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End of 2021/22 tax year checklist

The end of the tax year is a great opportunity to take full advantage of any tax relief and allowances available.

Here is a checklist of key opportunities not to be missed!

Maximise your Pension Contributions

- Pension contributions continue to be one of the best routes to reduce your tax position annually while saving for your future.
- The annual allowance for most people is £40,000 per annum, however this is limited to 100% of relevant earnings. For individuals with no earnings the maximum is £3,600 per annum.
- If you are looking to make a larger pension contribution, you may be able to use your annual allowance carry forward to allow you to do this. Speak to your Smith & Pinching Financial Planner to help you with this calculation.

Business Owners and Pensions

- Do you own your own business via a Ltd company? If so, there is a possibility of diverting your company's pre-tax profits into a personal pension as this could help reduce your Corporation Tax, Income Tax (including dividends), and NI contributions.
- You may find that this is one of the most tax efficient routes for extracting profit from your business!

Subscribe to ISAs

- Each person has an annual ISA allowance of £20,000. This means that a married couple can save up to £40,000 in an ISA each year.
- Junior ISAs are a great way to save for children and grandchildren. Up to £9,000 can be saved each year per person. If your child has a Child Trust Fund it will need to be transferred into a JISA before contributions can be made.

Use your Capital Gains Allowance

- The Capital Gains Tax (CGT) exemption is currently frozen at £12,300 until 2026. If you have shares with large gains, it could be worth using your CGT allowance to help reset the base cost. This could save you tax in the long term!

Use your Dividend Allowance

- Everyone has a dividend allowance of £2,000. If you're a business owner, it may be worth considering dividends over a salary to help reduce your overall tax position.

Consider Venture Capital Trusts & Enterprise Investment Schemes

- If you have the risk appetite, there are vehicles such as Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EIS) that look to invest in small UK companies. In return, investors receive specific tax benefits.
- A VCT investment comes with a 30% income tax credit, tax free dividends, and no CGT on sale of shares. However, it will need to be held for at least five years, and it is considered to be high risk.
- An EIS investment comes with a 30% tax credit, the possibility to defer capital gains, and is free of CGT at disposal. Many will often qualify for Business Relief which means they will gain 40% Inheritance Tax (IHT) relief. These investments often need to be held for a minimum of three years and are also considered high risk.

End of 2021/22 tax year checklist continued...

Gifting

- Last but not least, do not forget about the range of annual gift exemptions that each person has. Using your allowance can help pass wealth onto the next generation while reducing your IHT liability.
- Each person has an annual gift exemption of £3,000.
- You also have the opportunity to gift a regular income. If you have income that is surplus to your needs, this can be gifted with no ongoing IHT liability.
- There are a range of other gift exemptions for specific events, such as weddings.

Remember: the use-by date for the 2021/22 tax years reliefs and allowances is 5th April so don't let them go to waste!

The contents in this document do not constitute advice and are based on the current understanding of HMRC rules using allowances for the 2021/22 tax year.

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