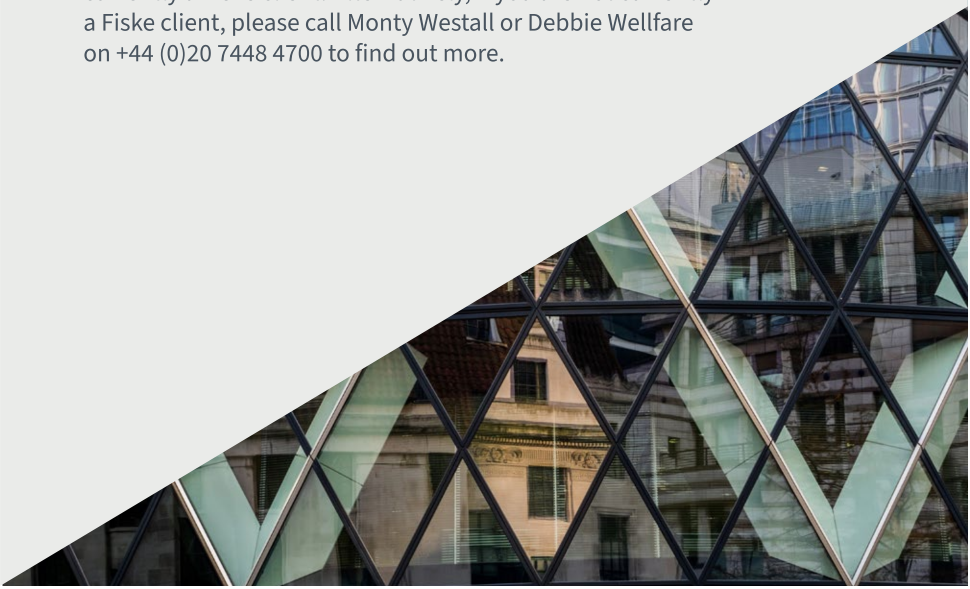
Sensible tax planning can save you thousands of pounds. But this is also a good time to review how your money is invested, since financial and tax planning is often about making prudent compromises.

If you have too much in cash, you are likely to suffer inflation risk. If you have too much in high-risk assets, you may jeopardise your financial future.

It is worth taking advice if you have significant assets. You should review your finances at least annually.

We are always happy to talk with investors about how to invest wisely and appropriately, and our financial planner can advise on how to manage issues such as inheritance tax and breaching the lifetime allowance.

Please contact your Fiske Investment Manager if you are currently a Fiske client. Alternatively, if you are not currently a Fiske client, please call Monty Westall or Debbie Wellfare on +44 (0)20 7448 4700 to find out more.



Tax year-end checklist

- [ ] If you have not used your full £20,000 ISA allowance for 2023/24, top up by April 5th 2024.
- [ ] Have your children used their full JISA allowance of £9,000 for 2023/24? If not, make contributions on their behalf or encourage grandparents to make gifts before April 5th 2024.
- [ ] Have you contributed the maximum amount (up to £60,000) into a pension plan in 2023/24 and used up any available annual allowance carry-forward?
- [ ] If your income is close to £100,000 and you are in danger of losing your tax-free personal allowances, think about upping your pension contributions.
- [ ] Have you considered using your allowances for the EIS (£1 million), VCTs (£200,000) and/or the SEIS (£200,000)?
- [ ] Have you and/or your spouse or civil partner used your full annual CGT exemption for 2023/24? Consider transferring an asset into joint names so you can both use your individual allowance when you come to sell the asset.
- [ ] Have you used your annual IHT gifting exemptions of £3,000 for 2023/24 and 2022/23?
- [ ] Do you have an up-to-date will?
- [ ] Get your pension checked to see if you can protect your fund if it is likely to exceed £1 million.
- [ ] Set up a JISA or pension for your grandchildren and thus improve your IHT position.
- [ ] If you are making gifts to charity, ensure they are made by April 5th 2024 so that you will get tax relief at your highest rate.

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