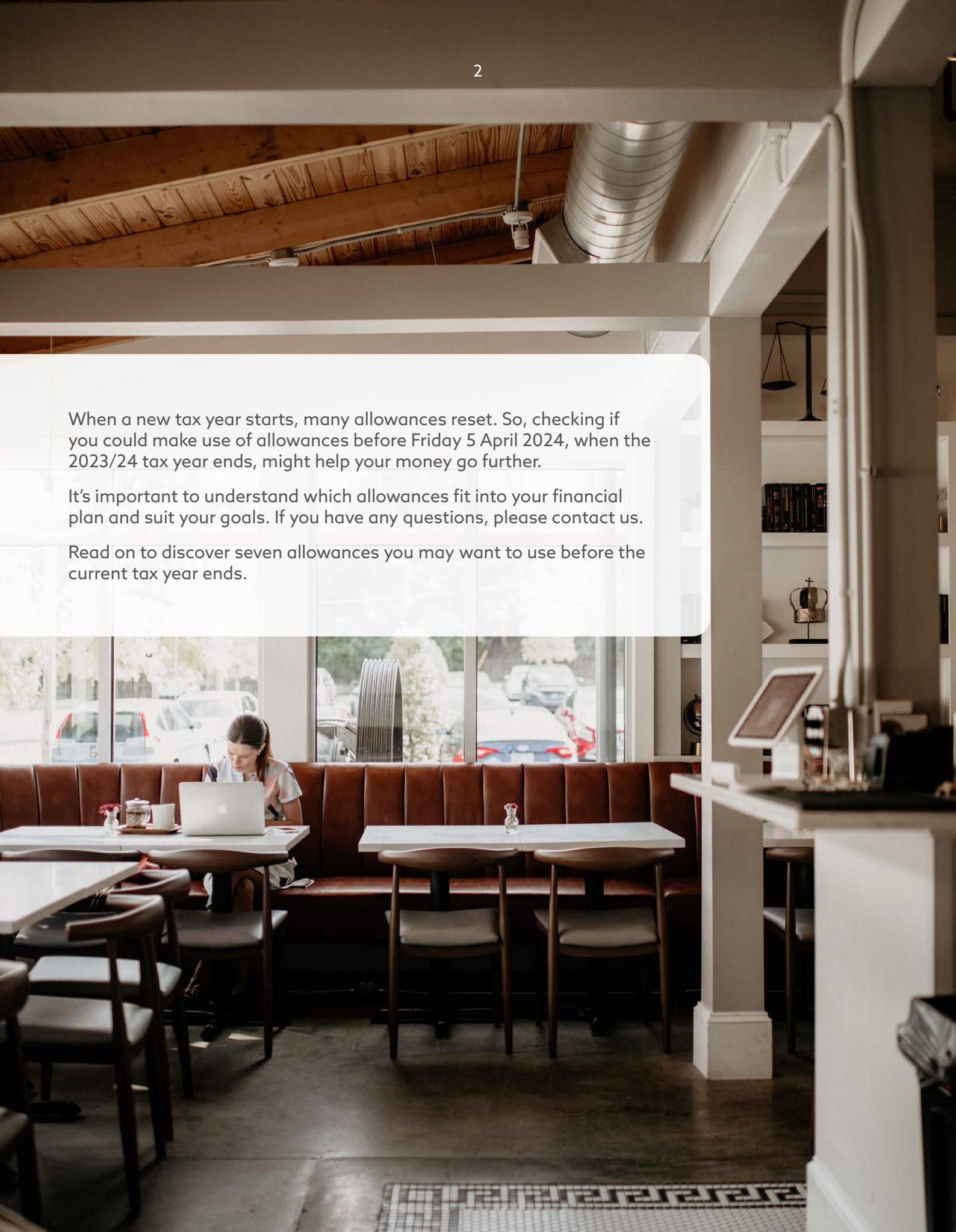
January
2024



Hartsfield
Planning

7 allowances you might want to use **before the end** of the 2023/24 tax year



When a new tax year starts, many allowances reset. So, checking if you could make use of allowances before Friday 5 April 2024, when the 2023/24 tax year ends, might help your money go further.

It's important to understand which allowances fit into your financial plan and suit your goals. If you have any questions, please contact us.

Read on to discover seven allowances you may want to use before the current tax year ends.



1. Marriage Allowance

2023/24 allowance: £1,260

The Marriage Allowance could allow your spouse or civil partner to transfer some of their unused Personal Allowance to you.

The Personal Allowance is the amount you can earn before you could be liable for Income Tax. For the 2023/24 tax year, the Personal Allowance is £12,570, and it's frozen at this level until April 2028.

If your partner isn't using their full Personal Allowance, they may be able to transfer £1,260 to you. It could reduce your overall tax bill by up to £252 in 2023/24.

To be eligible, you must pay Income Tax at the basic rate in England, Wales, or Northern Ireland. This usually means your total income is between £12,571 and £50,270.

If you're based in Scotland, you must pay Income Tax at the starter, basic, or intermediate rate. Typically, this means your income will be between £12,571 and £43,662.

You can backdate the Marriage Allowance for up to four years. You have until 5 April 2024 to use your entitlement from the 2019/20 tax year.

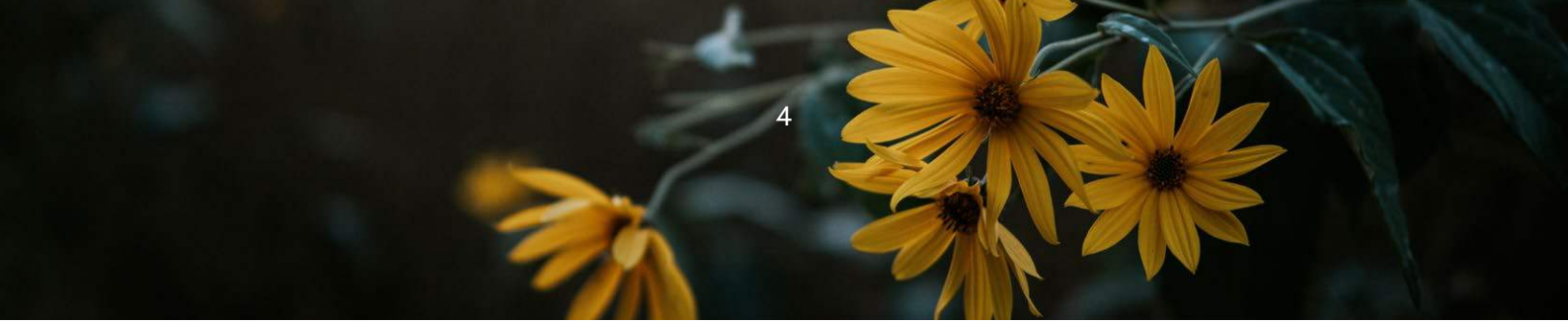


Financial planning with your partner could be valuable

The Marriage Allowance isn't the only benefit of creating a financial plan with your spouse or civil partner.

Many allowances are individual. So, you could choose to pass assets to your partner to make the most of both of your allowances, such as the pension Annual Allowance.

Get in touch to discuss how we could help you make a long-term financial plan with your partner that places your goals at the centre.



2. ISA allowance

2023/24 allowance: £20,000

ISAs may provide you with a way to save or invest tax-efficiently. During 2023/24, you can place up to £20,000 into ISAs.

The interest or returns you earn on money held in an ISA are free from Income Tax and Capital Gains Tax (CGT). So, using an ISA to save or invest could reduce your tax bill.

If you don't use your ISA allowance during the current tax year, you will lose it.

For adults, there are five different types of ISA you may be able to contribute to before the end of the 2023/24 tax year.

1. Cash ISA

A Cash ISA is similar to a traditional savings account, but the interest you earn is free from Income Tax.

Savings held outside of an ISA could be liable for Income Tax if the total value exceeds the Personal Savings Allowance (PSA). Your PSA depends on your Income Tax band. If you're a:

- Basic-rate taxpayer, your PSA is £1,000
- Higher-rate taxpayer, your PSA is £500
- Additional-rate taxpayer, you do not have a PSA.

Some Cash ISAs pose restrictions, such as limiting withdrawals for a defined period. So, it's important to understand which account is right for your goals and time frame.

According to government figures, around 11.8 million ISAs were subscribed to during 2021/22. During that tax year, savers collectively added almost £67 billion to ISAs.



Under the current rules, you cannot pay into multiple ISAs of the same type during the same tax year. However, chancellor Jeremy Hunt announced he'd simplify ISAs in the 2023 Autumn Statement.

From April 2024, multiple subscriptions to ISAs of the same type and partial transfers will be allowed.

The changes could help you access better interest rates and choose an account that suits your needs. For example, you may want to deposit some of your £20,000 allowance in a Cash ISA that restricts withdrawals for a medium-term goal, while also placing some money in an easy access account.

2. Stocks and Shares ISA

A Stocks and Shares ISA allows you to invest, including through individual shares or an investment fund. The returns your investments earn would be free from Capital Gains Tax. If you want to invest to grow your wealth, a Stocks and Shares ISA may be the right option for you.

Remember, investments carry risk. It's essential you understand your risk profile and choose investments that are right for you and your goals.





3. Lifetime ISA

You can open a Lifetime ISA (LISA) if you're aged between 18 and 39. Once you've opened a LISA, you can continue to make contributions until you're 50. You can choose to hold your deposits in cash or invest.

You can add a maximum of £4,000 to a LISA in the 2023/24 tax year, which benefits from a 25% government bonus.

However, you will lose 25% of any withdrawal you make before you turn 60 for any purpose other than buying your first home.

4. Innovative Finance ISA

An Innovative Finance ISA allows you to invest in peer-to-peer loans. Usually, these kinds of investments have a higher risk than traditional alternatives. As a result, they are not appropriate for many investors.

5. Help to Buy ISA

You cannot open a new Help to Buy ISA. However, if you already have one, you can continue to make deposits until November 2029.

A Help to Buy ISA is a type of Cash ISA designed to help first-time buyers save a property deposit. You can add up to £200 a month and the government will provide a 25% bonus (up to £3,000) when you buy your first home.



Should you save or invest through an ISA?

If you want to add money to an ISA, one of the first decisions you might need to make is whether to save or invest. They both have benefits and drawbacks, so understanding what your goals are is crucial.

Government data shows 61% of ISAs were Cash ISAs in 2021/22. A Cash ISA is often useful if you're putting money aside for an emergency fund or short-term goals as the money isn't exposed to investment risk. However, as interest rates are often lower than the rate of inflation, the value of your money is likely to fall in real terms.

In contrast, investing in a Stocks and Shares ISA could present a way to grow your money at a faster pace than inflation, though this isn't guaranteed. Investing also means you'll be taking on risk and the value of your ISA could be affected by market volatility. As a result, investing is often used for long-term goals, as a longer time frame provides a chance for the ups and downs of the market to smooth out.



3. JISA allowance

2023/24 allowance: £9,000

Similar to their adult counterparts, Junior ISAs (JISAs) offer a tax-efficient way to save or invest for a child.

During the 2023/24 tax year, you can deposit up to £9,000 into JISAs for each child. If you don't use the allowance before the end of the tax year, you will lose it.

Again, like traditional ISAs, you can choose a Cash JISA or a Stocks and Shares JISA, with the interest and returns being free from Income Tax and Capital Gains Tax.

JISAs may offer a useful way to set money aside for your child or grandchild that could help them reach adult milestones, like paying for university or buying their first home.

Keep in mind that money held in a JISA isn't usually accessible until the child turns 18. Once they reach adulthood, the JISA will become an ISA and they can use the money how they wish.

Government figures show that in 2021/22, around 1.2 million JISAs were subscribed to.

Don't overlook money held in a Child Trust Fund

If your child was born between 1 September 2002 and 2 January 2011, the government will have opened a Child Trust Fund in their name. The account would have been opened with an initial deposit and may have benefited from further contributions.

You can add up to £9,000 to an existing Child Trust Fund in 2023/24.

However, you may want to consider transferring the money to a JISA. You could find JISAs offer a more competitive interest rate and the option to invest if you choose.



4. Dividend Allowance

2023/24 allowance: £1,000

You might receive dividends if you're a business owner or hold shares in dividend-paying companies. They may provide a useful boost to your income.

You don't pay tax on dividends that fall within your Personal Allowance, which is £12,570 in 2023/24. You also do not pay tax on dividends from shares that are held in an ISA.

The Dividend Allowance could increase how much you can receive through dividends before tax is due by £1,000 in the current tax year.

The amount of tax you pay on dividends that exceed this threshold will depend on which Income Tax band(s) the dividends fall within once your other income is considered. For 2023/24, the tax rates on dividends are:

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

So, while the Dividend Allowance has fallen in recent years, dividends could still provide a tax-efficient way to increase your income as the tax paid could be lower than Income Tax.

It is not possible to carry forward your Dividend Allowance to use in a future tax year.

You should note that the Dividend Allowance will be halved to just £500 in April 2024, which may affect your income and tax liability.

5. Capital Gains Tax Annual Exempt Amount

2023/24 allowance: £6,000

You may need to pay Capital Gains Tax (CGT) when you dispose of certain assets. Assets that may be liable for CGT include:

- Property that isn't your main home
- Investments that aren't held in a tax-efficient wrapper, like an ISA or pension
- Personal possessions that are worth more than £6,000 (excluding your car).

CGT is due if the overall gains exceed your tax-free allowance, known as the "Annual Exempt Amount". For 2023/24, it is £6,000 for individuals.

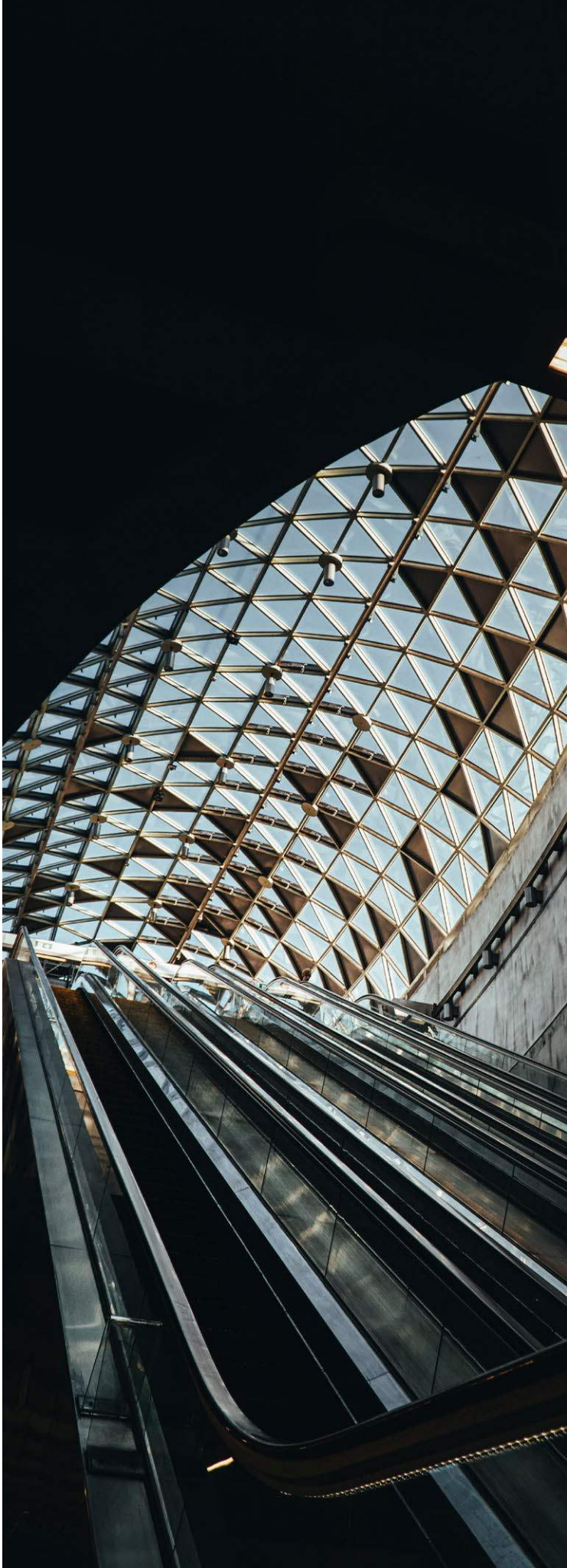
Depending on the asset, you may also be able to reduce a CGT bill by deducting losses or claiming reliefs.

If CGT is due, the rate you pay will depend on which tax band(s) the taxable gains fall into when added to your other income. In 2023/24:

- If you're a higher- or additional-rate taxpayer your CGT rate would be 20% (28% on gains from residential property)
- If you're a basic-rate taxpayer, you may benefit from a lower CGT rate of 10% (18% on gains from residential property) if the taxable amount falls within the basic-rate Income Tax band.

The Annual Exempt Amount cannot be carried forward to the next tax year.

For the 2024/25 tax year, the Annual Exempt Amount will fall to £3,000 for individuals. As a result, you may want to consider when you'll dispose of assets and the potential CGT bill you could face.





6. Pension Annual Allowance

2023/24 allowance: £60,000

This year, the pension Annual Allowance increased significantly from £40,000 to £60,000. As a result, you may be able to add more to your pension tax-efficiently in 2023/24 than in previous years.

The Annual Allowance is the maximum that you can pay into your pension each tax year while still benefiting from tax relief. It covers contributions made by you, your employer, and other third parties. However, you can only claim tax relief on up to 100% of your annual earnings.

There are two instances where your Annual Allowance may be lower.

1. If you've already taken an income from your pension, you might be subject to the Money Purchase Annual Allowance (MPAA). This reduces how much you can tax-efficiently add to your pension to £10,000 in 2023/24.
2. If your adjusted annual income (your income plus pension contributions you and your employer make) is more than £260,000 your Annual Allowance will fall by £1 for every £2 your income exceeds this threshold. Your allowance can be reduced by a maximum of £50,000, leaving you with an Annual Allowance of £10,000 if your income is £360,000 or more.

The Annual Allowance can be carried forward for up to three tax years. So, you have until 5 April 2024 to use your allowance from 2020/21.

Tax relief could make pensions a tax-efficient way to invest for the long term, and you might want to consider contributing to your family's pension before the new tax year too. Even non-taxpayers, including children, could add up to £2,880 to a pension in 2023/24 while usually benefiting from 20% tax relief.



The government is set to abolish the pension Lifetime Allowance in April 2024

Previously, the Lifetime Allowance limited the total pension benefits you could build up before facing a charge. During the 2023 Spring Budget, chancellor Jeremy Hunt announced it would be abolished from 6 April 2024.

So, if you've limited your pension contributions to avoid a potential Lifetime Allowance charge, you may want to review your retirement plan.



7. Inheritance Tax annual exemption

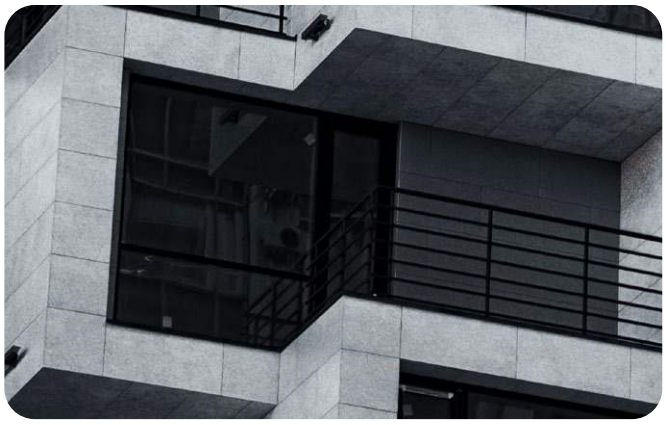
2023/24 allowance: £3,000

If you're worried about your estate being liable for Inheritance Tax (IHT) when you pass away, gifting assets during your lifetime may be useful.

However, not all assets are immediately outside of your estate for IHT purposes. If the entire value of your estate exceeds IHT thresholds, some gifts, known as "potentially exempt transfers", could be included when calculating an IHT bill if they were given within seven years of your passing away.

The "annual exemption" could provide you with a way to pass on wealth without worrying if it'll form part of your estate for IHT purposes. In 2023/24, the annual exemption is £3,000. The allowance is individual, so if you're planning with your partner, you may choose to pass on £6,000.

You can carry forward the annual exemption for one tax year.





4 other useful ways you could reduce a potential Inheritance Tax bill

If IHT is a concern, there may be other steps you could take to reduce a potential bill, including these four:

1. Gifting small amounts (up to £250 per person) to as many people as you like so long as they have not benefited from the annual exemption
2. Placing assets in a trust to pass on to loved ones
3. Making regular gifts from your income as part of your normal expenditure
4. Donating at least 10% of your estate to reduce the IHT rate from 40% to 36%.

IHT rules and allowances can be complex. If you'd like to talk about your estate plan and how you may reduce IHT, please contact us.



Contact us to talk about how to use your allowances in 2023/24 and beyond

If you'd like to discuss how allowances could fit into your financial plan and which ones you may want to use before the end of the current tax year, we could help.

It's not too soon to make a plan for the 2024/25 tax year either. Thinking about which allowances could make sense for you may help you manage your outgoings. For example, you might choose to make monthly deposits into your ISA rather than contribute a lump sum at the end of the tax year.

Please contact us to talk about your finances and how allowances may help you get more out of your money.

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Please note: This guide is for general information only and does not constitute advice. The information is aimed at retail clients only.

The Financial Conduct Authority does not regulate estate and tax planning.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Past performance is not a reliable indicator of future results.

The tax implications of pension withdrawals will be based on your individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

The guide is based on our current understanding of legislation, which is subject to change.



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