

YEAR END TAX PLANNING

**ACT
BEFORE
5TH APRIL
2020**

The current situation is no reason why you should forget some that the end of the tax year is fast approaching. Paul Southward reminds you that whilst you may have seen your investments drop following the recent stock market falls, this is no excuse for not considering how you may make some tax savings.

Make sure you make the most of your tax allowances

All taxpayers apart from those whose taxable income exceeds £100k are entitled to the personal allowance of £12,500.

Where income exceeds £100,000, the personal allowance is reduced by £1 for every £2 of extra income. If your income falls into the region of £100,000 to £125,000, the tax rate on income in excess of £100k can be a whacking 60%. You should consider whether you can reduce your income to £100k or below.

Organise your finances to make the most of the other smaller allowances available. The personal savings allowance entitles basic rate taxpayers to a tax-free sum of £1,000 and higher rate taxpayers get £500. Taxpayers charged at the highest rate of 45% are not entitled to this allowance.

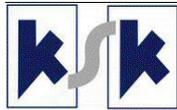
The dividend tax allowance provides 100% tax relief on dividend income up to £2,000, dividend income above this is taxed at 7.5% up to the basic rate threshold, 32.5% and 38.5% on the higher rates.

For some married couples and civil partnerships, a tax saving of up to £250 may be available. For entitlement, one partner must earn less than £12,500 and the other must be a basic rate taxpayer. 10% of the personal allowance can be transferred to the higher earner, saving up to £250 in tax.

Tax-Free Savings

Don't forget your ISA tax free savings planning. Whilst the current investment climate may seem unsettling, investment planning basics remain the same: keep your investment portfolio diversified, take advantage of any tax breaks and stick with a long-term strategy.

You can invest up to £20k per year into an ISA spread as you wish across deposits and stocks and shares. Your ISA investments grow tax-free for both income tax and capital gains tax and there is no tax on withdrawal. Don't forget Junior ISA's for children and grandchildren; you can save £4,638 in the current tax year and this rises to £9,000 for 2020/21.



Capital Gains Tax (CGT) Planning

The annual CGT allowance of £12,000 is not available to carry forward, if you don't use it, you lose it.

CGT on residential properties is charged at 10% for basic rate taxpayers and 20% for higher rate taxpayers (18% and 28% on residential properties). Review your assets and investment portfolios to see if you can make a disposal to use your allowance. Married couples may be able to transfer assets between spouses to maximise tax savings.

Next year's CGT annual exemption will be £12,300, you may be able to spread disposals across the two tax years to claim across two tax years.

The tax on any CGT disposals in the tax year 2019/20 will not be due for payment until 31st January 2021.

For disposals of residential properties after 5th April 2020; note the new rules for filing CGT returns online and paying the tax within 30 days of the disposal.

Inheritance Tax (IHT) Planning

The Nil-Rate band for IHT is £325,000 and an extra £150,000 may be available where an estate consists of a personal residence that is being passed on to children or grandchildren.

Generally, gifts of any value can be made free of IHT provided that you survive for seven years from the date of the gift. You may need to consider the possibility of CGT charges as gifts are treated as being made at full market value. However, if assets are currently valued at a loss, this may be an ideal opportunity for passing across wealth tax free, with the prospect of future growth when markets recover.

Don't forget the smaller IHT gift exemptions and if you are in the fortunate position of having income in excess of your requirements, you may be able to make regular gifts out of income. IHT planning is one of the more complex areas of tax planning and I do recommend you seek advice. We at Keens Shay Keens are always happy to assist you with IHT planning and any other queries you may have.

Pension Planning

Even in these extraordinary times, it is still important to plan for the future and tax relief for pension investments remains generous. Apart from the highest rate taxpayers, most people have an annual pension allowance of up to £40,000. This is another complex area and advice should be sought as appropriate. We are always happy to help.

You can contact me or your usual KSK contact for further information.

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