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# Could you save tax ahead of the 5 April year end?

SAMPLE

**As the end of the 2019/20 tax year approaches, businesses and individuals should aim to plan ahead in order to minimise their tax bills. Within this factsheet, we consider strategies for you to implement into your financial plan to ensure it is as tax-efficient as possible.**

## Use all available allowances

Make sure your personal financial plan is making the most of any allowances available to you.

Each individual is entitled to their own personal allowance (PA), which is set at £12,500 for 2019/20. However, PA clawback sees this reduced by £1 for every £2 that your adjusted net income is above £100,000. This means your PA is zero if your income is £125,000 or above.

As each spouse or civil partner is taxed separately, tax planning involves making the best use of the PA; the starting and basic rate tax band; the Savings Allowance; and the Dividend Allowance. The aim is to distribute income within the family to take maximum advantage of these. There is also the possibility of making gifts of assets to distribute income more evenly, but gifts must be outright and unconditional.

Part of the PA can be transferred between spouses and civil partners. The Marriage Allowance of £1,250 for 2019/20 can be transferred, but only where neither spouse/civil partner pays tax at the higher rate.

### Take note!

Transferring just £1,000 of savings income from a higher rate (40%) tax-paying spouse or civil partner, who has used their Savings Allowance in full, to a basic rate spouse or civil partner with no other savings income may save up to £400 a year.

## Review your retirement plans

Planning is vital for those aiming to enjoy a comfortable retirement, and pensions provide a significant opportunity. The annual allowance (AA) – the maximum you can contribute to a pension and still get tax relief – is £40,000. Exceeding this can result in an AA clawback charge.

Those with both net income over £110,000 and adjusted annual income (their income plus their own pension contributions and their employer's pension contributions) over £150,000 will see their AA tapered. For every £2 of adjusted income over £150,000, a taxpayer's AA is reduced by £1, to a minimum of £10,000. The 'unused relief' is brought forward where pension savings in any of the last three years' pension input periods (PIPs) were less than the AA. This can be used in 2019/20, providing the means of making a significant contribution without incurring a charge.

Meanwhile, the lifetime allowance for tax-advantaged pension savings is £1,055,000 in 2019/20. A tax charge arises where total pension savings exceed the lifetime allowance at retirement, provided that fixed, primary or enhanced protection is not available.

Please contact us for advice tailored to your circumstances.

### Use savings vehicles

The Savings Allowance means a certain amount of savings income, such as bank and building society interest, can be earned tax-free. In 2019/20, this is up to £1,000 for basic rate taxpayers; up to £500 for those paying at higher rate; and nil for additional rate taxpayers.

ISAs are a popular investment. Savings held within an ISA are free of income tax and capital gains tax (CGT). Investments must be made by 5 April 2020 to take advantage of limits for 2019/20. The maximum you can save is £20,000 in 2019/20.

## Beware property sales snag

**Don't get caught out when relief from capital CGT changes**

This year will see changes to the Principal Private Residence Relief (PPRR) exemption that keeps many residential property sales outside of the scope of CGT. The reduction in the time limit for PPRR means that, although CGT has not usually been paid on the sale of homes in the past, more sellers may get caught in the future.

From 6 April 2020, the final period exemption is cut to nine months from the current period of 18 months. This is expected to widen the CGT net considerably. We recommend that from 6 April, anyone buying a new main residence before the sale of a previous main residence looks to sell within nine months to avoid CGT consequences.

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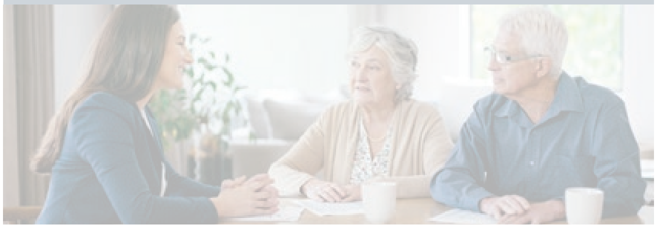
### Take note!

Employees and directors pay tax on the provision of a company car, as well as on the provision of fuel for private mileage. Employers pay Class 1A national insurance contributions (NICs) at 13.8% on the same amount.

## Make use of IHT exemptions



It is important to take steps to minimise your inheritance tax (IHT) burden. Making use of IHT exemptions may be beneficial to you in the long-term. Below we highlight some steps for you to consider.

**Outlining IHT**

…payable at 40% where a person's taxable estate is in …wn as the nil-rate band. An estate includes …sets held at death, plus the value of …within seven years of death.

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**These are just some of the areas where we can provide advice on ways to minimise your tax bill. Others include claiming expenses and capital allowances for your business. If you require further support or advice, please do not hesitate to contact us.**

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