



TAKE CONTROL OF YOUR FINANCIAL FUTURE TODAY

TALKING POINTS | TAX YEAR 2024/25

TAKE ADVANTAGE OF YOUR ANNUAL ALLOWANCES EARLIER IN THE TAX YEAR TO GIVE YOUR SAVINGS AND INVESTMENTS MORE OPPORTUNITIES TO GROW.

The new tax year started on 6 April 2024, giving you a fresh chance to take advantage of all the different tax-efficient ways to save and invest. By using your annual allowances sooner rather than later, your money will benefit from the tax advantages and potential growth earlier.

We've put together this guide to highlight the new tax year's opportunities and changes following the Spring Budget. Once you've reviewed the list please speak to your Rathbones contact if you have any questions about how to make your money work even harder.

Pensions and retirement

For most people, a pension is the most tax-efficient way to save for retirement, and you can contribute up to £60,000 each year. Tax relief on contributions means any personal payments immediately receive 20% tax relief. There's no tax to pay on any growth so investing early in the tax year can potentially provide greater returns than putting it off until later.

Higher or additional rate taxpayers can take advantage of additional tax relief of 20% or 25% respectively through their self-assessment tax returns. There are some restrictions on how much very high earners can contribute and if your annual earnings are more than £200,000 it's important to seek professional advice.

Following the abolition of the lifetime allowance in 2023, there's no limit on how much you can save into your pension fund. However, retirement planning can be complex so please speak to your Rathbones contact to work out what's best for your situation and goals.

Individual Savings Accounts (ISAs)

ISAs are one of the most flexible and efficient ways to save

and invest with no tax to pay on any income or growth on your capital. The Chancellor announced a new UK ISA in the Spring Budget, which will award savers an additional £5,000 allowance. However, there has been no specified timeline for its formal launch and the proposal is under consultation before being finalised, so the rules are the same for now:

- The maximum you can invest across your ISAs (whether in a cash ISA, stocks and shares ISA, innovative finance ISA or any combination) is £20,000 each year.
- For a lifetime ISA, the annual allowance is £4,000, which is part of your annual £20,000 allowance, and the government provides a 25% bonus on contributions. You can only use the money to buy your first home (providing the purchase price does not exceed £450,000) or save for retirement.
- Junior ISAs (JISAs) are a great way to save for children. You can put up to £9,000 in a cash JISA, a stocks and shares JISA, or a combination of the two.
- You can't roll over any of these allowances to the next tax year, so you need to use them or lose them.
- Cash ISAs can be converted into stocks and shares ISAs, so if you're not comfortable taking investment risk at the moment, you have this option in the future.

This document reflects Government changes and Rathbones do not offer all types shown.

Dividend and CGT allowances

The amount you can receive in dividends each year before having to pay tax is now just £500. At the same time, the annual capital gains tax (CGT) allowance has fallen to £3,000.

These reductions mean it's more important than ever to use your ISA allowance, where any dividends received from shares or capital gains are tax free. It is also essential to consider how CGT affects your other assets because exemptions and thresholds can make a substantial difference.

It makes good sense to structure your finances efficiently from a tax perspective. For higher-rate taxpayers that could involve investing in government bonds, which can be tax efficient. Yet it remains vitally important to focus on making the right investment decisions.

CGT is charged at a maximum of 20% on any profits – so you will still keep 80% of any rise in the value of your investment. You will only pay tax if your investments rise and when you crystallise these gains by selling them.

Speak to your Rathbones contact about protecting your savings and investments using tax-efficient wrappers.

Property taxes

The Chancellor announced some changes related to tax and reliefs on property transactions, which include the following:

- The CGT rate for property sales affecting higher and additional rate taxpayers has been reduced from 28% to 24%. The other rates, including CGT for basic rate taxpayers, remain unchanged.
- The furnished holiday lettings tax reliefs for short-term rentals are being scrapped from April 2025. Currently there are reliefs available for income tax and CGT but these are both being removed.
- From 1 June 2024 the multiple dwellings relief, which reduces stamp duty land tax on bulk property purchases, is also being abolished.

Child benefit

The annual income threshold at which child benefit begins to be clawed back by the government has increased from £50,000 to £60,000. The upper threshold at which child benefit is clawed back entirely has increased from £60,000 to £80,000 each year. The impact of the changes is that more parents will receive child benefit.

The government has announced it will assess eligibility for child benefit on household income, rather than individual income, which penalises single-parent households. This change is intended to be implemented from April 2026.

Annual gift allowances

A cash gift is a great way to use your tax-free allowances and exemptions, which could reduce your estate's inheritance

tax (IHT) liability. They include the following:

- A gift of up to £3,000 to one person or split between several people (and you can carry over last year's allowance if you didn't use it).
- As many gifts as you want of up to £250 per person, providing you haven't used another allowance on the same person.
- Gifts for weddings or civil partnerships of £5,000 to a child, £2,500 to a grandchild or great-grandchild and £1,000 to any other person.

Junior pensions are another great way to transfer wealth tax efficiently to younger members of your family. They have to be set up by a parent or guardian but anyone can contribute. You can pay up to £2,880 in each tax year into a pension on behalf of a child and the government automatically tops this up with 20% tax relief on the total amount contributed. The fund will transfer to them when they turn 18 but they won't be able to access the money until they reach retirement age.

IHT rules are complex, so it could be helpful to speak to your Rathbones contact about your circumstances and what you'd like to achieve. They'll be able to help you strike a balance between transferring your wealth to loved ones during your lifetime, while also making sure you're financially secure for many years to come.

Charity allowances

You can donate to charity and claim back the tax on your donation through gift aid. If you're a higher or additional rate taxpayer, you can also claim back the income tax paid on your donations through your tax return at 20% or 25% respectively.

Marriage allowance

If you're married or in a civil partnership, you may be able to take advantage of the marriage tax allowance. It allows one half of a couple who earns less than the personal allowance threshold (£12,570) to transfer up to £1,260 of their personal allowance to their higher-earning spouse (who must be a basic rate taxpayer). This transfer could reduce their tax liability by up to £252.

Couples that may be eligible for this allowance include those where one partner has retired, given up work to take on caring or childcare responsibilities, or unable to work due to a long-term health condition.

You can claim this allowance through your annual self-assessment tax return. It might be a good idea to see help from an accountant if you're not sure what to do.

TOP TIPS FOR SAVING AND INVESTING

- By taking advantage of your annual allowances at the start of the tax year rather than waiting until the end, you'll get an extra 12 months of interest or potential investment growth (depending on market performance).
- If you're not able to save and invest all of your annual allowances at the start of the tax year then consider setting up a monthly plan so that you'll get your money working harder for you sooner rather than later.
- There may be some annual allowances you didn't even know existed, which is why it's important to speak to your Rathbones contact so you can find out everything that's available to you and your family.



ACT NOW TO REAP GREATER REWARDS

Your Rathbones contact can help you make the most of your annual allowances now we are into the 2024/25 tax year. By getting this important job done early on in the year, any money you've invested will start to benefit from the tax advantages and potential growth, which can help to boost returns over the long term.

If you'd like to know more, please speak to your Rathbones contact or **get in touch** with us.



The value of investments and income arising from them may fall as well as rise and you might get back less than you originally invested. Tax treatments depend on the individual circumstances of each client and may be subject to change in the future.

Additional information:

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