



Tax Year End Planning November 2018

Autumn Budget

Having recently shifted the Budget from spring to autumn the chancellor brought this year's date further forward to the end of October in order to clear the calendar for Brexit legislation.

His budget was notable for its lack of eye-catching announcements.

Fortunately, that meant there were also few tax increases - and where they did occur they were aimed at companies not households. The chancellor focused on trying to stimulate growth through enterprise and intellectual property, notably targeting big digital companies without wanting to hit tech start-ups.

With pensions, savings and estate planning largely untouched (for now), we see this reprieve as a good opportunity to make the most of the tax allowances that already exist. While Mr Hammond avoided the temptation to tinker with the tax system, it might not last long. The huge uncertainty over precisely how the UK will leave the European Union (or if it will leave) means the chancellor specifically said he may have to upgrade the Spring Statement to a full budget.

Benefit from valuable tax breaks, while you still can

Aside from an increase in the tax-free personal allowance and higher-rate tax threshold there were no major tax announcements for individuals. This makes it an opportune time to make the most of valuable tax allowances, reliefs and exemptions that already exist - especially as this could be a short-term window of opportunity, with just four months to go to Brexit and five months to the end of the tax year.

Individual Savings Accounts 'ISA's'

This year adults can put up to £20,000 a year into ISA's (so for a couple that is £40,000) and up to £4,260 a year into a Junior ISA for a child. The adult ISA annual subscription limit for 2019-20 will remain unchanged at £20,000. The annual subscription limit for Junior ISA's for 2019-20 will be increased in line with CPI to £4,368.

Pensions

The chancellor recently described pension tax relief as “eye-wateringly expensive” prompting speculation that he could be about to do something radical with pensions. Notably, the chancellor didn't even talk about pensions in the Budget speech, though there is little doubt that he or a future chancellor will be tempted to take another look at pensions in the future.

Currently, employer contributions to pension schemes are made out of income before tax and national insurance is deducted up to an annual limit of £40,000.

The annual allowance is tapered for those with adjusted income of over £150,000. The £40,000 allowance goes down by £1 for every £2 of income above £150,000 until it reaches a lower limit of £10,000. The complexity of the system means there is the danger that higher earners might breach their annual allowance unwittingly, landing themselves with a bill even though they are only trying to do the right thing and save for their future.

Inheritance Tax

Earlier this year, the chancellor asked the Office of Tax Simplification to review the level of complexity in the current inheritance tax system. Simplifications may reduce the reliefs and allowances which are currently available.

There are a number of annual gift allowances which you lose if you don't make use of them before the tax year end. For example, you can give away £3,000 each year and this will not be subject to inheritance tax. You can give as many gifts of up to £250 per person as you want during a tax year, as long as you haven't used another exemption on the same person.

If a gift is regular, comes out of your income and does not affect your standard of living, any amount of money can be given away and ignored for inheritance tax. It is also possible to make further tax-free gifts - potentially exempt transfers - but you have to survive for seven years after making the gift to get the full benefit of it being outside of your estate for inheritance tax purposes.

Summary

So, perhaps this year more than most, it is important that you do not to delay making the most of the tax breaks while you still can - the sooner you claim and secure them the better. If you would like our help and advice please contact us on 028 9099 6164.

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