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2023/24
Personal Tax
Year End Planning Guide

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Pre-5 April 2024 tax planning check list

As the 2023/24 tax year draws to an end, we have considered what action you should be taking ahead of 5 April 2024 to take advantage of various tax reliefs and allowances to reduce your tax bill. The checklist below summarises the actions you should consider.

Tax advice should be sought prior to implementing any of the suggestions.

1	**Capital gains tax ('CGT') planning** Have you used your CGT annual allowance or generated capital losses to cover gains?	
2	**Pension contributions** Have you utilised your Annual Allowance for pension purposes, as well as using any brought forward unutilised amounts?	
3	**2023/24 ISA Allowance** Have you and your family made your maximum ISA contribution of £20,000 per adult for 2023/24?	
4	**Maintaining your personal allowance** If your income is just over £100,000, have you considered reducing your income with pension contributions or charitable donations?	
5	**Tax efficient investments** Have you considered using your EIS / SEIS / VCT investment allowances?	
6	**Dividend allowance** Have you declared dividends of at least £1,000 to utilise all shareholders' dividend allowances?	
7	**Inheritance tax ('IHT')** Have you made any annual gifts for IHT, or thought about creating trusts? Are your wills up to date?	

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Foreword by Laura Hutchinson

Last year's foreword to this guide very much focussed on the challenges faced by taxpayers due to the combination of high inflation and frozen tax allowances, which together have increased the tax burden on the general public through fiscal drag. After a seemingly implacable series of interest rate rises over the last couple of years, inflation finally appears to be abating. However, in its wake, taxpayers have been left with allowances that have been significantly diminished in real terms, and businesses faced with increased cost pressures.

We also approach the new tax year against the backdrop of an imminent general election and a likely change of government. Pre-election campaigning is not yet in full swing, but one tax policy on which Labour set out their stall early on, is the abolition of the 'non-dom' tax regime as we know it. It is perhaps, therefore, not surprising that in the recent Spring Budget, the Government announced sweeping reforms to the taxation of 'non-doms' which will undoubtedly force a rethink of one of Labour's key manifesto pledges. It is unclear whether the recently announced changes will be enacted if we do see a change in government, but what is clear is that there will undoubtedly be significant changes to the way non-doms are taxed over the coming years.

Those who have either recently moved to the UK, claimed the remittance basis of taxation previously, or are considering emigrating, should observe the next 12 to 18 months very closely. This is a notoriously complex area of taxation, so anyone who is likely to be affected should seek professional advice.

In addition to the freezing of tax thresholds, 2023/24 saw the first phase of the reduction in both the dividend allowance and capital gains tax ('CGT') annual exemption starting to bite. The CGT exemption, slashed from £12,300 to £6,000 in 2023/24, will reduce further to just £3,000 from 6 April 2024. Similarly, the dividend allowance was halved to £1,000 for 2023/24, and will be cut further to just £500 for 2024/25.

As we move into a period where these allowances and exemptions are restricted, maximising annual ISA allowances and pension contributions is more important than ever, to ensure savings and investments can grow in a tax-free environment.

One of the good news stories in recent years is around pensions, with the abolition of the lifetime allowance and increase to the pension annual allowance from £40,000 to £60,000 per annum. There is a risk that an incoming government will reform these rules, so consideration should be given to taking advantage of these opportunities whilst available. We discuss this in more detail on page 13.

Whilst there was a slight downturn in property prices in 2023, this seems to be reversing, due to selling lower mortgage rates. With property values at an average rate of 5.2 to earnings for 2023 (compared to a previous long-run average of 3.9), coupled with the continued freeze on inheritance tax nil rate bands, more families will find themselves caught within the inheritance tax net over the next few years. There has been plenty of speculation in recent months about whether the incumbent government will reform, or even scrap, inheritance tax completely, but at this stage, it is looking highly unlikely that they will get the opportunity to do so before the election.

Consequently, families with assets of over £1m should be proactively looking at estate planning. We are currently undertaking a lot of inter-generational tax advice and assistance with succession planning. More and more younger families are appreciating the need for longer-term structures that benefit the wider family, rather than leaving inheritance tax planning until old-age. As always, it is important to review your existing wills to ensure these remain efficient and continue to reflect your current wishes.

If you would like to discuss any of the points raised in this guide, please contact your regular Forbes Dawson contact.

Best wishes

Laura Hutchinson
Managing Partner

Tax efficient investments

Individual Investment Accounts ('ISAs')

Summary

- For 2023/24 the total ISA allowance is **£20,000 per adult**. This allowance does not roll over and is lost if it is not used. The limit applies across all forms of ISA.
- ISAs are effectively tax-free wrappers that allow savings and investments to grow in value over time in a tax-free environment.
- The cuts to the capital gains tax annual exemption and dividend allowance from 6 April 2024 makes ISAs even more valuable.
- Most ISAs are flexible and sometimes it is possible to extract the monies in the short-term and replace them by the end of the year without utilising your ISA allowance.
- The 2023/24 limit for Junior ISAs is £9,000 and is one of the few ways that parents can provide financial benefits for their minor children, tax efficiently.

ISA

The ISA has been around for over 20 years and is perhaps one of the best-known tax-efficient saving vehicles in the UK. Whether you wish to invest in cash or shares, the ISA limit is £20,000 per person. The limit can be split however you want, between cash and shares.

The ISA limit does not roll over each year and therefore, if you have the available funds, you should generally utilise it.

Whilst the tax impact on £20,000 of savings or investments may not seem significant now, the main advantages arise with ISAs that have been consistently funded over the longer-term. A couple investing £20,000 each for 25 years can expect a £1m pot for their retirement (without accounting for any investment growth) which will generate tax-free returns (on both income and gains).

Lifetime ISA ('LISA')

A LISA can be opened by anyone aged between 18 and 39. You can contribute up to £4,000 per year (which counts towards the main £20,000 limit) until the age of 50. The government will pay a 25% bonus on any money invested into your LISA, providing a £1,000 'top up' on a £4,000 investment.

You can only withdraw the funds (and bonus) from a LISA to use towards the purchase of your first home, or if you are over the age of 60. In any other circumstances, there is a withdrawal penalty of 25%.

Innovative Finance ISA ('IFISA')

An IFISA allows you to use your ISA limit to save with a peer-to-peer lender or certain crowd-funding platforms. IFISAs do not have their own ISA limit and therefore form part of your £20,000 annual limit.

Tax efficient investments

Individual Investment Accounts ('ISAs') (continued)

Junior ISA ('JISA')

A JISA is an ISA for anyone under the age of 18. They allow for up to £9,000 to be contributed per year. The JISA can be opened by a parent or guardian, but once opened, anyone can contribute to it. This is the only way parents can provide capital to their minor children on which income can be generated, without the income being taxed on the parents.

At the age of 18, the JISA turns into a regular ISA and the child takes full control of the monies. They could then use this money for university or a deposit on their first home, for example.

Planning point

The JISA is an ideal vehicle for grandparents to make gifts to their grandchildren whilst reducing their estate for inheritance tax purposes. These gifts may even be exempt from IHT in certain circumstances.

Flexible ISA

Many ISAs, other than the JISA and LISA, allow you to withdraw funds and return them to the ISA in the same tax year, without affecting your annual ISA allowance.

Inheritance ISAs

On the death of your spouse or civil partner, it is possible to take over their ISA savings allowance, without losing the ISA income and capital gains tax benefits. The value transferred does not impact your ISA allowance or your existing personal ISA savings.

This must be done within three years of the date of death, or 180 days from the date of the completion of the administration of the estate (whichever is later).

Changes from 6 April 2024

From 6th April 2024, several beneficial administrative changes for ISAs will take effect:

- It will be possible to make multiple subscriptions to the same type of ISA in one tax year (currently, it is only possible to pay into one ISA of each type in a given tax year).

- Partial transfers of current year ISAs can be made (currently the entire subscription must be transferred).

- There will be an expansion to the range of investments available for the IFISA.

In addition, the age limit to open a cash ISA is being increased from 16 to 18 from 6 April 2024, to align with the age limit for and stocks and shares ISAs and IFISAs.

However, before 6 April 2024, 16–17-year-olds can still open an adult cash ISA which will have the higher annual subscription limit of £20,000, rather than the £9,000 limit which applies to JISAs.

In the March 2024 Budget, the Chancellor announced plans to introduce a new 'UK ISA', with an additional allowance of £5,000 (on top of the existing £20,000 limit) for investments into UK shares and securities. A consultation period will run until June 2024, therefore it is likely that any new UK ISA product will be introduced from 6 April 2025.

Tax efficient investments

Investment reliefs EIS/SEIS/VCT

The investment reliefs below provide some of the most attractive tax breaks in the UK and are designed to encourage investment (via the subscription for new shares) into new and exciting, small and growing businesses.

Demand for these types of investments has increased over recent years due to various tax changes (such as the pension restrictions which have affected high earners).

Enterprise Investment Scheme ('EIS')

EIS is the most common investment relief and provides the following tax benefits for qualifying investments:

- **Up to 30% income tax relief** in either the year of investment or the previous year, via a carry-back claim, up to a maximum investment of £1m per tax year.
- **Ability to defer capital gains** made elsewhere up to the gross amount of the qualifying EIS investment.
- **Tax-free growth** – no capital gains tax liability on sale if the shares are held for more than three years and income tax relief was obtained on the original investment.
- **Loss relief** – if the investment doesn't work out, it is possible to offset the net loss against either income or capital gains tax.
- **Inheritance tax free**, provided the EIS investment has been held for more than two years.

Tax rules can change, and tax benefits depend on individual circumstances. To retain the benefits of an EIS investment, you must hold it for at least three years and the investment must remain a 'qualifying' investment.

Planning point

EIS investments may be suitable for investors who have:

- a large income tax liability
- high income and cannot make large pension contributions due to tapering rules applying.
- a large capital gain that the investor wishes to defer (albeit deferral claims have become less attractive in recent years against the backdrop of a potential change in government and capital gains tax increases).

Seed Enterprise Investment Scheme ('SEIS')

SEIS is much newer than EIS and was introduced in 2012. It is very similar to EIS but is designed for investment into smaller start-up companies.

It provides even more generous tax reliefs to reflect the increased risk of investing in these smaller companies, including:

- **Up to 50% income tax relief** in either the year of investment or the previous year, via a carry-back claim, up to a maximum investment of £200,000 per tax year.
- **Capital gains tax reinvestment relief** – treat gains as exempt up to 50% of the qualifying investment (i.e. up to a maximum of £100,000 of exempt gains) in the year in which income tax relief is claimed.

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Tax efficient investments

Investment reliefs EIS/SEIS/VCT (continued)

- **Tax free growth, loss relief and IHT** – same as EIS shares.
- **Loss relief and IHT** – same as EIS shares.

Venture Capital Trusts ('VCTs')

A VCT is a publicly listed company which aims to invest into small, unquoted, entrepreneurial companies.

VCT investments provide the following tax benefits, provided the shares are held for five years:

- **Up to 30% income tax relief** – save up to £60k (on maximum investment of £200k) against your income tax liability when you invest in newly issued VCT shares.
- **Tax-free dividends** – dividends received are not taxable.
- **Tax-free growth** – no capital gains tax on disposal.

The tax advantages above are significant but you should take investment advice before making any investments. Always consider investments based on the merits of the investment itself and not solely on the tax benefits.

Summary table

Relief	EIS	SEIS	VCT
Income tax relief	30%	50%	30%
Carry back income tax relief?	1 year	1 year	No
Minimum holding period	3 years	3 years	5 years
Maximum Investment in y/e 5/4/24	£1 million *	£200,000	£200,000
Dividends	Taxable	Taxable	Exempt
Capital gains tax on sale	Tax-free	Tax-free	Tax-free
Capital gains tax deferral on investment	Yes	No – 50% (restricted) exemption instead	No

* £2 million for knowledge intensive companies

Income tax

Utilising all available allowances

Retain your personal allowance

If your taxable income exceeds £100,000, you lose £1 of your personal allowance for every £2 of income over this threshold. This means your personal allowance is lost completely when your taxable income exceeds £125,140.

As a result, income between £100,001 and £125,140 is taxed at an effective rate of up to 60%. If you fall victim to this 'tax trap', you should consider the following options to reduce your tax liability:

i. Make a personal pension contribution to extend your tax bands – subject to Annual Allowance restrictions (see overleaf);

ii. Make charitable donations to attract Gift Aid;

iii. Consider the merits of making tax efficient investments; and

iv. Avoid paying dividends from personal companies which will fall within this band.

Personal savings allowance ('PSA')

Since 6 April 2016, most savings interest has been paid gross.

The PSA allows the first £1,000 of interest on savings income to be received tax-free for basic rate taxpayers. This allowance is reduced to £500 for higher rate taxpayers. Additional rate taxpayers do not benefit from any tax-free allowance.

Starting rate band for savings

In addition, if interest income forms the first tranche of income over and above the personal allowance, up to £5,000 of interest can be received tax-free.

This relief applies in addition to the PSA but can also apply to additional rate taxpayers (e.g. for taxpayers who may only have a small salary/pension of less than £12,570, some interest income and dividend income of whatever amount).

Planning point

Business owners should consider charging interest on loans to their companies to utilise the personal savings allowance and starting rate band. This is a particularly attractive method of profit extraction as the interest is tax deductible in the company when paid (thus saving corporation at at up to 25%).

Alternatively, taxpayers could look to balance investment portfolios, or transfer interest-bearing investments, such as National Savings Bonds, between spouses, to utilise this relief next year.

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Income tax
Utilising all available allowances (continued)

Dividend allowance

The tax-free allowance on dividend income for the current tax year is £1,000. This is reducing to £500 per annum from 6 April 2024. If the timing of dividends can be controlled, for example, in family investment companies or family trading companies, dividends should be declared to utilise this allowance before 5 April 2024.

For higher or additional rate taxpayers, this allowance offers a tax saving at rates of 33.75% or 39.35%, respectively.

Married couples should consider reorganising their investments to utilise both spouses' allowances.

Those shareholders in family companies may wish to review their profit distribution strategy to look to pay interest, rather than dividends, where possible.

Planning point

Where an individual has no other income, they can receive a dividend of up to £13,570 (in 2023/24) without any tax being payable. In a similar vein, they can receive a dividend of up to £50,270 without any higher rate tax being payable.

Dividends in private family companies can be declared in a tax year to trigger the tax point and retained on loan account in the company until funds are needed by the shareholder. If allowances are not used, they are lost.

Changes to tax rates

Over the course of the last few years, there have been quite a few changes to tax rates. Set out below is a summary of the current position:

Income tax rates

Income tax rates on dividends were increased from 6 April 2022 alongside national insurance rates, but notably, this increase was not reversed when the national insurance increase was reversed. Income tax rates on other income (earnings and interest) have remained unchanged for some time.

	Income tax (other than dividends)	Income tax (dividends)
Basic	20%	8.75%
Higher	40%	33.75%
Additional	45%	39.35%

Income tax thresholds

Many personal tax thresholds (including the personal allowance and basic rate tax band) have been frozen since April 2021, causing many taxpayers to be dragged into higher rates of tax.

The personal allowance is currently set at £12,570, with the basic rate tax band applying on the next £37,700 of income (i.e. on total income up to £50,270). The additional rate tax band applies to income in excess of £125,140.

National Insurance ('NIC')

	2023/24	2024/25
Class 1 (employees)	10%/2%*	8%/2%
Class 1 (employers)	13.8%	13.8%
Class 2	£3.45 p/w	Abolished
Class 4	9%/2%	6%/2%

* The main Class 1 rate for employees' NIC was cut from 12% to 10% as of 6 January 2024. For company directors, a hybrid rate of 11.5% will apply to earnings between the Primary Threshold and Upper Earnings Limit.

For self-employed individuals (including those operating through a partnership) from 6 April 2024, the main rate for NIC (Class 4) is being cut from 9% to 6%. Class 2 NIC, which is currently applicable at a rate of £3.45 per week, will be abolished.

Corporation tax

From 6 April 2023, the headline corporation tax rate increased to 25%. For profits falling between £50,000 and £250,000 the rate is effectively 26.5%, to give rise to an overall tax liability of between 19% and 25%. The 19% rate will remain for small trading and property investment companies with profits under £50,000.

Scotland

For taxpayers with their main residence in Scotland, from 6 April 2024, a new 'advanced' tax band will be introduced between the higher rate band and top rate threshold. The advanced rate will be 45% and apply to income between £75,001 and £125,140.

The top tax rate will also be increased by 1% to 48% from 6 April 2024 on income in excess of £125,140.

For taxpayers who live between Scotland and another UK country, their main residence determines where they are taxed (which may not be where they spend the most time).

Planning point

Look to take income from family businesses in the form of interest or rent, which generally offer the lowest tax rates overall as no national insurance applies.

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Basis period reform

2023/24 marks a transitional year for the taxation of trading profits of unincorporated businesses.

What is changing?

At present, profits are taxed on a 'current year' basis, whereby the profits of the accounting period ending in the tax year are allocated to that tax year. This means that in the first few years of a business's trade (or where an accounting period is shortened), trading profits can end up being taxed twice ('overlap profits'). These overlap profits are only subsequently relieved in the final period of trade (or in certain cases where the accounting period is extended).

From 6 April 2024, the new 'tax year basis' of assessment will effectively sever the link between the accounting date chosen by the business and when the profits of the business are taxed. Instead, profits arising in the tax year will be assessed in that year, regardless of the accounting period end date of the business.

Who is affected?

Unincorporated businesses, such as sole traders or those trading through a partnership, other than those who draw their accounts to either 31 March or 5 April (as these accounting dates are treated as coterminous with the tax year).

Calculating profits under the new rules

Under the new tax year basis, if the business does not prepare accounts to 31 March or 5 April, a time apportionment is required to calculate the taxable profit for the year.

For example, the profits assessable in 2024/25 for a business with a 31 December year end will comprise 270 days of apportioned profits from the 31 December 2024 accounting period, and 95 days of apportioned profits from the 31 December 2025 period.

Provisional figures can be used for the purposes of self-assessment filings if business accounts are not finalised by the self-assessment deadline, However, provisional figures must be corrected by way of return amendment once the business accounts are finalised.

The transitional year

In 2023/24, under the transitional rules, the following profits will be taxed

- 12 months from the end of the basis period from 2022/23 (the 'standard part'); and
- The period from the end of the standard part to 5 April 2024 (the 'transition part').

This can result in more than 12 months of profit being taxed in 2023/24. To alleviate this, taxpayers can deduct any bought forward overlap profits from the transitional part, and spread any remaining transition profits over the next five years.

Any loss arising in the transition part is automatically set against standard part profits. Where the deduction of overlap profits results in a loss for the tax year, extended carry back provisions apply.

Spreading transition profits

The default position is that 20% of the transition profits are brought into charge in 2023/24, with a further 20% brought into charge each year across the next four tax years.

However, an election can be made to accelerate the amount of transition profits brought into any one tax year. Any remaining transition profits will then be spread equally over the remaining spreading period, subject to any further acceleration elections.

Spreading only applies to trading businesses. In the case of partnerships, each partner can make their own choices with regards to spreading and acceleration of spread amounts.

Planning point

Understand the effect of transition before 5 April 2024 in case it is beneficial to accelerate more profits into 2023/24. Alternatively, bring forward income into the transition part or defer expenditure to maximise profits that can be spread.

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Pensions

Despite many changes to pensions over the years, they continue to be extremely tax-efficient vehicles to be used as part of your wider tax planning strategy and the maximum annual contribution should be made into the pension, where possible.

Annual pension allowance

For 2023/24, most people have an annual pension allowance of £60,000 (increased from £40,000 in 2022/23). This is the maximum amount that can be contributed to the pension and attract tax relief.

In addition to the allowance for 2023/24, carry forward rules allow you to utilise unused annual allowances from the previous three tax years. Both personal and employer contributions count towards your annual allowance. To take advantage of the carry forward rules, you must have been a member of a pension scheme during the tax year from which you wish to use the unused allowance.

Unused allowances for 2020/21 – 2023/24 can therefore be utilised before 5 April 2024. The current year allowance is utilised in priority, with any carry forward allowance then utilised on a first-in-first-out basis (i.e. the oldest year first). Unused allowances from 2020/21 will therefore be lost after 5 April 2024 if not used.

Planning point

Ensure you are maximising your pension contributions each year, including any brought forward allowances where possible before 5 April 2024.

Where personal contributions are being made, these are limited to the greater of £3,600 (gross) or 100% of your relevant UK earnings. Relevant earnings include employment income, self-employment income and profits from trading partnerships, but not rental income.

Also, consider making pension contributions for children and grandchildren of £2,880 net (£3,600 gross) each.

Planning point

It is possible to make pension contributions for other family members, such as grandchildren. Contributions of up to £2,880 (net) can be made on behalf of each grandchild. These gifts could possibly be treated as normal expenditure out of income for inheritance tax purposes.

Planning point

Even if you are unable to save a lot of money now, you should consider setting up a pension scheme with a nominal sum so that you are able to access the carry forward allowances in later years. The same applies for pension schemes set up on behalf of children/grandchildren.

Restriction for higher earners

The restriction to contributions made by high earners (that receive net income of more than £200,000) continue to apply.

The annual allowance of £60,000 is reduced by £1 for every additional £2 that an individual's 'adjusted income' exceeds £260,000. Adjusted income includes employer pension contributions but the restrictions will not apply if your net income is less than £200,000. The £60,000 allowance is tapered in this manner, subject to a minimum allowance of £10,000 (previously £4,000) if your adjusted income is over £360,000.

Lifetime Allowance

From 6 April 2023, the Lifetime Allowance was effectively abolished, meaning the additional Lifetime Allowance tax charges will not apply to pension benefits taken after 6 April 2023.

The Lifetime Allowance limit of £1,073,100 is still relevant to the extent it determines the lump sum which can be withdrawn from a pension tax free if no previous Lifetime Allowance protection is in place. The available tax-free lump sum is the lower of 25% of the Lifetime Allowance amount or the value of the pension fund.

Inheritance tax

Pensions are not assessable to inheritance tax. If the member of the pension scheme dies under age 75, the funds can be drawn down by their beneficiaries tax-free.

If the scheme member dies aged over 75, the beneficiaries are liable to income tax at their marginal rates when withdrawing funds. This could be as low as 20% if they are basic rate taxpayers.

Property taxes

Interest restriction

Finance costs in relation to residential property lettings are now only relievable at the basic rate of 20%, regardless of your personal rates of tax. It is therefore worth reviewing your assets and borrowings, if you have not already done so.

Planning point

If you are a higher or additional rate taxpayer you should consider whether it is possible to transfer any residential rental property to a spouse with a lower tax rate, or consider the benefits of incorporation.

If the interest restriction applies to you, then it is potentially worthwhile considering incorporating your residential property portfolio. A company can usually attract full relief for interest paid against its profits.

However, this is a complex area of taxation and requires professional advice. The capital gains tax ('CGT') and stamp duty land tax ('SDLT') costs of incorporation may make this prohibitive in certain circumstances.

60-day CGT reporting

UK resident individuals selling a UK residential property after 5 April 2020 need to report and pay tax on the sale to HMRC within 60 days of completion.

There are certain exemptions if the property is not taxable, for example, if it is fully covered by Principal Private Residence relief ('PPR') or if the gain is below your annual exemption.

This new reporting requirement is in addition to reporting the gain on a self-assessment return for those taxpayers who are within the self-assessment system.

Principal Private Residence Relief ('PPR Relief')

This offers relief against the gain arising on the disposal of your main residence. If you have an interest in more than one property that you have occupied as a main residence, you should consider the benefits of making an election so the property with the greatest potential gain is your main residence for PPR relief purposes.

CGT on residential property

From 6 April 2024, the headline CGT rate on residential property will fall from 28% to 24%. The lower residential CGT rate of 18% for gains covered by a taxpayer's basic rate tax band remains unchanged.

Planning point

If you are currently selling a residential property at a gain, consider delaying the exchange until after 5 April 2024 to benefit from a lower CGT rate (although note the reduction in CGT annual exemption for 2024/25).

Furnished Holiday Lets ('FHL')

The FHL regime is expected to be abolished from 6 April 2025. Currently, properties meeting specific criteria to qualify as a FHL benefit from attractive tax reliefs such as unrestricted deduction of mortgage interest and potentially a 10% rate of capital gains tax on disposal (Business Asset Disposal Relief, or 'BADR').

Planning point

If you are considering selling your FHL, exchange before 6 April 2025 to secure BADR on the disposal.

Capital gains tax ('CGT')

Annual exemptions

As the end of the tax year approaches, you should review your investment portfolio and look to realise gains to utilise your CGT exemption of £6,000. This exemption cannot be carried forward, so if it is not utilised in the tax year it is wasted. With the exemption due to fall to £3,000 per annum from 6 April 2024, maximising this allowance this year is important.

Married and civil partnership couples can take advantage of two CGT exemptions, as assets can be transferred between spouses at nil-gain/nil-loss. Spouses should consider transferring assets between themselves before a sale to fully utilise both partners' exemption.

If you have assets that are standing at a loss, you could consider selling those assets to offset against any capital gains realised in the year.

However, you may wish to reacquire certain loss-making shareholdings due to their long-term potential. Unfortunately, the CGT matching rules do not allow you to crystallise the loss if you sell the shares and reacquire them within 30 days.

Instead, you could sell the shares on the market and reacquire them in your spouse's name with the proceeds (known as to 'bed and spouse').

You will need to actually sell the shares and reacquire them with the proceeds, as a simple transfer to your spouse will be ineffective. Alternatively, shares could be reacquired though your SIPP ('bed and SIPP') or through your ISA ('bed and ISA') within 30 days. You get the idea!

Investors' Relief

Investors' Relief is a useful, but underused, relief for those investments which do not qualify for EIS or SEIS status.

Once the relief is obtained, upon a sale of the shares, the gain attracts a 10% rate of CGT (up to a lifetime limit of £10m of gains).

The main conditions are:

- The shares must be in an unlisted trading company.
- Shares must be subscribed for by the investor (or their spouse). Therefore, shares purchased from another party will not count.
- Neither the investor, nor anyone connected with the investor, can be an officer or employee of the company (although being an unpaid director is possible).
- The shares must be ordinary shares, subscribed for and fully paid in cash, and held for at least three years.

Please ensure you give your tax adviser full details of your investment so that relief is not missed when reporting.

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Inheritance tax ('IHT')

Most couples with children and a family home can now attract up to a £1m allowance against their joint estate. Those without children can only attract a £650,000 allowance (two nil rate bands)

Income that is not spent each year will accumulate in your estate and may be subject to 40% IHT on death.

Absolute lifetime gifts

Any gifts you make more than seven years before your date of death are outside the scope of IHT. Once you survive three years, then any tax that becomes payable on failed gifts is tapered. Also, it is only the value at the time the gift is made that is brought back into charge; any growth falls outside the charge to IHT. All these factors point towards there being no downside to making gifts from an IHT perspective.

Please note, there are also CGT issues to consider where gifts of assets are made. However, cash gifts are not liable to CGT. There are also various gift exemptions that can be utilised to defer the CGT.

Annual gifts

You can make annual gifts of up to £3,000 which are free from IHT. You can also make smaller gifts of £250 per year to as many people as you like. Special circumstances gifts, like gifting £5,000 to your child on marriage, should also be considered.

Regular gifts out of income

You may also consider establishing a pattern of making regular gifts out of your excess income; such gifts are outside the IHT net and are a simple way to avoid accruing further value in your estate.

Family home

From 6 April 2017, a second nil rate band was introduced, known as the 'residence nil rate band'. This provides an additional tax-free band of £175,000 per person when a UK residential property passes on death to a lineal descendant.

The allowance is tapered for estates worth over £2m and is lost entirely when an estate exceeds £2.35m or a joint estate exceeds £2.7m.

This allowance can be transferred to the spouse on the first death. This allows up to £1m of assets to transfer free of inheritance tax on second death, in certain circumstances.

Trusts

Trusts are popular vehicles to use as they allow you to pass wealth on, retain control and transfer assets standing at a capital gain without incurring CGT.

Each person can contribute their nil rate band (£325,000 for 2023/24) into a trust every seven years without any IHT implications.

If you own shares in an unlisted trading company, or in companies listed on AIM, you can contribute more due the availability of Business Relief for IHT.

Planning point

With no increase to the nil rate band allowance expected until at least 6 April 2028, it is important to make use of the nil rate band during lifetime. Consider setting up trusts every seven years to use this allowance and get assets out of your estate without IHT and CGT. New trusts could be set up every seven years as they provide an easy solution to mitigate your IHT exposure on death.

Family Investment Companies ('FIC')

A FIC may be suitable if you are looking to create a tax-efficient, long-term, family investment vehicle, where you maintain control and allow growth to accelerate in the company

A FIC can be structured in many different ways to suit your circumstances. It can enable you to pass some of your current wealth on, or it can just allow the growth to accrue outside your estate, whilst enabling you to access to the original capital invested to fund your retirement.

Wills

A significant number of adults do not have wills in place, or have old wills that are out of date, particularly after marriage, when the old will is revoked automatically. A good will should give your family flexibility, detail guardians for any minor children and protect the family's needs.

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Separation and divorce

The start of the 2023/24 tax year saw significant changes to the taxation of divorcing couples, in terms of the tax treatment of transfers of assets. These changes are recapped below.

The old rules

Historically, the main tax issue to consider where assets are being transferred on divorce is CGT.

The default position for transfers of assets between spouses is that transfers take place on a nil-gain/nil-loss basis (i.e. free from CGT).

Under the old tax rules for divorcing couples, this tax-neutral treatment for transfers of assets between separating spouses only continued until the end of the tax year of permanent separation.

This treated any transactions for tax purposes as taking place at current market value, which often resulted in CGT liabilities arising.

Similarly, the disposal of the marital home to a third party often resulted in a tax liability for one of the spouses who vacated the property.

This is because in these circumstances, Principal Private Residence relief for CGT ('PPR') only generally applied by reference to occupation of the property. The former spouse who vacated the family home therefore had a period of non-occupation resulting in a taxable gain.

Changes from 6 April 2023

From 6 April 2023, the nil-gain/nil-loss rule was extended to last for three years after the year of separation and can apply for a longer period if the assets are transferred as part of a formal divorce agreement , i.e. a court order.

This applies to disposals after the date, the date of separation does not need to be after this date.

In relation to the former home, a spouse (or civil partner) who retains an interest in the former matrimonial home will be given an option to claim PPR relief when it is sold.

Where one party has transferred their interest in the former matrimonial home to their former partner and are entitled to receive a percentage of the proceeds, when that home is eventually sold, then PPR relief can also apply on that final sale.

Planning point

Whilst this gives a longer period for a couple to sort their affairs, it is important to seek advice and act as soon as possible, as the agreement often takes longer than expected.

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