Tax planning guide 2024
Protecting your financial future

Thomson Snell & Passmore

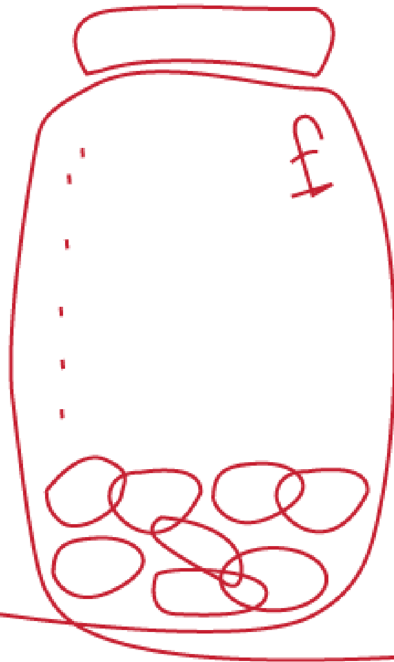
Contents

Planning ahead to protect your family's financial future 3

Tax planning considerations 4

Tax planning checklist 9

How our tax experts can help 10

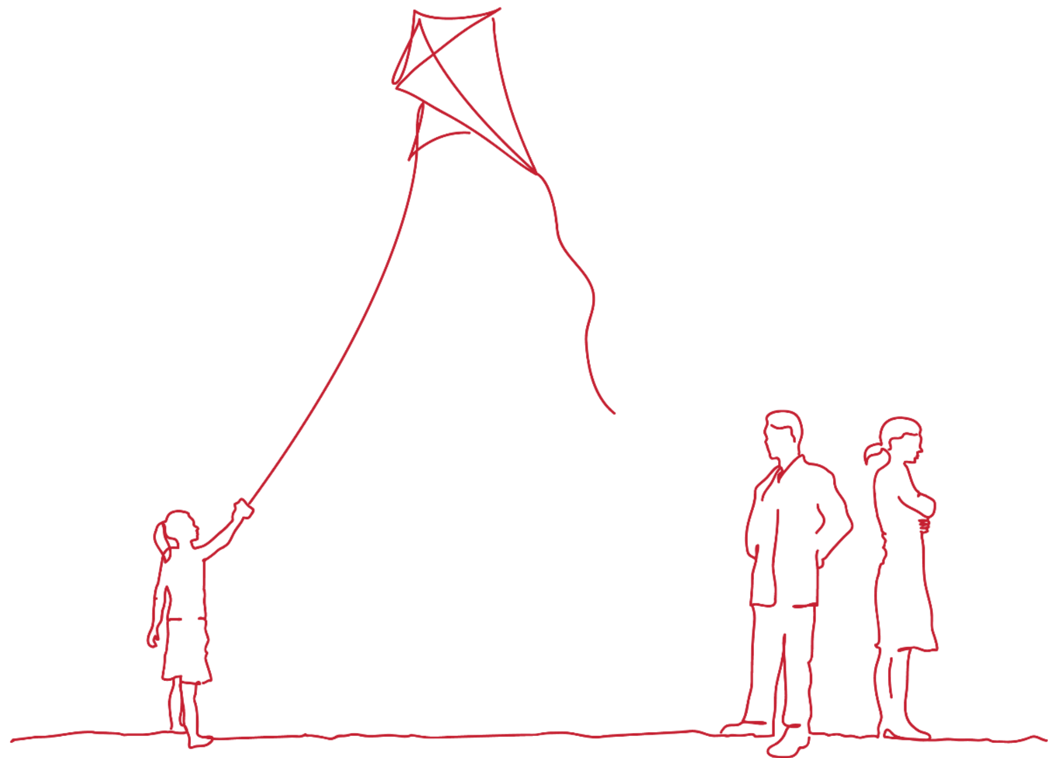


Planning ahead to protect you and your family's financial future

It is only natural to want to make sure that, whatever the future may bring, your finances are in the best possible position. Early, effective and efficient tax planning is a key step in achieving this, ensuring that you can mitigate your tax exposure, optimise tax saving opportunities and maximise your wealth.

The key is to plan ahead, rather than waiting until the end of the financial year. Our tax experts have put together this guide, to help you identify tax planning options to consider ahead of 5 April 2024.

This year, with rising prices, increasing interest rates, ongoing geopolitical upheaval, and a potential recession looming, it will perhaps be more important than ever to make the most of your annual allowances and tax reliefs.



Tax planning considerations

1. Double check if you need to file a personal tax return

Even if you do not usually file a tax return, it is worth double checking whether you will need to for the current tax year to 5 April 2024. Whilst interest rates and costs of living have increased over the year, many allowances and filing thresholds have remained the same, bringing more people over those thresholds.

2. Look at ways to reduce your income tax

The Chancellor of the Exchequer has made several announcements concerning rates and allowances applying from 6 April 2024, including the continued freezing of several key tax thresholds and reductions in the amount of annual exempt dividends and capital gains each taxpayer is allowed. To avoid losing out, it is important to consider how to make the most of the allowances you do have, including the very valuable ISA allowances available.

Ways to do this might include timing income, charitable gifts or pension contributions to happen either before or after the end of the current tax year. The opportunities available will very much depend on your circumstances.

3. Maximising your income tax allowances

The impact frozen allowances might have on your overall tax bill has been widely discussed in the media this year. Maximising these allowances is still a key tool when it comes to saving tax.

The personal allowance of £12,570 is the amount most individuals can receive before paying income tax, and is due to be frozen at this level until April 2028. The personal allowance is reduced by £1 for every £2 of net income over £100,000, so income between £100,001 and £125,140 is effectively subject to an income tax rate that can rise to 60%.

There are actions that can be taken before 5 April 2024 to adjust your net income to preserve some or all of this valuable allowance, depending on your circumstances.

Individuals are also entitled to a Personal Savings Allowance of £1,000 for basic rate taxpayers or £500 for higher rate taxpayers. The dividend allowance has been cut to just £500 per annum from 6 April 2024.

If you just have a small amount of casual trading or property income, up to £1,000 of this may be exempted from tax.

4. Maximise ISAs and Junior ISAs

The ISA tax-free allowance is still £20,000 this year. No tax is due on interest on cash in an ISA, or on income or capital gains from investments in an ISA. This usually makes cash or stocks and shares ISAs a highly tax efficient investment option. Independent financial advice should be sought to see whether this is the right option for you,

It is also possible to open a Junior ISA for a child or grandchild and save up to £9,000 tax free.

5. Take advantage of your pension allowance

The annual tax-free pension allowance for most taxpayers was increased to £60,000 per year from April 2023. The allowance includes your contributions and those of your employer. Tax relief on pension contributions is at the highest rate of income tax you pay, so higher and additional rate taxpayers will see greater tax savings on the amounts they invest in their pension.

Taxpayers with income over £260,000 will see their annual allowance tapered down by £1 for every £2 they exceed this limit, subject to a minimum allowance of £10,000 per year. Those who do not fully utilise their £60,000 allowance by 6 April 2024 can carry forward any 'unused relief' from the previous three years in most cases.

Where planning for retirement, this could make a large one-off pension contribution an attractive and tax efficient option.

6. The benefits of Gift Aid donations

Gift Aid on charitable donations lets a charity claim an extra 25p for every £1 you donate. Higher or additional rate taxpayers can also claim tax relief personally: at a rate of 20% for higher rate taxpayers or 25% for additional rate taxpayers.

If you do not pay much income tax however, care should be taken when making Gift Aid donations. The amount of income tax you pay for the year must be sufficient to fund the 25p in the pound being claimed back by the charity. If there is a shortfall, you may have to make a top-up payment to HMRC at the end of the year to fund this.

7. Gifting or transferring assets

Capital assets like stocks, shares and land and property can be transferred between spouses without triggering a capital gains tax liability. Couples where one partner has a high income and the other has unused allowances can take advantage of this to reduce the effective rate of tax on their joint income.

Care and advice should still be taken where considering such a transfer.

8. The High Income Child Benefit Charge

The High Income Child Benefit Charge is paid to claw back Child Benefit payments where the recipient or their partner have an individual income that is over £50,000. Whoever has the higher income is responsible for the charge, which is made at a rate of 1% of the Child Benefit received for every £100 of income in excess of the £50,000 threshold.

Couples affected by this might consider their options for gifts or transfers of assets to ensure the split of their joint income takes this charge into account.

9. Considerations for business owners

Small business owners will as usual, have a range of tax considerations for the coming year including ensuring you have the most efficient company structure and that profits are extracted in the most tax efficient way.

For an incorporated business the optimal salary will often be equal to the owner's personal allowance, where Employment Allowance can be claimed.

Often corporate business owners will extract profits above this threshold by way of dividend. However, given the dividend tax allowance and recent change in corporation and dividend tax rates, this may no longer be the best method. If it has been a while since thinking about your profit extraction method, this could be a good time to examine whether you are still making payments as tax-efficiently as possible.

With the cost of so many goods and services rising as a result of economic pressures over the past 12 months it is also crucial to keep in mind the VAT registration threshold, where registration is required where:

- Your total VAT taxable turnover during the past 12 months exceeds £85,000
- You expect your total VAT taxable turnover to exceed £85,000 in the next 30 days.

10. Make sure you consider Capital Gains Tax (CGT)

If you're planning to sell investments or assets, then you need to consider the CGT implications of doing so – especially this year. That is because, from April 2023 the CGT allowance - which is the amount you can make before you start paying tax - dropped from £12,300 to £6,000. From April 2024 it reduces even further to £3,000.

One of the most significant changes to CGT from 6 April 2023 were new rules applying to separating couples, including an extension to the window during which spouses who no longer live together may transfer assets on a no gain/no loss basis, and special rules around the sale of the former matrimonial home after separation.

11. Take advantage of gifting allowances

An outright gift is one of the simplest ways to reduce an estate for Inheritance Tax (IHT) purposes, for example, giving an adult child or grandchild a deposit for a house, or helping to pay for school fees or university. Such gifts are potentially exempt transfers (known as PETs) and so may be chargeable to IHT if you die within seven years of the gift. This is known as the 'seven-year rule'.

Some gifts are completely outside of an estate when it comes to IHT, and not subject to the seven-year rule. Each person can give away £3,000 a year and you can roll forward one year's allowance if it was not used the previous year. You can give as many gifts of up to £250 per person as you want each year. It is also possible to make regular gifts out of income, which are immediately exempt from IHT, though it is important to keep meticulous records of these.

If an important wedding is coming up and you are thinking about a gift for the happy couple, gifts can be made free of IHT of up to £5,000 to a child, £2,500 to a grandchild or great-grandchild, or £1,000 to any other person.

12. Don't forget about property taxes

There are a range of property associated taxes and it sensible to look at ways to minimise your exposure to these, whether you own one property or a portfolio of assets.

For those landlords with a portfolio of properties, there are a number of ways to reduce your exposure to property related taxes. However, this is an incredibly complex area, which has seen some challenges from HMRC in recent times and, as such, needs specific, expert advice.

Under the Rent a Room Scheme you can earn up to £7,500 per year tax-free letting out part of your home as furnished accommodation. Those who rent out a furnished holiday let separate to their home can also benefit from a range of tax breaks, if certain conditions are met.

Property owners should also be alive to the Annual Tax on Enveloped Dwellings (ATED) and consider ways to reduce their exposure here.

Capital Gains Tax (CGT) issues do not just arise on selling property, but also on transfers or gifts. Non-residents who own UK property also need to consider their exposure to CGT.

13. Considerations for non-domiciled individuals

There are specific – and very complex – tax rules for taxpayers considered non-domiciled in the UK. The reliefs and opportunities for such individuals differ depending on their circumstances and, in particular, on how long they have lived in the UK.

If you think this applies to your situation, then it is important to take advice to ensure that you are aware of the relevant implications and opportunities for non-domiciled individuals.

14. Make or update your will

While it might not be something that people are keen to think about, the truth is that you are never too young to think about what will happen to your loved ones – especially your children – and your assets when you pass away. In fact, your will is arguably one of the most important documents you will ever sign.

This is especially true as many people do not realise that if they die without having made a will, strict intestacy rules apply, which may mean your assets do not pass on as you would like them to. These rules may also cause tax problems for those you leave behind.

Even if you already have a will, it is important to review it regularly, and especially after any major life events such as getting married or divorced.

15. Think about longer term estate planning

Most UK domiciled individuals are entitled to a nil rate band, currently £325,000, for Inheritance Tax purposes. This is the amount up to which an estate has no Inheritance Tax to pay. A £175,000 residence nil rate band may also be available, along with opportunities to transfer unused nil rate band and resident nil rate band to a spouse or civil partner.

It is sensible to make and regularly review plans for your estate to ensure you take full advantage of these. If your estate is worth over £2m, you may start to lose your main residence nil rate band under the tapering rules, making this a particularly important threshold for effective estate planning.

When it comes to Inheritance Tax there is a range of exemptions and allowances to consider, including spouse exemptions, exemptions and allowances when gifting or leaving money to charity and exemptions on business property (Business Relief) and agricultural property (Agricultural Relief).

A range of structures may be considered in estate planning, such as trusts, using Deeds of Variation or setting up a Family Investment Company. It is essential to take advice before setting up any kind of trust or estate planning structure as there are a number of tax implications to take into account.

16. Put Lasting Powers of Attorney (LPAs) in place

While LPAs are not strictly tax related, putting them in place is a key part of planning for the financial security of your family.

We all hope to go on running our lives for as long as we can, but need to plan ahead for a time when we may need help in making decisions. A Lasting Power of Attorney is a legal document where you appoint one or more people (the attorney) to act on your behalf, in circumstances where you no longer have capacity to make decisions yourself. You can decide who you appoint, what powers they have and specify any wishes you want followed.

Having a Lasting Power of Attorney in place can avoid the expense and the potential difficulties of Court of Protection Deputyship if you later need someone to act on your behalf.

There are two types of LPA:

- Property and financial affairs
- Health and welfare.

Tax planning checklist

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2. Look at ways to reduce your income tax ☐
3. Maximising your income tax allowances ☐
4. Maximise ISAs and Junior ISAs ☐
5. Take advantage of your pension allowance ☐
6. The benefits of Gift Aid donations ☐
7. Gifting or transferring assets ☐
8. The High Income Child Benefit Charge ☐
9. Considerations for business owners ☐
10. Make sure you consider Capital Gains Tax (CGT) ☐
11. Take advantage of gifting allowances ☐
12. Don’t forget about property taxes ☐
13. Considerations for non-domiciled individuals ☐
14. Make or update your will ☐
15. Think about longer term estate planning ☐
16. Put Lasting Powers of Attorney (LPAs) in place ☐

How our tax experts can help

Our expert team of trust and tax specialists has been trusted by generations of families. We work with you to protect your assets and pass on your wealth to the next generation in the way which best suits your circumstances. We also help minimise your tax liabilities.

We understand that each financial situation is unique, and work with you to build a long lasting relationship, developing an in-depth understanding of your circumstances and objectives so that we can provide a bespoke service tailored to exactly what you need.

As part of a full service law firm, we can also call on our colleagues in our wider Wills, Estate & Tax Planning, Probate, Corporate and Commercial teams to advise where needed.

Our team

Alan Kitcher

Partner – Chartered Certified Accountant
Head of Trust & Tax Management

Alan has over 16 years of experience in the private client industry with both accountancy and law firms. He has particular expertise in looking after high and ultra-high net worth family trusts and family investment companies.

He advises on all aspects of:

- Management of wealth and asset protection structures
- Family trusts
- Family investment companies
- Personal and specialist tax administration and planning
- UK trust and family investment company accounting and administration
- Charity accounting and administration
- Estate accounting and administration.

Kyle Barford

Tax & Trust Manager

Kyle has a background in high net worth and family wealth tax compliance and advice and has particular experience in private client taxation, helping individuals and trustees manage their tax compliance obligations.

He advises on all aspects of:

- Private client tax compliance
- UK trust and family wealth taxation
- Taxation of owner-managed businesses
- Property business taxation
- Global mobility and taxation of foreign income.

Michelle Cricket

Senior Accounts & Tax Assistant

Michelle provides accounting support to Trustees and their business interests. Michelle prepares annual statutory accounts together with month/quarterly management reports for Trustees and their business interests. Michelle also prepares self-assessment tax returns for individuals and beneficiaries of Trusts.

Michelle assists the probate team with estate accounting and tax reporting.

She is a specialist in other areas, including:

- Income and capital gains tax
- Trust accounting
- Estate accounting
- Administration and day to day management of Trusts and their underlying entities.

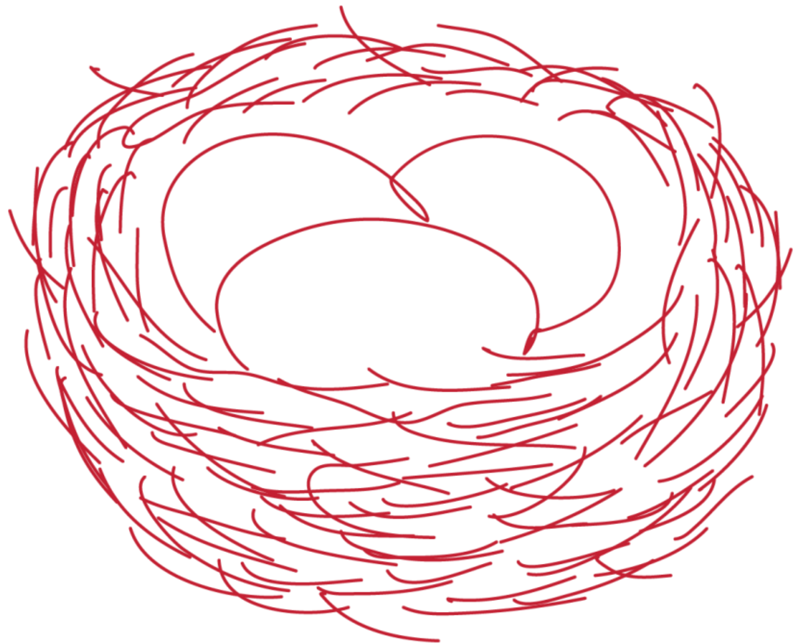
Helena Demeter

Accounts & Tax Assistant

Helena joined Thomson Snell & Passmore in 2017 and recently transferred internally from the Finance team to the Estates, Tax & Succession department where she is providing accounting and tax compliance services for trustees, executors and private individuals. She is also assisting with trust registration related enquiries as well as maintenance and deregistration.

She advises on all aspects of:

- Trust registration
- Income Tax and Capital Gains Tax
- Estate accounting
- Trust accounting.



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