Kingston Smith
Financial Advisers

Your potential, our expertise

Tax-Efficient Planning for 2019/20

It is always a good idea to review tax planning opportunities to ensure you are maximising allowances and your planning is in line with current legislation. With this in mind, we have prepared a brief reminder of the key points that should be addressed at the start of a new tax year:

ISAs

- The ISA allowance is £20,000.
- Any income or growth that is generated within the ISA is tax free.
- You can save your full allowance in a stocks and shares ISA or cash ISA, or combination of both.
- The limit for a junior ISA/child trust fund for 2019/20 is £4,368.

Dividend allowance

The dividend allowance is £2,000

Pensions*

- The annual allowance for tax relievable pension contributions is up to £40,000, depending on your income.
- Tax relief on personal contributions is available at your highest marginal rate of tax.

Carry-forward

- Carry forward allows you to make use of any unused allowance from the three previous tax years, if the current year's allowance has been used up.
- If your income is over £100,000, a pension contribution may also help to reclaim any 'lost' personal allowance, potentially resulting in effective tax relief of up to 60% on your contribution.
- Consider making a net contribution of up to £2,880 (£3,600 gross) for family members, including those with no earnings, e.g. children.
- Employer pension contributions are a tax-efficient way of extracting profits for owner-managers and should be deductible for corporation tax purposes. This offers owner-managers a tax-efficient deferred income.

Watch out

- Those with an adjusted income of over £150,000 will have their annual allowance restricted on a sliding scale from £40,000 down to a minimum of £10,000.
- The money purchase annual allowance (MPAA) is £4,000 for individuals who have flexibly accessed their pension benefits

Make the most of inheritance tax (IHT) allowances:

- You can gift up to £3,000 capital each tax year free of IHT, or £6,000 if there was no gift in the previous tax year. Any of the previous year's unused allowance can be carried forward.
- Upon their children's marriage, parents can gift £5,000 (grandparents £2,500).
- You can make unlimited gifts up to a value of £250 each per person per tax year.

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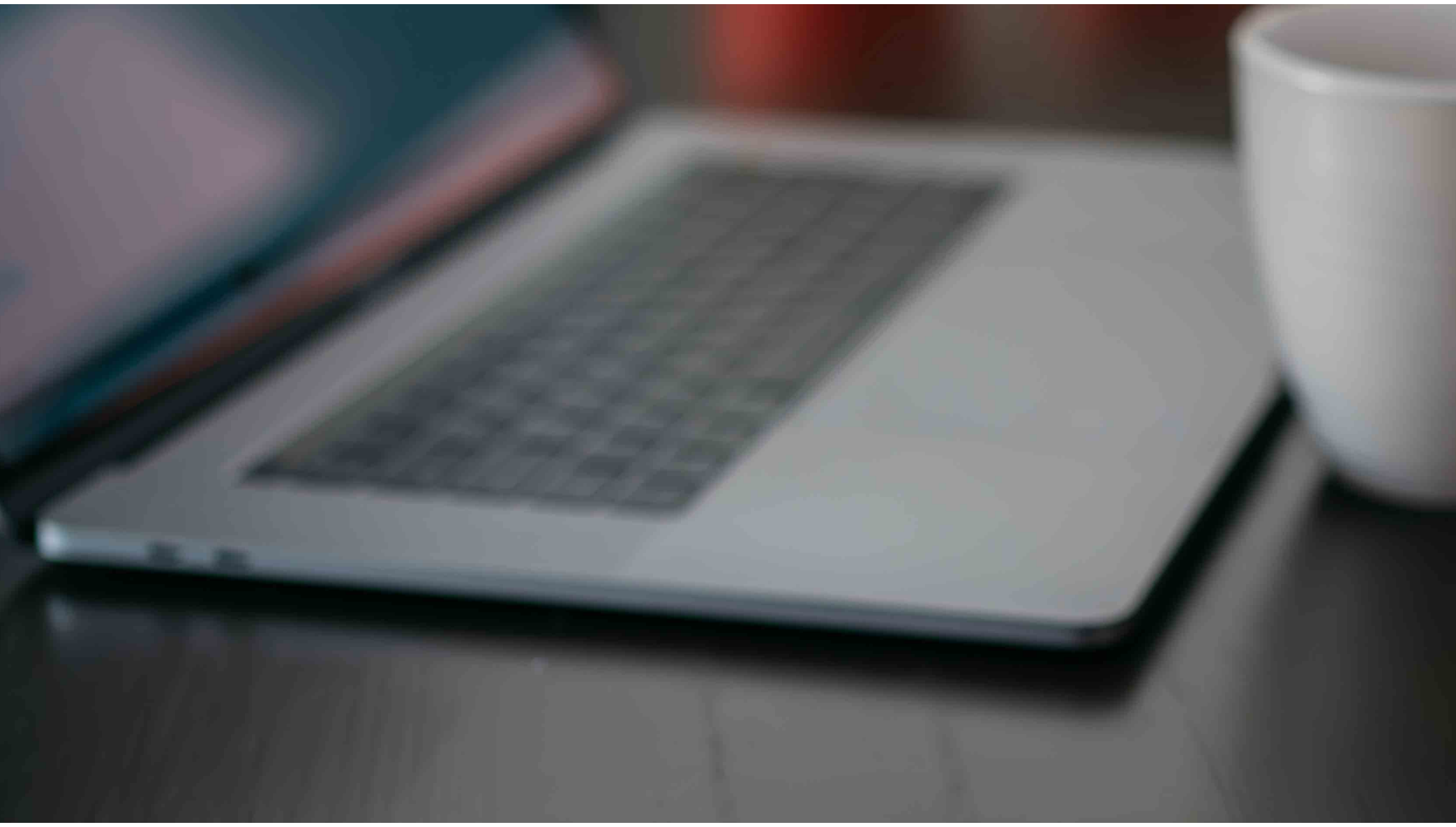
- Gifts as part of your normal expenditure are exempt from an IHT charge. A pattern of making these payments should be established and documented.
- The tax-exempt nil-rate band is frozen at £325,000 until April 2021.
- Homeowners may benefit from the residence nil-rate band (RNRB). This is in addition to the standard nil-rate band. The qualification is that your home must be passed down to your direct descendants, i.e. children, grandchildren.
- The relief is £150,000 in 2019/2 – rising to £175,000 in 2020/21.
- There is a tapered withdrawal of the additional nil-rate band for estates with a net value of more than £2 million. This is at a withdrawal rate of £1 for every £2 over this threshold.
- This is beneficial to married and civil partnership couples, as their IHT relief is doubled. RNRB can be transferred to the deceased's spouse or civil partner's estate. On first death, the unused RNRB is capped at the value of the home. This can even be done if the first of the couple died before 6 April 2017.
- If you leave at least 10% of your net estate to charity, your estate could pay the reduced rate of 36% on assets above £325,000.
- You can also mitigate any potential IHT liabilities by implementing simple assurance policies written under suitable trusts.

Will

- Review your Will to ensure that your current wishes are reflected and that you are maximising the IHT relief available.

Capital gains

- UK-resident individuals are entitled to realise capital gains of up to £12,000 (2019/20) without having to pay any capital gains tax (CGT).
- The ownership of any asset may be transferred to, or shared with a spouse/civil partner without triggering a tax charge, so that each individual's annual exemptions may be used for that disposal.
- The 2019/20 CGT rates are 10% for individuals who have not used their entire basic-rate tax band against their income and 20% for higher or additional-rate taxpayer.
- The CGT rate for transactions involving residential property (other than your principal residence), or carried interest, remains at 18% at the lower rate and 28% for the higher income tax rate.



Enterprise investment scheme (EIS) investment**

- Up to £1 million can be invested in 2019/20 with 30% income tax reduction being given on the amount invested or your income tax bill, if less.
- This limit is doubled to £2 million provided any amount over £1 million is invested in 'knowledge-intensive companies'.
- An EIS must be held for at least three years to retain the tax relief.

Seed enterprise investment scheme (SEIS) investment**

- Up to £100,000 can be invested in 2019/20. The relief provides a 50% income tax credit and the ability to exempt capital gains equal to 50% of the amount invested.

Venture capital trust (VCT) investment***

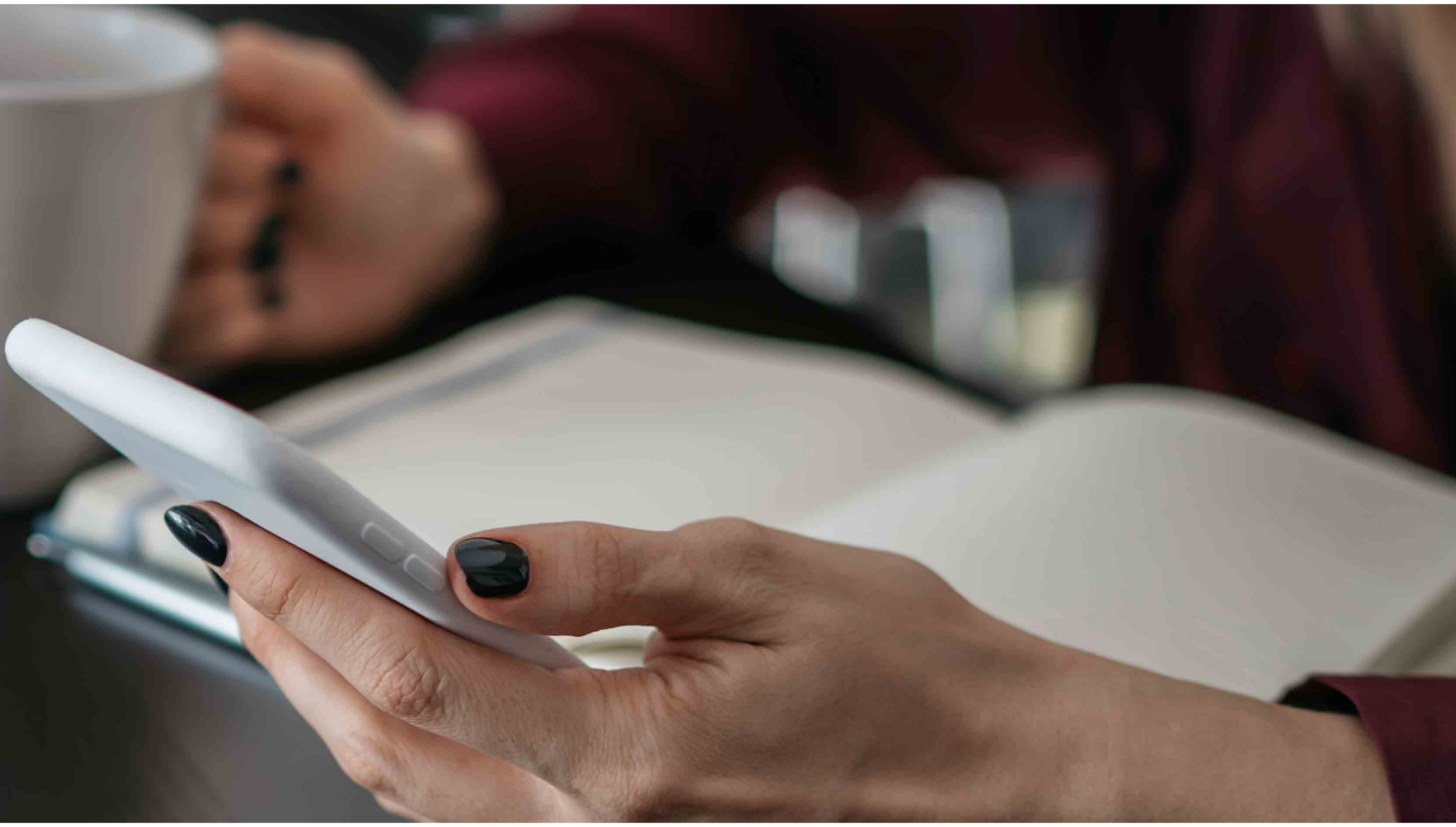
- Up to £200,000 can be invested and up to 30% income tax relief is available with future dividends exempt from income tax. It is recommended that you hold the VCT for five years.

To find out more about KSFA's bespoke services and to see how we can help you, please email advice@ksfa.co.uk or visit www.ksfa.co.uk.

*A pension is a long-term investment the fund value may fluctuate and can go down. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation. Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from taxation, are subject to change.

**Enterprise investment schemes (EISs) and seed enterprise investment schemes (SEISs) are very high-risk investments. An EIS/SEIS investment is usually concentrated in one single unquoted trading company. Often there is no market for the shares and it may therefore be very difficult to make a disposal. There is a possibility of the chosen company failing.

***VCTs are high-risk investments and there may be no markets for the shares should you wish to dispose of them. You may lose your capital. The value of investments and income from them may go down. You may not get back the original amount invested.



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Fresh Potential Empowering Business building
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Kingston Smith Financial Advisers Ltd

Kingston Smith Financial Advisers Ltd is a joint venture between Kingston Smith and Argentis Financial Management. Argentis joined Gallagher, one of the largest risk management organisations in the world, in 2016.

Together we have created a chartered independent financial planning and wealth management business committed to high-quality service and advice that is delivered with precision and discretion.

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