



# END OF YEAR TAX PLANNING

*If you don't use it, you lose it.*

As the end of the tax year approaches, it's important to review if you have taken full advantage of the tax breaks and shelters available.

There are plenty to make use of. One of the most popular is the ISA allowance, which is £20,000. This allowance cannot be rolled over into next year. If you don't use it, you lose it. Be sure to use the maximum of this year's allowance before the use-by date of April 5, 2022.





## WHY MAX OUT AN ISA?

The tax-free allowance renews every April, so you might wonder if you should bother using up the existing years' allowance.

By taking full advantage of the tax-free allowance you could potentially grow a savings pot worth hundreds of thousands of pounds over time – there's no limit to how much the value of your investment ISA can grow. In fact there are now 2,000 ISA millionaires in the UK<sup>1</sup> according to new data. The top 60 have pots averaging a whopping £6.2 million.

The investors in this sought-after club will have had a combination of maxing out their ISA allowance each year but also some very generous investment returns.

A Junior ISA allowance of £9,000 this year is available for children up to 18 years of age. As with other ISAs, everything you put into a "JISA" is exempt from any further income tax or capital gains tax. The benefit of using a "JISA" is that by gifting money to your children, you're removing money from your own estate, which could help cut back the amount of Inheritance Tax payable on your estate when you pass away. To ensure you get the most out of the benefits of a "JISA", you will have to do so before April 5, 2022.

## INHERITANCE TAX (IHT) PLANNING

One of the most straightforward ways to support family members is to give away assets while you are still alive. This can be done in a manner to minimise inheritance tax (IHT) for loved ones. For example, using the various exemptions such as the 'annual exemption' allows individuals to give financial gifts, tax-free, to the value of £3,000. You can also give £250 to any number of people every year, though you can't combine it with your annual £3,000 gift.

£3,000

£6,000

£12,000

### MAKE SURE TO USE YOUR ALLOWANCE:

- The amount you can give each year is £3,000
- This is per person so you and partner can give a combined total of £6,000
- The allowance can be carried over for one year, so if you haven't used last year's, this year you can give a combined total of £12,000
- The gifting allowance deadline for this tax year is 5 April 2022



## VCT TAX RULES AND RELIEF

VCTs offer several tax benefits to encourage investment into higher risk companies. These tax benefits make VCTs popular among higher and additional-rate taxpayers. Investors are entitled to claim 30% Income Tax credit on Investments of up to £200,000 each year when they buy shares in a new VCT share offer.

## MAKING THE MOST OF YOUR PENSION

To go right back to basics; a pension isn't an investment in itself. It is a tax-efficient pension pot where investors can place a portfolio of investments. The beauty of a pension is that money invested inside this so-called tax-wrapper grows free of capital gains tax and income tax.

A Self-Invested Personal Pensions (SIPPs) offers tax relief on contributions. All taxpayers get 20% paid by HMRC to the pension and if you pay income tax at a higher or additional rate you can claim relief from HMRC on your self-assessment tax return.

**£40,000**

Up to £40,000 a year can be put into a pension. If you go over the limit you won't get tax relief on further pension contributions.

## CARRY YOUR PENSION ALLOWANCE FORWARD

If you do not use all your allowance in one year, you can defer it for up to three years. The cut-off date effective for the 2018-19 taxation year is April 5, 2022.

The cut-off date for your pension annual allowances this tax year is 5 April 2022.



## CAPITAL GAINS TAX

Capital gains tax (or CGT) is very complex to understand, so it's no wonder that people fall into the trap of paying too much or end up being penalised for not paying when they should. You're liable for CGT when you sell an asset at a profit. This could range from a second home to shares or valuables such as jewellery or antiques. The first £12,300 of capital gains per financial year are tax free. Speak to your financial adviser to find out more about CGT and how you could potentially reduce your bill.

## WHAT TO DO NEXT...

The deadline for the tax relief and allowances noted above is April 5, 2022. Don't let them pass, contact your adviser to find out how you can take full advantage of the tax allowances before the end of the tax year.

**GET IN TOUCH: 01223 869030**

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HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Source: <sup>1</sup> <https://investingreviews.co.uk/blog/uk-has-2000-isa-millionaires/>