

End of Year Tax Planning – 2018/19

Individual Savings Account (ISA) Allowances

The ISA Allowance for 2018/19 is £20,000 and will remain the same for 2019/20. The current Junior ISA Allowance of £4,260 increases slightly to £4,368 for 2019/20.

The Lifetime ISA Allowance is £4,000 for both 2018/19 and 2019/20. These are available to individuals aged 18-39 and can qualify for a Government Bonus of up to £1,000 per annum. Withdrawals are not permitted before age 60 without penalties, unless the account holder has never owned property and wishes to use the savings towards purchasing a property.

Pension Contribution and Allowance

Pension contributions attract basic rate tax relief at source. In addition, the contribution increases your basic rate threshold and therefore if you are a higher or additional rate taxpayer, you will receive additional tax relief via your tax return.

If your income is above £100,000, pension contributions can preserve part or all of your Personal Allowance, depending on your circumstances. For anyone with income between £100,000 and £123,700, pension contributions can provide tax relief at an effective rate of 60%.

The Pension Contribution Annual allowance for this tax year is £40,000 and this will remain unchanged for 2019/20. In addition, you are able to carry forward unused relief from the previous three tax years.

The Annual Allowance for Higher Earners (deemed those with adjusted income of more than £150,000) is reduced by £1 for every £2 of income over £150,000 in a tax year, until their annual allowance drops to £10,000.

Individuals who have flexibly accessed their money purchase benefits have a reduced Annual Allowance of £4,000 (known as the Money Purchase Annual Allowance or MPAA).

Pension legislation allows contributions to be made by, or for, all UK residents including children. Contributions of up to £3,600 gross (£2,880 net) can be made each year for members of your family even if they do not have any earnings.

Pension Lifetime Allowance

The Lifetime Allowance is the maximum value of pension benefits an individual can have in order to qualify for tax advantages that currently apply to UK registered pension schemes. The Lifetime Allowance for 2018/19 is £1,030,000 and will increase to £1,055,000 for 2019/20 given it is indexed in line with the Consumer Price Index (CPI).

Capital Gains Tax (CGT) Allowance

CGT is a tax on profit or gain when selling or disposing of an asset. Each individual has an annual exempt amount of £11,700 in 2018/19 and this is set to increase to £12,000 for 2019/20.

Estate Planning and Inheritance Tax (IHT)

IHT is currently payable at 40% on assets exceeding £325,000 on death. From this tax year, you are entitled to an additional £125,000 tax-free "family home allowance" which can be used against the value of your property if you leave it to your children or grandchildren. This additional allowance will increase to £150,000 in 2019/20 and to £175,000 in 2020/21. This additional allowance is subject to tapered withdrawal on estates exceeding £2,000,000. This means that the relief is unavailable once the value of an estate exceeds £2,350,000.

Any unused allowance can be transferred to your surviving spouse when you die.

You can give away gifts worth up to £3,000 in total each tax year and these gifts will be exempt from IHT. You can carry forward any unused part of the £3,000 exemption to the following year. Regular gifts made from taxed income as part of normal expenditure are exempt, as well as small gifts up to the value of £250 to as many individuals as you like. Finally, weddings and civil partnership ceremonies gifts are exempt subject to the limits:

- Parents can each give gifts worth £5,000.
- Grandparents and Great Grandparents can each give gifts worth £2,500.
- Anyone else can give cash or gifts worth £1,000.

Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EIS)

For individuals who are deemed by the Financial Conduct Authority (FCA) to be familiar with investment products and have a high net worth, you can invest in Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EIS). These are highly tax efficient and potentially rewarding investments, but can be high risk and disposal can be difficult.