Tax year end checklist

Are you ready for tax year end?

With the end of this tax year approaching on April 5, we have put together a checklist of things you should consider to take advantage of annual allowances that may reduce your tax obligations.

You should remember that any of the below solutions could put your capital at risk. Any tax benefits will be individual to you, and tax rules can, and do, change. It's also worth pointing out that rules vary between different regions of the UK and we recommend speaking to a tax specialist for your regional rules.

Why you should use your ISA allowance

When you save or invest, you'll pay tax on earnings and gains. By using your annual ISA allowance, up to £20,000 can be paid into an ISA without the requirement for income or capital gains tax. It's important to note that this amount cannot be rolled over to future tax years, so if you don't use it, you'll lose it. Making sure you use your ISA allowance could potentially increase your growth and gains opportunities.

Junior ISA (JISA)

With a JISA, you can make regular contributions or a lump sum of up to £9,000 per tax year. As with ISAs, they are tax efficient and, once your grandchild turns 18, they become standard ISAs and they may withdraw the funds. If you have grandchildren, JISAs can be a good option to consider as part of your tax planning.

Reviewing your pension contributions

It is worth remembering your pension plan as part of tax year end planning to make sure your contributions are up to date. To encourage you to save, the government will top up your pension contributions as tax relief at your highest rate of income tax. While basic rate taxpayers receive tax relief of 20%, higher rate and additional rate taxpayers can claim back 20% and 25% through tax returns.

Using your self-invested personal pension (SIPP) allowance

SIPPs are often referred to as 'DIY' pensions. From the age of 55, the amounts you invest, how you invest and the amount you withdraw is your choice. Other investments may be transferred to a SIPP, and as with other pensions, you can enjoy tax relief. Furthermore, for every £80 saved, the Government will add £20, while an additional £20 can be claimed if you are a higher earner.

Capital gains tax (CGT)

If an asset has increased in value, when sold it will be subject to CGT. However, there are ways to reduce obligations. For example, for investments, the tax-free allowance is £12,300. Indeed, you may also consider selling some assets at a loss to reduce overall CGT. Assets may also be transferred to a partner, so the allowance can doubled, with liabilities shared between two people's annual allowance.

Charitable donation considerations

One way to reduce CGT in particular is to consider giving money to charity. As well as being a noble thing to do, by donating land, property or qualifying shares to a charity, some income tax and CGT relief may be available.

Gifting and inheritance tax (IHT)

For the first £325,000 of a person's estate (£650,000 for a married couple), IHT is not charged – but when property is taken into consideration, this amount can be easily breached. Giving away some of your wealth (known as gifting) can reduce IHT obligations. For example, if a property is being left to children, the tax-free amount can increase to £500,000 for an individual or £1 million for a couple. However, it's important to note that gifts may only be realised if they are given 7 years before the asset owners' death. While this is a complicated area and the rules change regularly, we are available to guide you.

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