Year end tax strategies 2024

Helping you make the most of tax-saving opportunities

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Key statistics

Capital Gains Tax annual exemption reducing to **£3,000 from 6 April 2024**

Dividend allowance reducing to **£500 from 6 April 2024**

National Insurance Contributions **Maximise your entitlement to the State Pension**

Inheritance Tax **Review your Will and Lifetime Gifts for IHT**

Pension Contributions **Are you maximising your relief?**

ISA Allowance **£20,000 for 2023/24**

Tax planning is a year-round activity, but it takes on even more importance as the year end draws nearer.

About this guide

Taking appropriate action ahead of 5 April 2024 will help to ensure that you are able to make the most of the tax saving opportunities available to you and your business.

While most taxation changes take effect from the start of the financial year, or tax year, some may not take effect until later. Where relevant, details of these changes have been included in this guide. Throughout the guide, 'HMRC' refers to HM Revenue & Customs. References in this guide to 'spouses' include 'civil partners'.

In this guide...

Introduction

Even the best laid plans change, for better or for worse. You may have considered your tax position earlier in the year, but is your financial situation the same today as it was twelve months ago? Even small changes could give rise to significant tax costs or opportunities that you may not have considered.

The 2023/24 tax year has been one of relatively modest changes to the tax regime. However, the government continues its policy of fiscal drag, squeezing more taxpayers into higher rates and raising the effective burden on many businesses, individuals and families.

As your tax advisers, we can help you understand how these changes will affect you, and suggest strategies to help boost your business's profitability, reduce your tax liabilities and maximise your personal wealth. These may include:

- Taking advantage of the tax breaks available to you and your business
- Planning to extract profits from your business tax-efficiently
- Utilising tax-advantaged savings options (including pensions)
- Minimising the inheritance tax due on your estate.

Planning and careful timing are crucial. In some cases, the timing of a transaction or investment determines when any reliefs affect your tax payments or your tax code.

This guide contains some key points to consider ahead of the year end. The matters considered here will also be relevant throughout the following tax years unless we specify otherwise – or if the legislation changes – so keep referring to this guide throughout 2024/25.

Sending us your accounting and personal records in good time gives us more of an opportunity to help you manage your cash flow by giving you early warning of any tax payments due. And of course, advanced notice will help to ensure that you avoid any unnecessary penalties and interest levied by HMRC.

Talk to us for advice on making the most of the opportunities available to you and your business this year.

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1.0 Your income

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Income tax rates and allowances

Band	Income	Tax rate (non-savings and savings/dividend income)
Basic Rate	£12,571 to £50,270	20% / 8.75%
Higher Rate	£50,271 to £125,140	40% / 33.75%
Additional Rate	Over £125,140	45% / 39.35%

The income tax rate bands will be frozen until 5 April 2028, with the additional rate band being £125,140.

In addition to the frozen income tax rate bands, the personal allowance remains frozen at £12,570 until 5 April 2028.

The personal allowance is tapered for individuals who have 'adjusted net income' of more than £100,000, creating a hidden marginal tax band of 60% on income between £100,000 and £125,140. For individuals who have an 'adjusted net income' of more than £125,140, the personal allowance is reduced to £0.

The dividend allowance taxes the first £1,000 of dividend income received by a taxpayer at 0%. However, from 6 April 2024, the dividend allowance is reducing to £500.

Key considerations

- Taxpayers may wish to accelerate dividends prior to 5 April 2024 to take advantage of the dividend allowance, if not already utilised
- For married couples and civil partners, you may wish to consider transferring some of your income-bearing assets to the lowest-earning spouse to reduce your overall tax burden. It is advisable to seek professional advice if this is something you wish to action
- For those earning between £100,000-£125,140, you could consider making pension contributions or qualifying Gift Aid donations to "claw-back" some or all of your personal allowance
- Consider opting-in to salary sacrifice options offered by your employer. Individuals who sacrifice their income in exchange for pension contributions could save on income tax and NIC's.

National Insurance Contributions (NICs)

From 6 January 2024 the main rate of employee Class 1 NICs was cut from 12% to 10%, with the rate for directors of a company reduced to 11.5% for the year. From April 2024, this main rate will be reducing further to 8%.

For self-employed individuals, from 6 April 2024 employee Class 2 NIC will no longer be required and the main rate of employee Class 4 NIC will fall from 9% to 6%.

High Income Child Benefit Charge (HICBC)

If either you or your partner have an ‘adjusted net income’ of more than £50,000 and are in receipt of Child Benefit, you will be liable to the HICBC.

The HICBC claws back Child Benefit at a rate of 1% for every £100 of income between £50,000 and £60,000. The HICBC is assessed through the Self Assessment system.

Importantly, it is the highest earning partner who pays the HICBC. The rules for what is considered a ‘partner’ for HICBC are complex and you may wish to seek advice if you are unsure as to whether you are liable to the charge.

From April 2024, the HICBC threshold will be increasing from £50,000 to £60,000, with the claw back rate moving to 1% for every £200 of income between £60,000 and £80,000.

Key considerations

- If you are affected by the HICBC, you may wish to consider making pension contributions or transferring income-producing assets to the lowest-earning partner. Please keep in mind that additional tax implications may arise, and appropriate advice should be taken
- Consider stopping your Child Benefit payments. However, you should ensure you continue to receive the Child Tax Credit as this will contribute towards your entitlement to certain benefits such as the State Pension.

If either you or your partner have an ‘adjusted net income’ of more than £50,000 and are in receipt of Child Benefit, you will be liable to the HICBC.

Gift Aid

Donations made to UK and EEA qualifying charities can benefit from tax relief through Gift Aid. Higher rate taxpayers can claim further tax relief of 20% whilst additional rate taxpayers can claim an additional 25% tax relief.

There is no upper limit to the value of donations you can make to qualifying charities, as long as you have paid the amount of tax the charity will claim in Gift Aid, so it can be a valuable relief for higher earners.

Key considerations

- Consider making or increasing your Gift Aid donations to benefit from the available tax allowances
- Ensure you keep a note of all qualifying donations and make the appropriate Gift Aid declarations if you are a UK taxpayer
- When submitting your 2023/24 Tax Return, ask your adviser about electing to carry back your Gift Aid donations made after 6 April 2024 to accelerate the tax relief savings
- Consider donating assets such as land or shares to a qualifying charity. As well as attracting generous tax relief, any gain arising on the donation of your assets would not be subject to Capital Gains Tax.

2.0 Your savings & investments

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St James's Place is authorised and regulated by the Financial Conduct Authority.

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Capital Gains Tax (CGT)

From 6 April 2024, the CGT annual exemption is reducing from its current level of £6,000 to £3,000.

CGT is charged at a lower rate of 10% (18% on residential property) for basic rate taxpayers and 20% (28% on residential property) for higher rate and additional rate taxpayers.

The higher rate on residential property of 28% will be reducing to 24% on disposals made after 6 April 2024.

A CGT rate of 10% is available on gains that qualify for Business Asset Disposal Relief (BADR), up to a lifetime limit of £1 million and Investors Relief, up to a lifetime limit of £10 million.

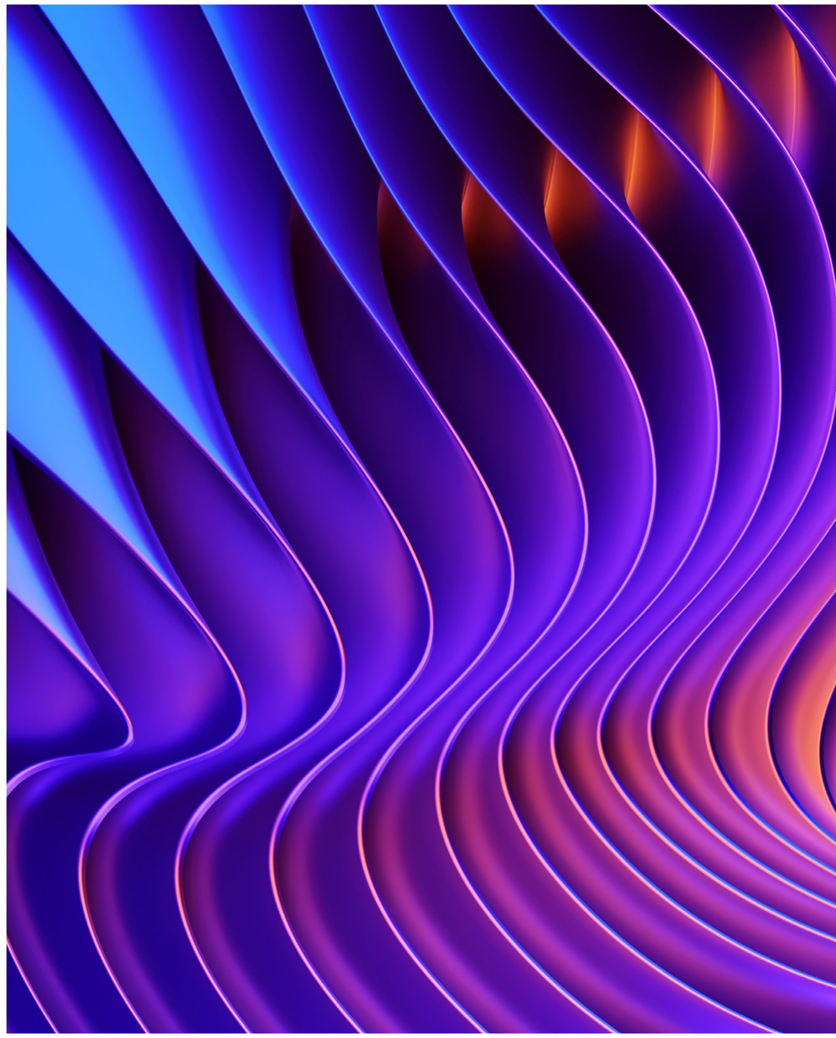
Personal Savings Allowance

Interest of up to £1,000 from savings, such as bank and building society accounts, can be received free of tax up to the available savings allowance.

The available allowance is £1,000 for basic rate taxpayers, £500 for higher rate taxpayers and £0 for additional rate taxpayers.

Key considerations

- The CGT annual exemption is a "use-it-or-lose-it" allowance so you should ensure you utilise it in full prior to 6 April 2024
- You should consider transferring some of your assets to your spouse to allow them to utilise their annual exemption
- Ensure that you have undertaken sufficient tax planning to maximise any potential claims to BADR or Investors' Relief
- Taxpayers who have income taxed at the higher or additional rates, with a spouse with lower earnings, may wish to consider placing interest-bearing accounts in joint names with their spouse
- Where you are in the process of disposing of a second home, you may wish to delay until after 6 April 2024 to reduce the exposure to CGT from 28% to 24%.



> Interest of up to £1,000 from savings, such as bank and building society accounts, can be received free of tax up to the available savings allowance.

Tax efficient investments

Enterprise Investment Scheme (EIS)

Investments made to qualifying EIS companies attract Income Tax relief at 30% on the amount invested. The maximum annual investment is £1 million or £2 million provided anything above the £1 million is invested in “knowledge-intensive” companies.

Income Tax relief may be claimed in the tax year of investment or carried back to the previous tax year.

Individuals may also defer capital gains made in the three years prior to their qualifying investment, or one year after investment.

Provided the qualifying shares are held for at least three years, any gain arising on disposal is not liable to CGT.

Seed Enterprise Investment Scheme (SEIS)

You can invest up to £200,000 in qualifying SEIS companies and claim Income Tax relief at 50% against your Income Tax liability in the year of investment. As with EIS investments, you may carry back your Income Tax relief claim to the previous tax year.

Individuals may also exempt capital gains made in the tax year of investment, up to certain limits.

Provided the qualifying shares are held for at least three years, any gain arising on disposal is not liable to CGT.

Venture Capital Trusts (VCT)

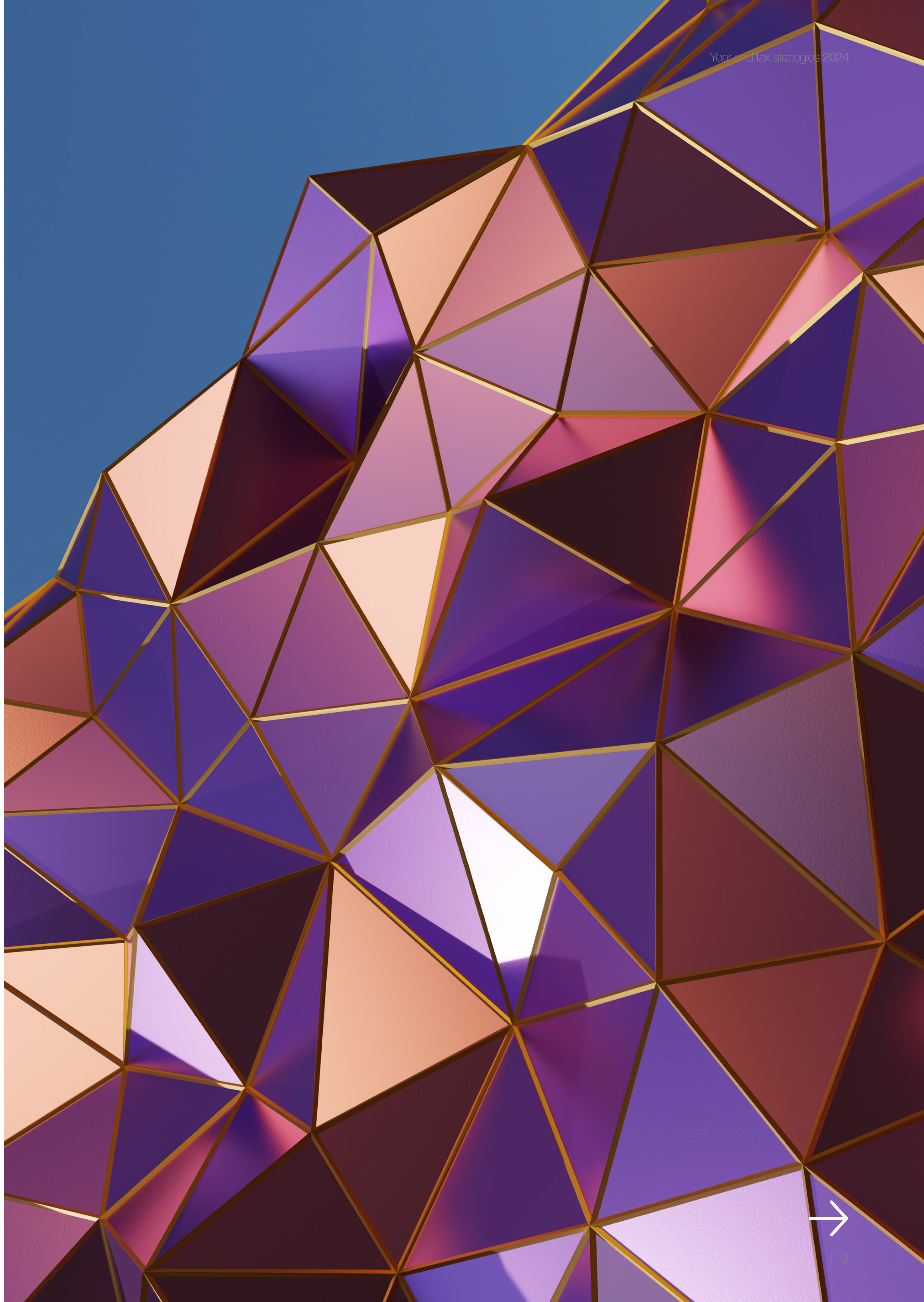
VCT investments of up to £200,000 can qualify for Income Tax relief at 30%.

Whilst VCT investments do not attract the same upfront CGT reliefs as EIS and SEIS, dividends received from a VCT are tax-free.

No CGT is payable on any gains realised from the sale of VCT shares.

Key considerations

- Individuals should consider investing in tax-efficient investments such as EIS, SEIS or VCT to benefit from income tax relief at 30% or 50%
- To consider deferring or exempting capital gains on the disposal of any asset through reinvestment reliefs offered by EIS and SEIS qualifying investments
- If you have made a loss on any qualifying investments, you should ensure a claim for loss relief is considered.



3.0 Your assets

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Inheritance Tax (IHT)

Formulating an estate plan that minimises your IHT liability is essential. In recent years, HMRC has been increasingly targeting the estates of individuals to ensure the correct amount of IHT has been paid, so it is more important than ever to regularly review your IHT planning to ensure its effectiveness.

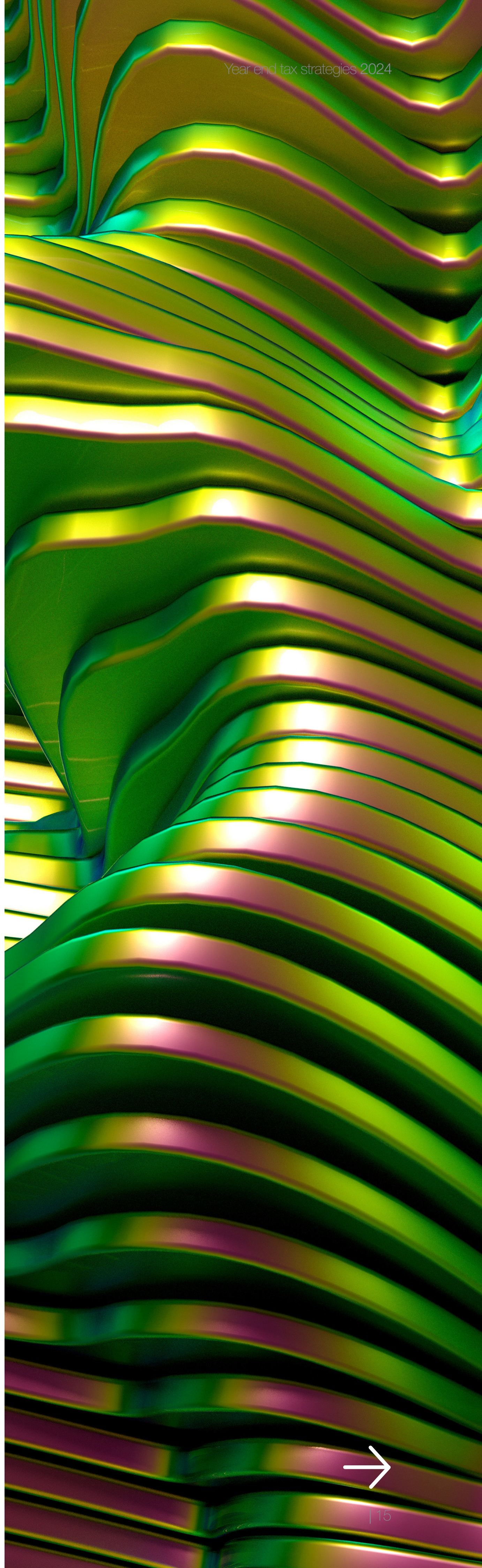
Your estate's liability to UK IHT is dependent on your domicile at the time of death. In a nutshell, individuals who are domiciled or deemed domiciled in the UK are liable to IHT on their worldwide assets. Individuals who are non-UK domiciled are normally subject to IHT on their UK-situs assets.

If your estate is large, it is likely to be subject to IHT, which is currently payable where a person's taxable estate is in excess of the £325,000 nil-rate band (NRB). The NRB has now been frozen until at least April 2028.

The residence nil-rate band (RNRB) is available where a property, that was at some point your main residence, is left to to a direct lineal descendant, such as a child or grandchild. This is currently £175,000 and is tapered where estates exceed a net value of £2 million. An estate over £2.35 million will not derive benefit from the RNRB. The RNRB has also been frozen until April 2028.

IHT is currently payable at 40% on the value of your estate exceeding the available NRB and RNRB, or 36% if 10% or more of your net estate is bequeathed to charity.

> In recent years, HMRC has been increasingly targeting the estates of individuals to ensure the correct amount of IHT has been paid.



Lifetime gifting

Through effective planning and lifetime gifting, you can reduce the value of your estate for IHT purposes whilst ensuring the succession of your wealth.

There are generous reliefs available for individuals who wish to make gifts during their lifetime that exempt certain transfers from IHT. These include:

- Small gifts exemption (gifts not exceeding £250 per tax year, per person) to any number of individuals
- Annual transfers not exceeding £3,000 (£6,000 if no gifts were made in the previous tax year)
- Certain gifts in consideration of marriage or civil partnership (up to £5,000)
- Gifts to charities
- Unlimited transfers can be made to your UK domiciled spouse.

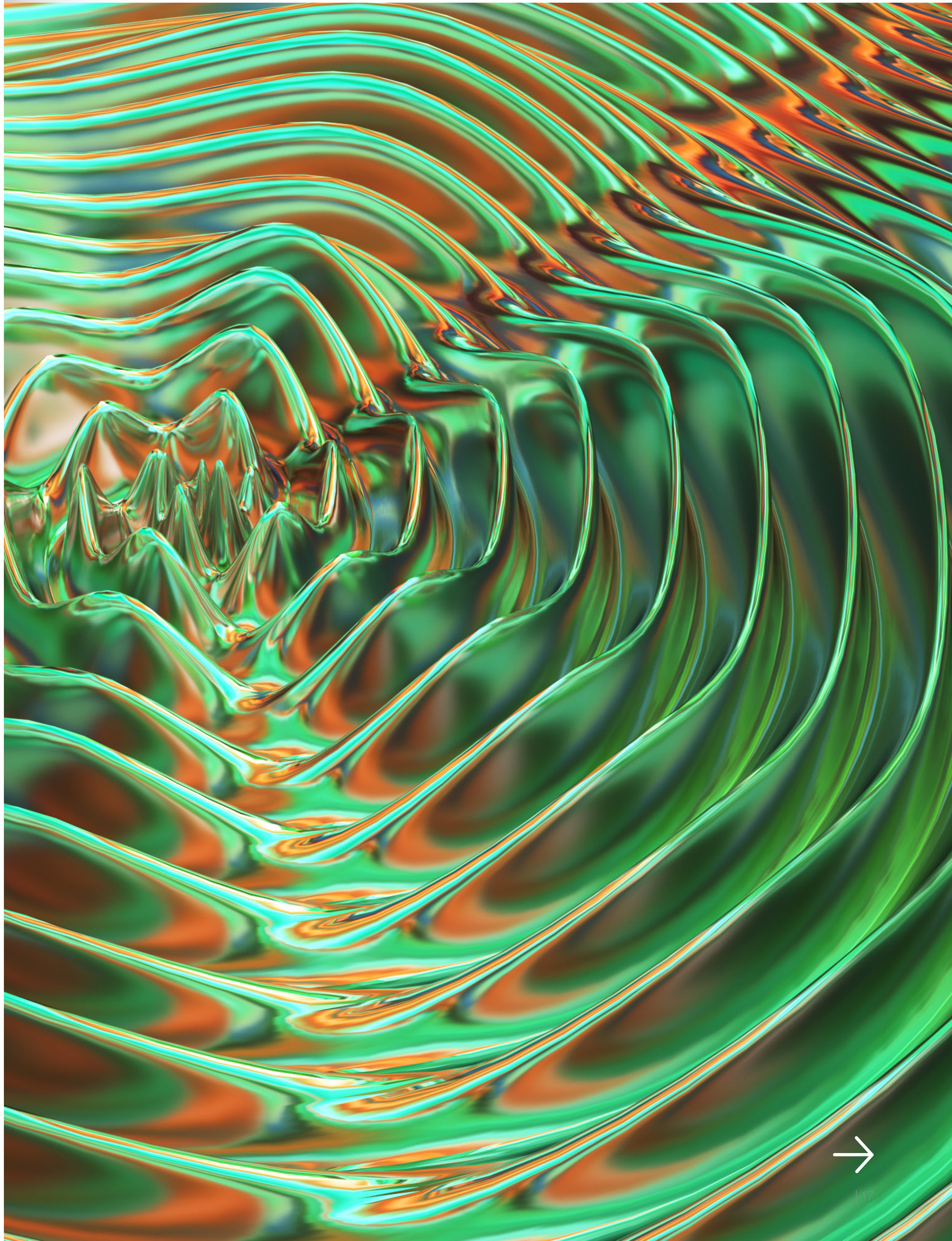
Perhaps the most valuable exemption available to an individual is making gifts from surplus income. Qualifying transfers are treated as exempt from IHT.

In order for the gifts to qualify, you must show that they are regular in nature and are paid out of surplus income (i.e. it should not be required by the individual to cover their living expenses). The rules surrounding gifts from surplus income are complex and it is recommended you seek advice prior to making regular gifts.

Some lifetime gifts may qualify as a Potentially Exempt Transfer (PET). PETs are exempt from IHT if you survive 7 years from the date of the gift. A reduction in the rate of IHT payable applies where the PET was made between three and seven years before the date of death.

Key considerations

- You should review your Will at regular intervals to ensure that it reflects changes in your family and finances, is tax efficient, and includes any specific legacies you would like to give
- You may consider utilising the available IHT reliefs every tax year and decide whether making gifts out of surplus income is a suitable method of lifetime gifting
- You may consider bequeathing at least 10% of your net estate to charity to take advantage of the reduced IHT rate of 36%. You must ensure that your Will is drafted carefully to take advantage of the reduced rate
- Make lifetime gifts as early as possible as some gifts could escape the IHT net if made more than seven years prior to the date of death. Taking professional advice is strongly recommended prior to making a lifetime gift
- Consider making gifts to your child or grandchild's Junior SIPP or ISA to allow them to benefit from tax-free investment growth for the future.



4.0 Your businesses

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Capital allowances

The super deduction, which allows businesses to claim 130% and 50% on qualifying capital expenditure ceased on 31 March 2023. However, it is important to ensure these are claimed through Corporation Tax or Self Assessment returns whilst still in time.

Between 1 April 2023 and 31 March 2026 "full expensing" is available for companies investing in new items that qualify for the 'main pool' of capital allowances, allowing 100% of costs. Investment in this period that falls within the 'special rate pool' will be able to have a 50% allowance.

Qualifying investments will be eligible to claim the £1 million Annual Investment Allowance (AIA), which should therefore be allocated to the "special rate" items first to enable 100% relief up to the AIA limit.

Key considerations

- If you are planning to make significant investments within the next few months, consider accelerating your plans to take advantage of the changes to capital allowances which ceases on 31 March 2026.

Employee benefits in kind – payrolling vs P11D

The most common way of reporting benefits such as medical insurance or company cars has often been via a P11D form. Employees would receive the P11D from their employer after the end of the tax year, summarising the total benefits received, and outlining the total Class 1A NIC due on these benefits. Employers who opt for this method must legally provide their employees with a copy of their P11D, whilst also being required to submit a Form P11D(b).

In recent years, more companies have looked at payrolling these benefits, to reduce the compliance element of completing annual P11D forms. Additionally, employees are more likely to pay the correct tax due on their benefits through payroll, as PAYE tax code errors and underpaid liabilities are less likely to occur.

Key considerations

- Registration for payrolling benefits is voluntary but must be made online before the start of the tax year (6 April) in which the employer wants to start payrolling benefits. If the deadline is missed, benefits cannot be formally payrolled until the following tax year
- Some benefits cannot be payrolled. These include employer provided living accommodation and low or interest-free employer provided loans
- For any payrolled benefits, employers have a responsibility to inform employees of details of those benefits by 1 June following the end of the tax year
- Employers are still required to calculate and pay Class 1A NIC on the benefits provided, as well as submit the annual P11D(b) form by 6 July, and make the payment to HMRC by 19 July or 22 July if paying electronically.

Basis Period Reform

From 2024/25, all self-employed individuals and members of partnerships will be taxed on the profits generated during the tax year from 6 April to 5 April (year end 31 March can be used). This applies regardless of the year end to which the business prepares its accounts.

The 2023/24 year is the transitional tax year and may cause those who prepare accounts for periods other than 5 April or 31 March to have greater tax liabilities than expected. Planning should be taken to ensure there are sufficient reserves to fund the tax liabilities due 31 January 2025 (and payments on account 31 January and 31 July 2025).

Overlap profits can be utilised against profits reported in the 2023/24 tax year. HMRC has opened a service where taxpayers can request the records held by HMRC, and we would recommend this is completed as soon as possible to enable accurate planning.

Merging of the Research and Development (R&D) and small and medium-sized enterprise (SME) Schemes

On 1 April 2024 the old SME and R&D expenditure credit (RDEC) schemes will be merged into a new RDEC-style scheme. This new scheme will apply for accounting periods starting on or after 1 April 2024, meaning that the first annual periods to be affected will be those ending March 2025 onwards.

Costs related to subcontractors and externally provided workers will only be allowable if the work is undertaken in the UK, subject to specific exemptions, for accounting periods starting on or after 1 April 2024.

The eligible expenditure categories have now been extended to include the cost of datasets and cloud computing.

Short-term business visitors (STBV)/Appendix 4 and Appendix 8

With Covid-19 hopefully now something of the past, many UK companies will be seeing an increased number of overseas employees visiting them in the UK. When this occurs, UK companies should be aware of the Income Tax obligations under PAYE of these visitors.

One way this can be managed is through an STBV arrangement also known as an Appendix 4. This offers an alternative to the company's tax withholding obligations, meaning the employer does not have to operate PAYE for certain visitors, however, this agreement ensures that certain records and reporting obligations are met.

Key considerations

- STBV arrangements only apply to countries in which the UK has a Double Tax Agreement (DTA)
- If you have entered an STBV arrangement for the current tax year (2023/24), you are required to submit your report to HMRC by 31 May 2024.

The other type of arrangement which applies to countries in which there is no DTA in place with the UK is known as an Appendix 8.

This is an agreement whereby visitors to the UK who spend less than 60 days in the country could be captured on the annual payroll. The payroll is run at the end of the tax year with any tax paid over to HMRC by 31 May 2024 (deadline for the 2023/24 tax year). This also applies where the criteria for an STBV arrangement have not been met.

It should be noted that Non-Resident Directors of UK companies cannot use either the STBV arrangement or Appendix 8 (annual payroll) arrangement.

Value Added Tax (VAT)

The VAT registration threshold, which has remained at £85,000 since 1 April 2017, will increase to £90,000 from 1 April 2024.

Businesses may also deregister from VAT if their taxable turnover goes below £88,000 (£83,000 until 1 April 2024).

It is important for businesses to be aware of their turnover, expected turnover, and their VAT registration timelines.

5.0 Your wealth

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Make the most of your ISA allowance

Individuals can invest in any combination of cash or stocks and shares ISAs up to the overall annual subscription limit of £20,000 in 2023/24. However, a saver may only pay into one type of ISA account or split their allowance across some or all of the other types. You have until 5 April 2024 to make your 2023/24 ISA investment.

From 6 April 2024 you will be able to open multiple ISAs of the same type every year, allowing more flexibility of investments and transferring of funds throughout the tax year. There will also be an additional £5,000 that can be contributed to a “UK ISA” on top of the £20,000 current limit.

Meanwhile, a tax-free Junior ISA (JISA) is available to all UK resident children under the age of 18 as a Cash or Stocks and Shares product or both. Total annual contributions are capped at £9,000. Funds placed in a JISA will be owned by the child, but the investments will be locked in until the child reaches adulthood. If a child has a Child Trust Fund account, this can now be transferred into a JISA.

The Lifetime ISA

The Lifetime ISA is for those under the age of 40. Contributions of up to £4,000 per year will be met with a 25% bonus provided by the government until the account holder reaches the age of 50.

However, if withdrawals are made prior to the account holder’s 60th birthday, a 25% penalty will apply to the withdrawal, which effectively takes away the bonus accrued unless the withdrawal is to fund the purchase of a first home. Therefore, unless used for a first home deposit, the Lifetime ISA is more similar to a pension savings vehicle. There are a limited number of Lifetime ISA products available at the moment.

National Insurance Contributions – filling the gaps

Your National Insurance contribution record affects your UK State Pension entitlement. Many individuals, including globally mobile employees, may not be aware of the implications having a “gap” in their UK contribution record.

Within periods of overseas working, or even periods of unemployment where individuals have not opted to claim UK benefits, it is possible for them to make voluntary NICs, backdating these for up to six tax years. This can be beneficial in the long term, to ensure there are no gaps in their record when looking towards retirement and obtaining a State Pension.

Key considerations

- Until 5 April 2025, you can backdate your NIC voluntary contributions up to the 2016/17 tax year. After this date, you can only backdate your NIC voluntary contributions for the previous six tax years.

Planning for your retirement

The pension tax relief system has undergone significant changes in recent years for those with large pension pots and high levels of income.

Pension Lifetime Allowance

It was announced in the Spring Budget 2023 that the lifetime allowance (LTA) would be abolished from April 2024, and there would be no LTA tax charges after 6 April 2023.

The new allowances are the lump sum allowance (LSA) of £268,275 (25% of the old LTA). This measures the tax-free cash that can be taken in someone's lifetime.

The lump sum and death benefit allowance (LSDBA) of £1,073,100 (the same as the old LTA), which measures lump sums someone can take in life, plus in ill health and at death.

Someone exceeding these allowances will be taxed in the same way as income.

Those who have claimed previous fixed protection will have a greater LSA and LSDBA. The ability to apply for fixed protection will also close on 5 April 2025.

General rules on pension contributions

For pension contributions to be applied against 2023/24 income, they must be paid by 5 April 2024. Tax relief is available on annual contributions limited to the greater of £3,600 (gross) or the amount of the UK relevant earnings, but subject also to the annual allowance.

Where pension savings in any of the last three years' pension input periods (PIPs) were less than the annual allowance, the "unused relief" is brought forward, but you must have been a pension scheme member during a tax year to bring forward unused relief from that year. The unused relief for any particular year must be used within three years.

To be able to utilise unused annual allowance from the 2020/21 tax year, payments must be made to the pension scheme by 5 April 2024.

For example:

	Gross pension savings	Annual Allowance	Carry forward
2020/21	10,000	40,000	30,000
2021/22	20,000	40,000	20,000
2022/23	30,000	40,000	10,000

With the £60,000 Annual Allowance cap for 2023/24, this client can make tax-efficient contributions up to £120,000 (gross), making full use of their carried forward "unused relief".

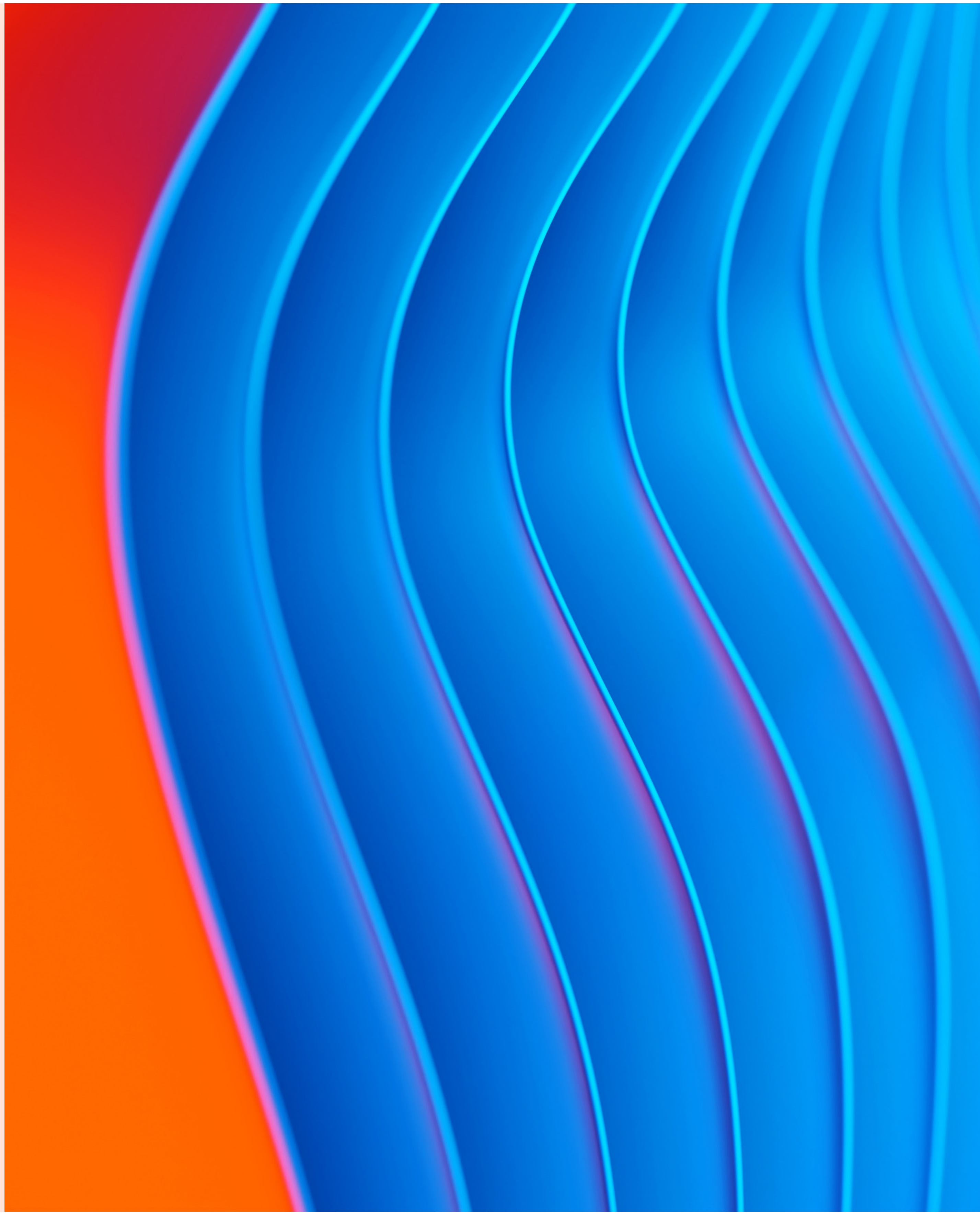
There is a taper to the annual allowance for those with adjusted annual incomes (including their own and their employer's pension contributions) over £260,000. For every £2 of adjusted annual income over £260,000 an individual's annual allowance will be reduced by £1, down to a minimum of £10,000.

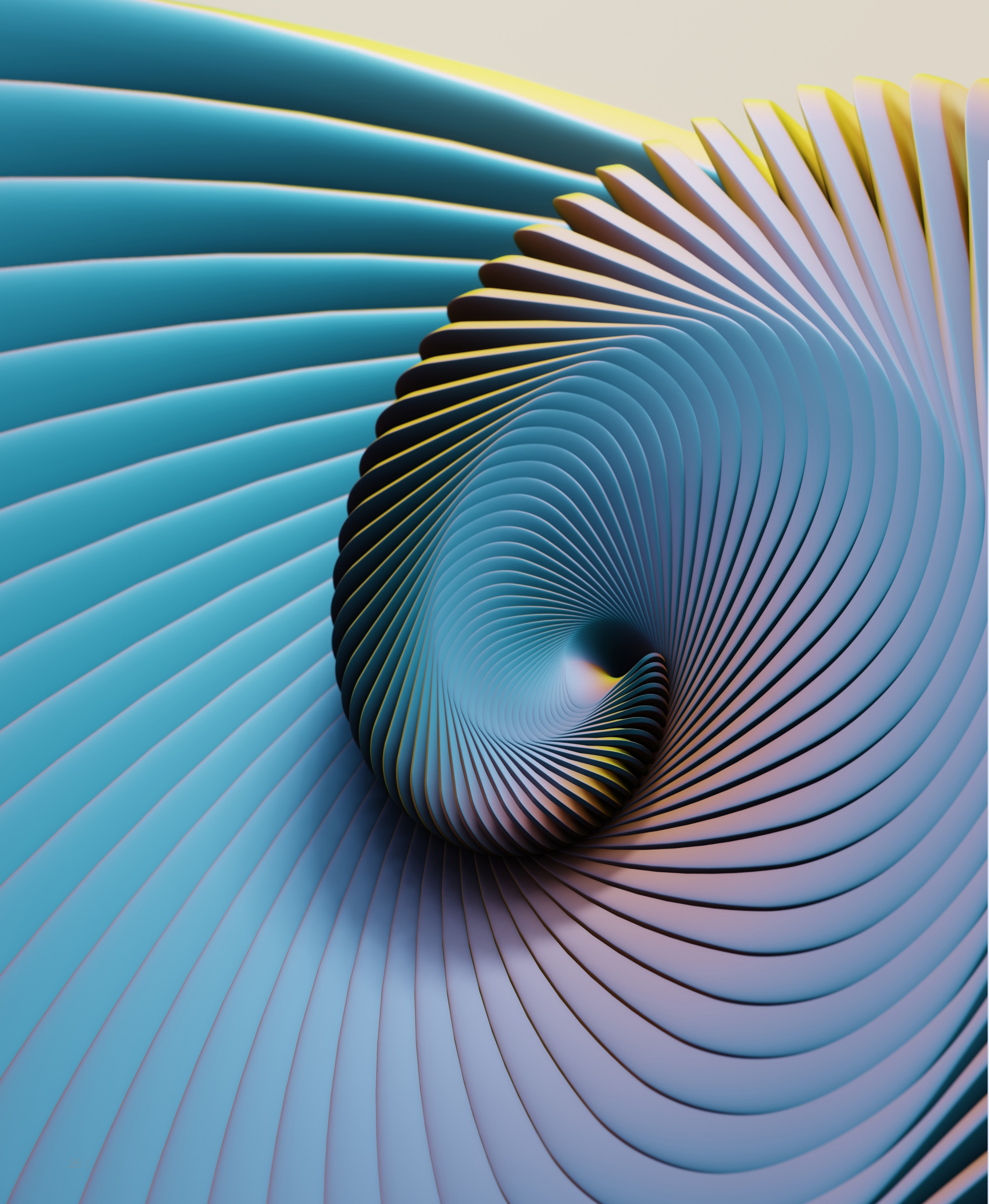
Your scheme managers can provide pension forecasts to help you estimate whether you are saving enough and, if not, what additional savings you might have to make in order to generate the income you will need in retirement. When you consider your retirement income, don't forget to also assess your expenditure – many people underestimate the amount they will need to live comfortably when they stop working.

Those who fully fund their pensions may have entered into salary sacrifice arrangements under which the employer funds pension payments for other family members. These payments are taxable on the employee.

The rules are complicated, but we can calculate your personal pension savings cap, as well as advising on all aspects of financial planning, including a discussion of your spending needs, post-retirement.

> When you consider your retirement income, don't forget to also assess your expenditure.





Our expert team can help you ensure that you are able to make the most of the tax saving opportunities available to you and your business before 5th April 2024.

To find out more please contact us.

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