Ellacotts

Year end tax planning

Ann Bibby – Tax Partner

Joanne Wright – Agriculture & Property Partner

Chris Slatter – Independent Financial Adviser

Ann Bibby
Tax Partner
t: 01295 250401
e: abibby@ellacotts.co.uk

Ann is a Chartered Tax Adviser, a qualified accountant and a member of the Society of Trust and Estate Practitioners (STEP) and has over 25 years' experience advising on a range of business and personal tax issues.

Ann specialises in the areas of corporate, employment and business tax along with associated tax solutions and advises on all areas of business taxation, including Corporate Tax, Transaction Tax, R & D Tax Relief, Management Equity and Share Options, Restructuring, Capital Allowances and Employment tax issues.

Ann joined Ellacotts to lead and enhance the tax services provided by the firm and to provide support to the rest of the firm. Ann is a member of the UK200 Group Tax Panel.

Joanne Wright
Agriculture & Property Partner
t: 01536 646000
e: jwright@ellacotts.co.uk

Joanne Wright, ATT, CTA, TEP, has over 15 years' experience specialising in tax planning for estates, landowners, farmers and agricultural businesses. Her work involves advising clients in all aspects of tax, both from a compliance and advisory aspect. In particular she specialises in Capital Taxes - Entrepreneurs' Relief, Trusts, Inheritance Tax planning and succession planning. She is also the Secretary for the Northamptonshire R.A.B.I committee.

Chris Slatter
Independent Financial Adviser
t: 01295 250401
e: cslatter@ellacottswealth.co.uk

Chris is an Independent Financial Adviser (IFA) with over 20 years' experience of providing independent financial advice to both personal and corporate clients. Chris is involved in all aspects of financial planning except for mortgages. In particular, he has extensive knowledge of pre and post retirement planning, including using both pensions and investments to achieve the desired results.

Use your allowances before 5 April 2021

1. Dividend allowance
2. Personal savings allowance
3. ISA allowance
4. Personal allowance
5. Pensions allowance
6. Inheritance allowance
7. Capital Gains Tax allowance
8. EIS/VCT

Dividend Allowance

- 2020/21 - £2,000
- £2,000 – no tax regardless
- Higher amounts:
  - 7.5%
  - 32.5%
  - 38.1%

Personal Savings Allowance

Income Tax band	Personal Savings Allowance
Basic rate	£1,000
Higher rate	£500
Additional rate	£0

ISAs

- Contribution level has been £20,000 for some time now
- It is a use it or lose it allowance
- No income tax on dividends
- No CGT on gains

Junior ISAs

- Contribution limit £9,000
- Automatically passes to child at 18

Lifetime ISAs

- Available for everyone aged between 18 and 40
- Save up to £4,000 per annum and receive up to £1,000 from the Government
- The proceeds must be used either towards purchase of first home or retirement
- If the latter, you cannot access until age 60 without penalty
- Contributions must stop at age 50

Remember, tax year end planning converts to tax year start planning on 6 April as new ISA and pension allowances become available.

If you are considering pension or ISA contributions, please ensure any money is sent to the provider by 31 March to allow it time to go through the banking system

Personal Allowance

- £12,500
- Spouses personal allowance
- Form 17
- £100,000 +
- Salary sacrifice
- Pensions

Pensions

- Everyone below age 75 has an annual contribution allowance of £40,000 or 100% of net relevant earnings, whichever is lower.
- Net relevant earnings are PAYE or self employed income, but does not include investment income.
- Tapering of the annual allowance applies when income exceeds £240,000.
- Income for tapering purposes is all income plus employer pension contributions less personal pension contributions – all income includes investment income.
- If you over contribute to a pension, you will not receive tax relief and will have to pay a tax charge at your highest marginal rate.

Tapering relief summary

Income	Tapered Annual Allowance
Up to £240,000	No tapering
£250,000	£35,000
£260,000	£30,000
£270,000	£25,000
£280,000	£20,000
£290,000	£15,000
£300,000	£10,000
£310,000	£ 5,000
£312,000 +	£ 4,000

Pensions

You are able to use earlier years unused pension allowances, as long as:

1. You have a pension in force for the years you wish to use.
2. If you are making personal contributions, you must have sufficient net relevant earnings to allow contribution.
3. Corporate contributions are not limited to earnings, but must meet the ‘wholly and exclusively’ rules.
4. You maximise the current year’s contribution first then use the earliest available year.
   - So in 2020/21, use 2020/21 first, then 2017/18 next
   - Any unused allowance for 2017/18 will be lost after 5 April 2021

Remember to deduct any existing contributions from the maximum contribution

Personal allowances

- Parents
- Trusts

Pensions for children/spouses

- Can pay £2,880 net (£3,600 gross) regardless of earnings.
- Could pay more if child/spouse has earnings in excess of £3,600.

Why pensions for children?

- An annual contribution of £2,880 between birth and age 18 could be worth £1,021,837 by age 62 (assuming 8% pa growth net of charges)
- Not classed as a gift for IHT purposes, so a great way of passing wealth down the generations
- The money cannot be accessed before age 55
- State pension age is getting later – will it still be there in 60 years time?
- Gives the child a planning head start

Capital taxes

Inheritance tax

- Annual Exemption - £3,000
- Small Gifts - £250
- Normal expenditure exemption

Capital gains tax

- Annual exemption
- Triggering capital losses
- Spouses

One stop shop

- Enterprise investment scheme & Venture capital trusts
  - Income tax
  - Capital gains tax
  - Inheritance tax
- Investment!

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Any questions?

Ellacotts

Banbury
Countrywide House
23 West Bar
Banbury
Oxfordshire
OX16 9SA
T: +44 (0)1295 250401
F: +44 (0)1295 271375

Kettering
Vantage House
2700 Kettering Parkway
Kettering Venture Park
Kettering
Northamptonshire
NN15 6XR
T: +44 (0)1536 646000
F: +44 (0)1536 738934

London
Suite 100
99 Bishopsgate
London
EC2M 3XD
T: +44 (0)203 693 7315

www.ellacotts.co.uk