Talking*Points*

Tax year 2022/23

Use them or lose them

Make sure you're not paying more tax than necessary by taking advantage of all your annual allowances. Here's what you need to know.

With the end of the tax year on 5 April 2023 around the corner, now is the perfect time to give your personal finances a spring clean. One of the most important things you can do is to make sure you've made use of the relevant annual allowances that are of interest to you and your family. You can't carry most of these over to next year so you'll lose their benefits if you don't take full advantage.

We've put together this checklist for you to see if you've used the allowances available to you. If any of the boxes are still blank after you've gone through the questions then please get in touch with us to see how we can help your money work even harder for you.

Act now before it's too late

These measures are not an exhaustive list and there are other tax allowances available. If you would like to find out more about improving your tax position or making the most of your allowances, then please get in touch to discuss your options.

ISAs

Individual Savings Accounts (ISAs) are one of the most flexible ways to save and invest tax efficiently. There are lots of different ISA accounts to consider depending on your individual circumstances and what you're aiming to achieve. Some of the key advantages include:
- no income tax is due on interest from cash savings or dividends from shares
- no capital gains tax (CGT) on withdrawals or when you make changes to the underlying investments
- your savings and investments can remain in the ISA tax wrapper when transferring between different types of account (such as cash to stocks and shares) or switching providers
- your surviving spouse or civil partner can usually inherit the equivalent tax-free value of your ISAs
- you can save up to £9,000 a year for each child and grandchild under the age of 18 in a Junior ISA (which does not count towards your allowance).

ISAs are also an important source of tax-efficient income for many people, including those who have retired. With the annual tax-free dividend allowance of £2,000 falling to £1,000 from 6 April 2023 (and then to £500 from 6 April 2024), saving in an ISA can help to mitigate the impact of this reduction.

- [ ] I've used all of my £20,000 allowance for this tax year.
- [ ] My spouse or partner has used all of their £20,000 allowance.
- [ ] I've put £9,000 into Junior ISAs for all of my children and/or grandchildren.

Rathbones
Look forward

Pensions

A pension is usually the most tax-efficient way to save for retirement. The rules surrounding contributions are complex, particularly if you're a high earner, and it's almost always a good idea to seek advice. For example, you may be able to roll over any unused allowances from the previous three tax years. But exceeding your annual or lifetime allowance can be costly.

If your income is likely to fall next tax year for any reason (for example, you're retiring or taking a career break) then it's important to consider whether making additional contributions this year is a good idea. The tax relief is limited to your overall earnings, so any reduction would mean your tax relief on any contribution is reduced. Here are some of the financial benefits:

- income tax relief of 20% on personal contributions. Even if you're a non-taxpayer or earn less than £3,600, you can contribute up to £2,880 and receive tax relief
- higher and additional rate taxpayers can claim further income tax relief of 20% or 25% respectively through their self-assessment tax returns
- currently if you are over 55 you can withdraw 25% of the value of your fund tax-free (subject to lifetime allowance restrictions)
- your named pension beneficiaries are usually able to inherit your pension free from inheritance tax (IHT).

- [ ] I've contributed £40,000 (if available) to my pension this year.
- [ ] My spouse or partner has used all of their £40,000 allowance where available.
- [ ] I've put £3,600 (including tax relief) into junior pensions for each of my children and grandchildren.
- [ ] I've spoken to my adviser about carrying forward any unused pension allowances from the previous three years.
- [ ] I'm planning on making a large pension withdrawal in the next couple of years and have spoken to my adviser about the tax implications.

Charity

You can donate to charity tax-free and claim back the tax on your donation through gift aid. If you are a higher or additional income taxpayer, you can also claim back the difference to the basic rate on your gift aid donations. Remember to keep hold of all records of your donations in order to claim tax relief when the time comes to submit your tax return.

- [ ] I've given a monetary gift to charity this year.

Capital gains

It's important to consider capital gains tax (CGT) because exemptions and thresholds can make a substantial difference. CGT affects assets and property differently when it comes to how much you'll pay, especially with the allowances changing.

At the moment the penalty for withdrawing investments that are not in a tax wrapper (such as an ISA) is 10% on gains for basic rate taxpayers and 20% for higher and additional rate taxpayers (not including the additional 8% levy for investment property).

Although these rates are remaining the same, the CGT annual exempt amount is falling from £12,300 in the 2022/23 tax year to £6,000 in 2023/24 and then to just £3,000 in 2024/25.

In addition to using your ISA allowance each tax year, it's a good idea to take advantage of your CGT exemption, particularly if you have large unrealised capital gains in an unwrapped portfolio. You can transfer assets to your spouse or civil partner tax efficiently to ensure you're using both exemptions.

- [ ] I've taken advantage of my annual CGT exemption allowance of £12,300.
- [ ] My spouse or partner has used all of their £12,300 allowance.
- [ ] I've spoken to my adviser about protecting my assets from CGT using tax-efficient wrappers.
- [ ] I've explored gifting to my spouse, civil partner or charity to take advantage of the CGT exemption.

Estate planning

Make sure you don't leave your family with an unnecessary inheritance tax bill when you die by planning ahead and taking advantage of the reliefs available to you right now. You're entitled to a range of gift exemptions that can reduce the value of your estate for IHT purposes.

- [ ] I've taken advantage of my annual gift allowance of £3,000 or spoken to my adviser about carrying any unused amount forward to the next tax year.
- [ ] I've given a tax-exempt wedding gift of £5,000 to my children or £2,500 to my grandchildren / great grandchildren where appropriate.
- [ ] I've given up to £250 to those who haven't received gifts under any of the other allowances.

If you would like to find out more about improving your tax position or making the most of your allowances, then please get in touch with us to discuss what options may be best.