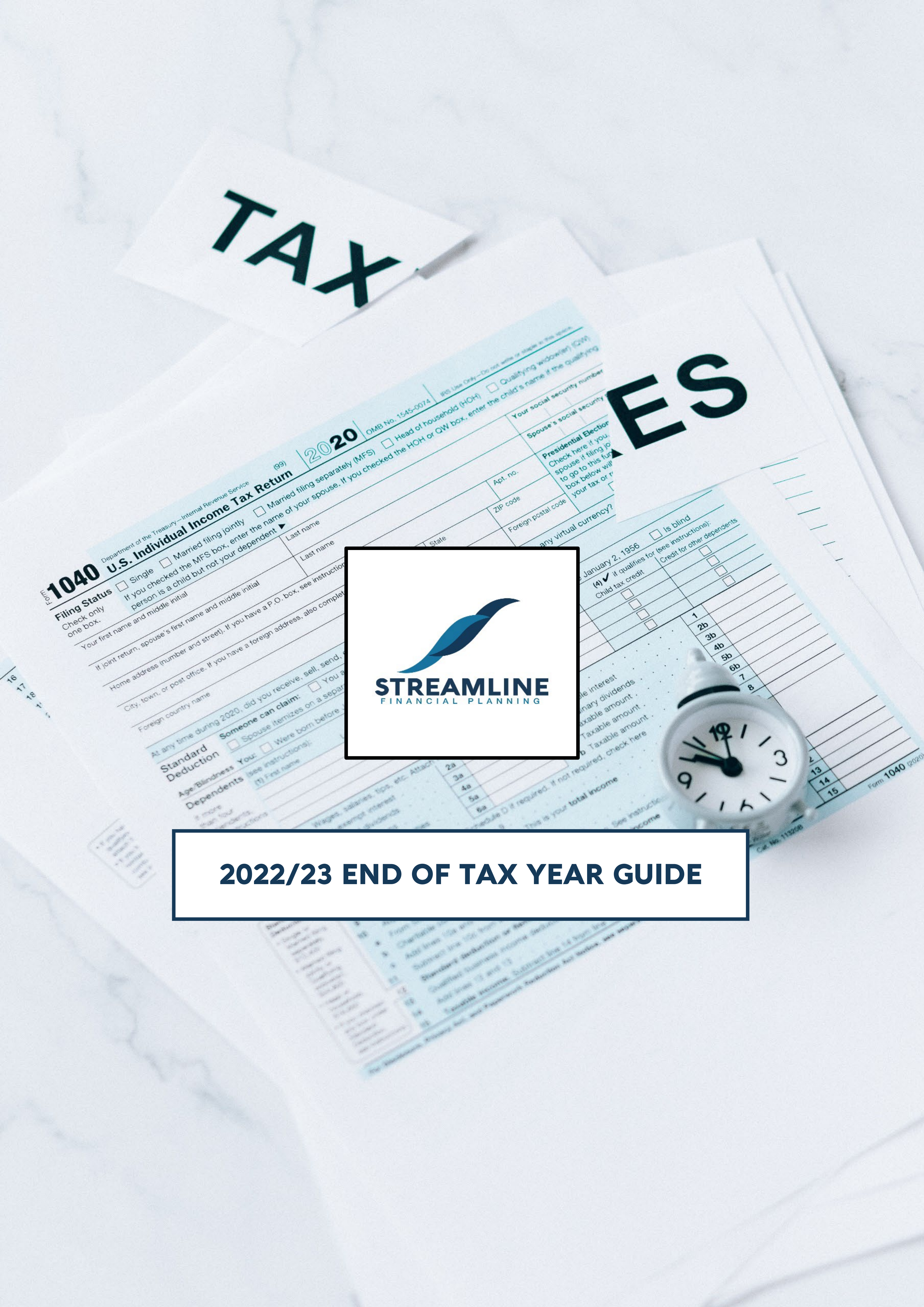


STREAMLINE
FINANCIAL PLANNING

2022/23 END OF TAX YEAR GUIDE

The 2022/23 tax year comes to a close on Wednesday, 5th April. After this point, several allowances will reset, so it's a good idea to take advantage of them while you can. Utilising allowances can lower your tax obligation and maximise the value of your money. It's worth reviewing your finances now to see if there are any unused allowances that you can benefit from before the deadline. Consider utilising the following allowances before the end of the 2022/23 tax year.

1. MARRIAGE ALLOWANCE

2022/23 allowance: up to £1.260

Carry forward to next tax year? You can backdate the allowance for up to four years.

The **Marriage Allowance** allows you to potentially reduce your Income Tax bill by £252 by transferring some of your unused Personal Allowance to your spouse or civil partner. The **Personal Allowance** is the amount of income you can receive tax-free, and for the 2022/23 tax year it is £12,570.

If you or your partner earns less than this, the person with the lower income can transfer up to **£1,260** of their Personal Allowance - this is just over 10% of the basic Personal Allowance of £12,570 for the 2022-23 tax year. Effectively increasing the partner's allowance to **£13,830** and reducing their tax bill by **£252**.

To be eligible, you must be married or in a civil partnership and the partner with the higher income must pay Income Tax at the **basic rate** in England, Wales, or Northern Ireland (usually if their income is between £12,571 and £50,270) or at the Scottish starter, basic, or intermediate rate in Scotland (usually if their income is between £12,570 and £43,662).

You can also **backdate** the Marriage Allowance for up to **four years**, so you have until 5th April 2023, to use your entitlement from the 2018/19 tax year.

2. PERSONAL SAVINGS ALLOWANCE (PSA)

2022/23 allowance:
Basic Rate Taxpayer: £1,000
Higher Rate Taxpayer: £500

Carry forward to next tax year? No

The PSA is a tax allowance in the UK that allows individuals to earn a certain amount of interest on their savings without paying tax on it.

Under the PSA, **basic rate taxpayers** are allowed to earn up to **£1,000** in interest each tax year without paying any tax on it. **Higher rate taxpayers** are allowed to earn up to **£500** in interest each tax year without paying tax, while **additional rate taxpayers** do not receive the PSA and are required to **pay tax on all** of their savings interest.

It's important to note that the PSA applies to interest from:

- Bank and building society accounts.
- Savings and credit union accounts
- Unit trusts, investment funds and open-ended investment companies.
- Peer-to-peer lending.
- Trust funds.
- Payment protection insurance (PPI).
- Government or company bonds.
- Life annuity payments.
- Some life assurance contracts.

It does not apply to savings in tax-free accounts like ISAs and some NS&I accounts do not count towards your allowance.

3. INDIVIDUAL SAVINGS ACCOUNT

2022/23 allowance: £20.000

Carry forward to next tax year? No

A tax-friendly method for saving and investing is offered by an ISA. The interest or profits generated from funds placed in an ISA are exempt from income, dividend and capital gains tax. In the current tax year, a maximum of **£20,000** can be deposited into an ISA. For individuals over 18, five different types of ISAs exist that you can make contributions to. These are:

3.1 Cash ISA

A Cash ISA functions similarly to a traditional savings account; however, the benefit of a Cash ISA is that the interest earned is exempt from income tax. Some Cash ISAs may come with limitations, such as restrictions on the amount and when you can withdraw.

3.2 Stocks & Shares ISA

Investing through a Stocks and Shares ISA lets you participate in the stock market and other investment opportunities. Your returns are exempt from income, dividend, and capital gains tax. Remember, as with all investments, it's important to adopt a long-term perspective and be aware of your personal risk tolerance when utilising a Stocks and Shares ISA.

3.3 Innovative Finance ISA

An Innovative Finance ISA offers investment opportunities through peer-to-peer lending, which is often considered a higher risk option compared to traditional investments. As a result, it may not be suitable for the average investor.

3.4 Lifetime ISA (LISA)

2022/23 allowance: £4.000

Carry forward to next tax year? No

A LISA allows individuals who are under 40 to save up to £4,000 each year and receive a 25% bonus from the government on their contributions, up to a maximum of £1,000 per year. The funds saved in a LISA can be used towards purchasing a first home or for retirement savings. Withdrawals for purposes other than buying a first home or for retirement will result in a 25% charge.

****Please note, the Lifetime ISA limit of £4,000 counts towards your annual ISA limit of £20,000****

3.5 Help to Buy ISA

2022/23 allowance: Up to £200 pm

Carry forward to next tax year? No

The Help to Buy ISA is no longer available for new subscriptions, but existing account holders can still make contributions until **November 2029**. The monthly deposit limit is **£200**, and the government will provide a 25% bonus on your savings, up to a maximum of **£3,000**, when you purchase your first home.

****Please note, contributing to a Help to Buy ISA counts towards your annual ISA limit of £20,000****

SAVING FOR CHILDREN?

Junior ISA (JISA)

A JISA is a tax-efficient savings account for children under 18 in the UK. It allows parents, family members, or guardians to save or invest money on behalf of a child, without having to pay tax on the interest or returns earned. JISAs have a yearly contribution limit, and the money saved remains accessible to the child once they turn 18. The current JISA subscription limit for the 2022/23 tax year is **£9,000.**

4. PENSION ANNUAL ALLOWANCE

2022/23 allowance: £40,000 or 100% of your qualifying earnings (whichever is lower)

Carry forward to next tax year? Yes

The Annual Allowance is the maximum amount of money that an individual can contribute to their pension plan each tax year and receive tax relief on. The annual allowance is set by the government and is **subject to change**.

As of the **2022/2023** tax year, the Annual Allowance is **100% of your annual earnings, up to a maximum of £40,000**.

However, there are two reasons why your Annual Allowance may be lower:

1. **Tapered Annual Allowance**

The Tapered Annual Allowance operates based on your income level. If your threshold income is over £200,000 and your adjusted income exceeds £240,000, a reduction will be made to your Annual Allowance. The reduction is calculated as £1 for every £2 your income exceeds the thresholds, with a maximum reduction of **£36,000**. This means that your Annual Allowance could be as low as **£4,000.**

2. **Money Purchase Annual Allowance (MPAA)**

The MPAA is a reduced annual allowance that applies to individuals who have already started to take benefits from their defined contribution pension scheme.

If an individual has already started taking benefits from their defined contribution pension scheme, their MPAA will be limited to **£4,000.**

What is the carry forward allowance?

It allows individuals to carry forward any unused portion of their allowance from the previous three tax years and use it in the current tax year.

What happens if I don't have any earnings?

Individuals without an income can still make contributions to a pension and receive the benefits of doing so.

Non-taxpayers can contribute up to **£2,880** per tax year to their pension and typically receive a tax relief of **20%** - effectively increasing the size of the contribute to **£3,600.**

Consider Professional Advice

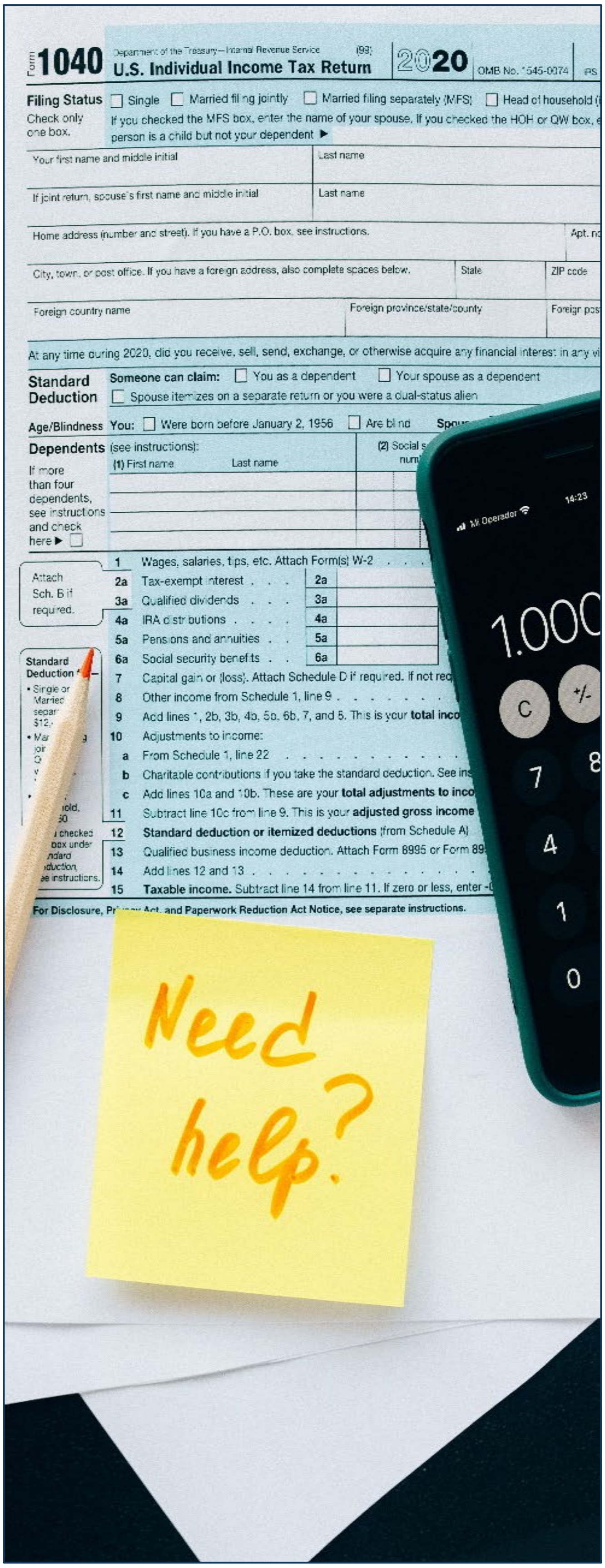
Pensions can be a complex topic, with many different types of plans, rules, and regulations to navigate. It can be difficult to know how much to contribute, when to start taking benefits, and what the tax implications of your decisions will be.

For this reason, it is highly recommended that individuals seek financial advice when planning for their retirement. A financial advisor can help you understand your options, develop a strategy that meets your specific needs and goals, and provide guidance on the best way to optimise your pension savings.

5. DIVIDEND ALLOWANCE

2022/23 allowance: £2.000

Carry forward to next tax year? No



Maximising your income in a tax-effective manner may be possible through utilising your Dividend Allowance. Companies distribute dividends to shareholders as a way of sharing their profits. If you own shares in a dividend-paying company, you may receive payments that typically depend on company performance and stock prices. If you run your own business, you may also receive dividends. Many business owners opt to receive a combination of salary and dividends to maximise their income's tax efficiency.

With the Dividend Allowance, every individual can receive up to **£2,000** in dividends tax-free. So, as a business owner, you can pay yourself up to £2,000 in dividends without incurring Dividend Tax. The amount of tax you'll pay on dividends exceeding the allowance varies based on your Income Tax bracket:

- Basic rate: 8.75%
- Higher rate: 33.75%
- Additional rate: 39.35%

It's important to note that if you don't utilise your Dividend Allowance by the end of the tax year, you will lose it.

What are the changes from next tax year?

The Dividend Allowance faced a reduction in the 2022 autumn statement by chancellor Jeremy Hunt. In the 2023/24 tax year, the allowance will decrease from **£2,000 to £1,000,** and then further reduce to **£500** for the 2024/25 tax year. If dividends are part of your income, your tax obligation may increase in April 2023, making it important to review your financial plan.

6. CAPITAL GAINS TAX

2022/23 exempt amount: £12,300

Carry forward to next tax year? No

The Capital Gains Tax (CGT) annual exemption can save you money when you sell assets for profit. CGT is payable when you sell assets such as stocks outside of an ISA, second properties, or personal possessions worth over £6,000 (excluding cars).

For the 2022/23 tax year, individuals can generally make profits of up to £12,300 before CGT is due. Spreading out the sale of assets over multiple tax years can help minimise your CGT liability. Partner planning can also help maximise both of your annual exemptions. The rate of CGT you pay, if you exceed the allowance, depends on your taxable income, with a standard rate of **18% for residential property** and **10% for other assets**, and a **higher rate of 28% for residential property** and **20% for other assets.**

If you're unsure if your assets are subject to CGT or the tax rate, please seek professional advice.

Note that unused CGT annual exemptions cannot be carried forward.

What are the changes from next tax year?

The annual tax-free exemption will reduce over the next two years. In April 2023, the exempt amount will be reduced by more than half to **£6,000** per annum. From April 2024, this amount will be halved again to **£3,000** per annum.

7. INHERITANCE TAX

7.1 Annual Exemption

2022/23 exemption: £3,000

Carry forward to next tax year? Yes

The IHT annual exemption allows you to make tax-free gifts. If you're worried about the potential for Inheritance Tax on your estate, gifting to loved ones now can lower its value and your eventual IHT bill. However, not all gifts are immediately exempt from IHT and may still be considered part of your estate for up to 7 years.

To immediately reduce your IHT exposure, consider making gifts that are outside of your estate. The current IHT annual exemption for 2022/23 tax year is £3,000 per individual, meaning couples can gift up to £6,000 together.

Any part of the annual exemption which isn't used in the tax year can be **carried forward** to the following tax year. It can only be used in the following tax year and can't be carried over any further.

7.2 Small Gift Allowance

2022/23 allowance: £250

Carry forward to next tax year? No

You can give as many gifts of up to £250 per person as you want each tax year, as long as you have not used another allowance on the same person.

Birthday or Christmas gifts you give from your regular income are exempt from Inheritance Tax.

7.3 Gifts for weddings or civil partnerships

2022/23 allowance: See below

Carry forward to next tax year? No

Each tax year, you can give a tax-free gift to someone who is getting married or starting a civil partnership. You can give up to:

- £5,000 to a child
- £2,500 to a grandchild or great-grandchild
- £1,000 to any other person

Did you know?

If you're giving gifts to the same person, you can combine a wedding gift allowance with any other allowance, **except for the small gift allowance.**

For example, you can give your child a wedding gift of £5,000 as well as £3,000 using your annual exemption

CONTACT US

Staying on top of tax allowances and exemptions can be a complex task, but we are here to help.

Let us review your financial situation to ensure that you are taking advantage of the allowances and exemptions that are most beneficial for you. We invite you to get in touch with us to explore how you can utilise the 2022/23 tax allowances.

Our goal is to help you develop a comprehensive tax plan for the upcoming year that considers any changes and helps you maximise your income and wealth.

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Please note that this document is for general information only and does not constitute advice. The information is aimed at retail clients only. Please also note the following:

- The Financial Conduct Authority does not regulate some aspects of Trust, Tax and Estate Planning
- The value of investments may go down as well as up and you may get back less than you invest.
- Past performance is not a reliable indicator of future performance.
- An investment in a Stocks & Shares ISA will not provide the same security of capital associated with a Cash ISA.
- The favourable tax treatment of ISAs may be subject to changes in legislation in the future.
- The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief depends on individual circumstances.
- Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.
- A pension is a long-term investment, and the value is not guaranteed. Any advice or considerations are personal to each individual's circumstances.
- A pension is a long-term investment, the value of your investment and the income from it may go down as well as up. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.
- Levels and bases of, and reliefs from taxation are subject to change and their value depends on the individual circumstances of the investor.
- Your pension income could also be affected by the interest rates at the time you take your benefits. The tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation which are subject to change in the future.