CHARTERED FINANCIAL PLANNERS

GUIDE TO

YEAR END TAX PLANNING 2018/19

KEY TAX AND FINANCIAL PLANNING TIPS

MARCH 2019

TFP Financial Planning Ltd, 65B High Street, Maldon, Essex CM9 5EP
T: 01621 851563 **F:** 01621 851564 **E:** admin@tfp-fp.com

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Key tax and financial planning tips

When it comes to tax, leaving important planning to the end of the tax year can cost thousands. So now is your last chance to get your tax affairs in order before the end of the 2018/19 tax year. We've provided a summary and tips for some of the key tax and financial planning areas which may be appropriate to certain taxpayers and should be considered prior to the end of the tax year on Friday 5 April 2019.

Tax planning might not sound very exciting, but it can have a dramatic effect on your personal finances. The UK tax system offers many different tax reliefs and allowances for individuals. Reviewing your tax affairs to ensure that available reliefs and exemptions have been utilised, together with future planning, could help to reduce a potential tax bill.

Identifying any tax planning opportunities

Personal circumstances differ, so if you have any questions or if there is a particular area you are interested in, please do not hesitate to contact us. It is important to ensure that, if you have not done so already, you take the time to carry out a review of your tax and financial affairs to identify any tax planning opportunities and take action before it's too late.

Tips to help you get ahead on managing your tax affairs

INCOME TAX – if your income is nearing the different tax thresholds, you could reduce your tax liabilities by reducing your taxable income. There are a variety of ways this can be achieved, from changing income into non-taxable forms, making pension contributions and making tax-incentivised investments to making donations to charity.

TRANSFER INCOME-PRODUCING ASSETS – consider transferring income-producing assets to your spouse or registered civil partner in order to use the Income Tax personal allowance and lower Income Tax bands of the transferee.

PENSION CONTRIBUTIONS FOR SPOUSES AND CHILDREN – consider contributing up to £2,880 towards a pension for your non-earning spouse or children. The Government will add £720 on top – for free. If you're self-employed and not paying into a pension, this is perhaps the most important new tax year resolution you need to keep!

PENSION CONTRIBUTIONS – for those who have a pension in place, private or workplace, maximise contributions amount and tax relief. Take full advantage of increasing pension contributions by utilising the annual allowance, which is £40,000 (tapered if you earn over £150,000) or the value of your whole earnings – whichever is lower. Unused annual allowances may also be carried forward from the previous three tax years.

INDIVIDUAL SAVINGS ACCOUNTS (ISAs) – contribute to your ISA. The ISA allowance for 2018/19 remains at £20,000, but the Junior ISA allowance has increased slightly to £4,260 (for children under 18). If you're eligible, consider contributing up to £4,000 to a Lifetime ISA; however, there are penalties for early withdrawal. ISA allowances cannot be carried forward.

CAPITAL GAINS – use the capital gains annual exemption of £11,700 (2018/19) to realise gains tax-free. The allowance cannot be transferred between spouses or carried forward.

INVESTMENTS – consider making investments to reduce your tax exposure. If appropriate, there are various business investment schemes available, including The Enterprise Investment Scheme, Venture Capital Trusts and the Seed Enterprise Investment. Consider completing these sooner rather than later so that any tax repayment can potentially be made sooner, or

enabling the relief to be carried back to the previous tax year.

DIVIDEND TAX – if you currently receive annual dividend payments, the tax-free threshold changed from 6 April 2018. Now only the first £2,000 will be tax-exempt. Any dividend payments over the £2,000 limit will be taxed at 7.5% (basic rate), 32.5% (higher rate) and 38.1% (additional rate). The reduction in the dividend allowance will cost a basic rate taxpayer £225 a year, a higher rate taxpayer £975 a year and an additional rate taxpayer £1,143 a year.

REMUNERATION STRATEGY – if you run your own company, it's a good idea to determine your pay and benefits strategy sooner rather than later. For 2018/19, the dividend nil-rate band is reduced from £5,000 to only £2,000 – it's really important to consider the tax implications of your chosen approach to salary, benefits, pensions and dividends.

GIFTING – you can act at any time to help reduce a potential Inheritance Tax (IHT) bill when you're no longer around. Make use of the IHT annual exemption that allows you to give away £3,000 worth of gifts outside of your estate. If unused, the exemption can be carried forward one year.

RESIDENCE NIL-RATE BAND – this addition to the nil-rate band is worth up to £125,000 in 2018/19, rising to £175,000 in 2020/21. It is only available where your home is inherited by your direct descendants on your death, or where the property passes to certain types of trust. You may have to rewrite your Will so that the residence nil-rate band is available. It might be beneficial to repay mortgages secured against your home in order to maximise the relief. The relief is restricted if your estate is worth over £2 million on your death, so consider making some lifetime gifts to reduce the value of your estate below this threshold.

OVERPAYMENT AND CAPITAL LOSS CLAIMS – submit claims for overpaid tax and capital loss claims for the 2014/15 year before 5 April 2019, after which such claims will be time-barred.

LANDLORDS – for 2018/19, the restriction on deductibility of mortgage interest and other finance costs doubles from 25% to 50%. In future years, the restriction will apply to 75%, and then from April 2020, 100% of finance costs incurred by individual landlords.

PAYE tax code – check your PAYE tax code is correct when issued. HM Revenue & Customs (HMRC) may have included an estimate of your savings or investment income, based on the amounts received in an earlier year. Including this income in your code means you will pay tax on it earlier than if it was assessed through your self-assessment tax return. You can ask HMRC to remove this estimated income, and correct any other errors, through your online personal tax account. ■

LET'S TALK TAX

You may find that not every tip will be suitable for you or your business. However, where applicable, our tips are especially relevant to consider just before the end of the financial tax year. The tips we have provided are general in nature and should not be relied upon without seeking specific professional financial advice. To enable us to assist you with your own specific tax planning requirements, please do not hesitate to contact us – we look forward to hearing from you.

TIME TO TAKE STOCK OF YOUR FINANCES AND TAX POSITION?

Timing is often the key to successful outcomes when it comes to tax planning. The period leading up to the end of the tax year on 5 April 2019 is a prime time to take stock of your finances and tax position. There may be steps that will minimise your tax liability.

If you would like to review your situation or discuss the options available, please contact us for further information – we look forward to hearing from you.

Published by Goldmine Media Limited, Basepoint Innovation Centre, 110 Butterfield, Great Marlings, Luton, Bedfordshire LU2 8DL

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