



**Whateley**  
WEALTH

**Whateley Wealth Management Limited**

Registered Office Address

3 Parsonage Drive, Cofton Hackett, Birmingham B45 8AS

**Tel/Fax:** 0121 285 8528 **Email:** [info@whateleywm.co.uk](mailto:info@whateleywm.co.uk)

Registered in England and Wales

Company Number: 09125961 Whateley Wealth Management Ltd is authorised and regulated by the Financial Conduct Authority

AN INTRODUCTION TO

# ➤ End of Tax Year Planning

GETTING TO GRIPS WITH THE BASICS

Your main tax planning opportunities  
for the 2022-23 tax year

Focus on your pension, ISAs, IHT and CGT

Using your Dividend Allowance

Don't miss the tax year-end  
deadline – 5 April 2023

We're here to help





**A**s the end of the tax year approaches, now is the perfect time to ensure you have your financial affairs in order and to double check you've taken advantage of all the tax-efficient allowances available to you.

#### **YOUR PENSION**

You can contribute as much as you like into your pension, but there is a limit on the amount of tax relief you will receive each year.

This Annual Allowance is currently **£40,000**. An individual can't use the full £40,000 Annual Allowance where 'relevant UK earnings' are less than £40,000, although your employer still could. You may be able to, however, carry forward unused allowances from the past three years, provided you were a pension scheme member during those years.

For every £2 of adjusted income (total taxable income including all pension contributions) over £240,000, an individual's Annual Allowance is reduced by £1 (the minimum Annual Allowance is £4,000).

A Lifetime Allowance also places a limit on the amount you can hold across all your

pension funds without having to pay extra tax when you withdraw money. This limit is currently **£1,073,100**.

If you have children under 18, a spouse who does not work, or who may not be earning enough to pay Income Tax, you can invest into a pension for each of them. The maximum annual contribution you can currently make is **£2,880** which, along with tax relief, would amount to **£3,600** a year.

#### **YOUR INDIVIDUAL SAVINGS ACCOUNT (ISA) ALLOWANCE**

The ISA allowance is **£20,000** for the 2022-23 tax year. You can put all the £20,000 into a Cash ISA, or invest the whole amount into a Stocks and Shares ISA or Innovative Finance ISA. You can also mix and match, putting some into Cash, some into Stocks and Shares and the rest into Innovative Finance if you wish. However, the combined amount can't exceed your annual ISA allowance. With pension contributions subject to annual and lifetime limits, ISAs represent an excellent way of topping up retirement income. There is no Income Tax or Capital Gains Tax (CGT) payable on ISA proceeds. You cannot carry over your ISA allowance once the tax year has ended.

In certain circumstances, investors can use existing holdings to open or top up their ISAs, this arrangement is known as a **Bed & ISA**. This is a way of transferring assets held outside an ISA into an ISA so that future investment income and growth are sheltered from tax. The investments are sold, cash is transferred into the ISA and the investments are repurchased. Charges apply and you could end up with a CGT liability if the gain you make on selling the asset together with any other taxable gains you make within the tax year exceeds the annual CGT allowance.

A **Lifetime ISA (LISA)** is another option available to adults aged under 40, or under 50 for existing LISA holders.

#### **JUNIOR ISA CONTRIBUTIONS**

Junior ISAs are a tax-efficient way to build up savings for your children (and grandchildren) and must be opened by the parent or person with parental responsibility. JISAs can be opened for any child who does not hold a Child Trust Fund (unless the CTF is transferred to a JISA) and who is under 18 and living in the UK. The money can be held in Cash and/or invested in Stocks and Shares.

They work in exactly the same way as your own ISA, however, the maximum investment is **£9,000** per child.

**The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.**



### GIFTING FOR INHERITANCE TAX (IHT) PURPOSES

You can make gifts worth up to **£3,000** in each tax year. These gifts will be exempt from IHT on your death. You can carry forward any unused part of the £3,000 exemption to the following year but if you don't use it in that year, the exemption will expire.

Certain gifts don't use up this annual exemption, however, there is still no IHT due on them e.g. wedding gifts of up to **£5,000** for a child, **£2,500** for a grandchild (or great grandchild) and **£1,000** to anyone else. Individual gifts worth up to **£250** are also IHT free.

These are relatively small sums, but you should use these up where possible to gradually reduce your overall estate.

### USING YOUR CGT ALLOWANCE

Every individual is entitled to a CGT annual allowance which is currently **£12,300** (£6,150 for trusts). You can't carry forward this relief and so you may look to crystallise gains up to this amount before the end of the tax year. Capital losses can also be used to offset gains.

Above the CGT exemption, tax is payable at 10% for basic rate tax-payers and 20%

for higher rate tax payers. The taxable gains on residential property are taxed at 18% and 28% respectively.

Assets can be transferred between married couples and civil partners without incurring a gain until the assets are subsequently disposed of. The disposal could then use both their annual exemptions.

The CGT allowance will be reduced from £12,300 to £6,000 from April 2023 and £3,000 from April 2024.

### USING YOUR DIVIDEND ALLOWANCE

For the current tax year, investors can earn up to **£2,000** in dividend income tax-free.

How much tax you pay on dividends above the Dividend Allowance depends on your Income Tax band:

Basic rate	7.5%
Higher rate	32.5%
Additional rate	38.1%

The Dividend Allowance reduces from £2,000 to £1,000 from 6 April 2023 and then to £500 from 6 April 2024 for individuals who receive dividend income.

*As the end of the tax year approaches, now is the perfect time to ensure you have your financial affairs in order and to double check you've taken advantage of all the tax-efficient allowances available to you*



### WE'RE HERE TO HELP

With the tax year-end imminent, please get in touch with us as soon as possible if you have any questions or want to discuss any aspect of your end of year tax planning.

We look forward to hearing from you.

**The information contained in this guide is based on our understanding of current allowances and rates at 6.12.22, which could be subject to change.**

# ➤ Tax year-end deadline

## 5 April 2023

Here's a reminder of the main tax planning opportunities:



### PENSIONS

current Annual Allowance of **£40,000**



### INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

maximum contribution of **£20,000**



### JUNIOR INDIVIDUAL SAVINGS ACCOUNTS (JISAs)

maximum contribution of **£9,000** per child



### GIFTING FOR INHERITANCE TAX (IHT) PURPOSES

up to **£3,000** a year



### USING CAPITAL GAINS TAX (CGT) ALLOWANCES

**£12,300** annual exemption per person



#### Warning statement

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor. No part of this document may be reproduced in any manner without prior permission.