

Maximising the end of the UK tax year 2024/25

Time is running out to fully capitalise on tax-saving opportunities

The UK tax year is a well-structured framework governing tax assessment and collection. It begins on 6 April and runs until 5 April the following year. As we approach the end of the 2024/25 tax year, maximising available opportunities is essential to make the most of your finances.

Time is running out to review your plans and fully capitalise on tax-saving options. This article explores some key strategies to ensure you finish the tax year in a strong position and make your money work harder for you.

One of the most significant aspects of the UK tax year is the resetting of tax allowances. Each tax year, allowances for Income Tax, Capital Gains Tax, ISAs, pensions and various other financial benefits begin anew, offering valuable opportunities for strategic planning.

THINK ABOUT YOUR PERSONAL INCOME TAX ALLOWANCE

Everyone has a personal allowance, which is the amount of money they can earn each tax year without being liable for tax. The personal allowance for the current tax year is £12,570. If you are married or in a registered civil partnership, you might consider transferring some of your assets to the name of the individual who is a lower rate taxpayer or who is not employed, in order to minimise your tax liability.

If your income falls below the personal allowance (or you're a non-taxpayer due to other allowances), the marriage allowance may permit you to transfer up to £1,260 to your partner (and this can be backdated for up to four previous tax years if eligible). You cannot carry any unused personal allowance into the next tax year.

UNDERSTAND THE IMPORTANCE OF ISAS AND SIPPS AND OTHER PENSION TYPES

If appropriate, individuals should consider Individual Savings Accounts (ISAs) and Self-Invested Personal Pensions (SIPPs) to maximise their financial allowances. An ISA enables your savings to grow efficiently, as the gains within an ISA are

exempt from Capital Gains Tax (CGT). This makes it financially sensible to utilise this allowance, especially for higher or additional rate taxpayers. Furthermore, no Income Tax is owed on the interest or dividends received within an ISA.

Additionally, pensions, including SIPPs, offer significant tax advantages. Contributions to a SIPP grow tax-efficiently and benefit from government top-ups through tax relief. The remaining months before the end of the tax year provide an excellent opportunity to maximise these benefits. By taking strategic action, individuals can enhance their financial position for the future.

TOPPING UP YOUR ISA BEFORE THE DEADLINE

If you haven't utilised your £20,000 ISA allowance for the 2024/25 tax year yet, now is the perfect opportunity to take advantage of it. Even if you're unsure about where to invest the funds, adding cash to your ISA before 6 April is a wise decision. Your allowance resets once the tax year ends, and any unused portion is forfeited. By contributing now, you keep your options open while maximising the benefits of this year's allowance. If you're married or in a registered civil partnership, you could save more as a couple, effectively doubling your combined allowance to £40,000.

You might consider following the so-called 'bed and ISA' process, which involves selling non-ISA investments to realise a capital gain and then immediately repurchasing them within an ISA. This approach allows future gains to remain exempt from CGT. However, you should seek professional financial advice before employing this tactic. Engaging in a bed and ISA strategy could result in a brief period out of the market, potentially affecting your investment gains.

If you're a parent, don't forget about Junior ISAs. With a contribution limit of £9,000 per child, these accounts are an excellent way to save for a child's future. Whether it's for university tuition, purchasing their first car or another significant milestone, starting this savings plan early can provide them with a financial safety net.

REASSESSING AND EXPANDING YOUR PENSION CONTRIBUTIONS

The end of the tax year is an excellent opportunity to reassess your pension contributions. Unlike ISAs, SIPPs and other pensions allow you to carry forward any unused annual allowances from the previous three years if eligible. This presents a unique chance to catch up on contributions and claim tax relief on a larger portion of your income than usual. However, unused allowances don't last indefinitely – ensure you take advantage of them before they expire.

A well-funded pension is not just a retirement strategy, but also a protection against excessive taxation. Reviewing how much you've contributed to your pension so far this tax year could highlight an opportunity to boost your retirement savings. The maximum tax efficient amount you can personally contribute to a pension each tax year is £60,000 (less any employer contributions and plus any carry forward) or 100% of your earnings in 2024/25, whichever is lower. However, your annual pension allowance may be reduced if you are a high earner. For every £2 that your 'adjusted income' exceeds £260,000 annually (and if your 'threshold income' exceeds £200,000 a year), your annual allowance decreases by £1.

REDUCED ANNUAL ALLOWANCE

Please note that the minimum reduced annual allowance for the current tax year is £10,000. This

pension annual allowance applies to both your personal and workplace pension contributions. If you exceed the allowance, you will be liable for tax charges.

It's important to note that if you're not working but are under age 75, you are still able to contribute to a pension and receive Income Tax relief. You can pay up to £2,880 each tax year into a pension, boosted by tax relief to £3,600.

CAPITAL GAINS TAX ALLOWANCE AND THE IMPORTANCE OF TIMING

When it comes to CGT, timing is essential. For the 2024/25 tax year, the CGT allowance stands at £3,000. If you intend to sell an asset, it may be prudent to do so before 6 April to fully utilise this allowance. Any unused portion does not carry over, which means that a missed opportunity cannot be reclaimed.

As the allowance diminishes compared to previous years, careful planning becomes more crucial. Selling assets before the tax year deadline ensures you minimise your tax burden and maximise your returns.

BE SMART WITH DIVIDENDS OUTSIDE OF ISAS AND SIPPS

If you hold investments outside of ISAs or SIPPs, such as in a Trading Account, your allowable tax-free dividend income is capped at £500 per tax year. Once you exceed this limit, additional Income Tax will apply. To improve your investments, consider transferring them into your ISA. Within an ISA, there is no restriction on the tax-free dividends you can earn.

This minor adjustment could have a significant impact on maximising the long-term efficiency of your investments. The diminished risk of incurring undesired taxes enables you to grow your portfolio with increased ease and confidence.

UTILISE YOUR CAPITAL GAINS TAX (CGT) ALLOWANCE.

You can make tax-free gains of up to £3,000 in the current tax year. This allowance cannot be carried forward into the next tax year, and it's important to make the most of it to reduce future CGT liabilities. A financial adviser can help you use this allowance. Transferring assets between spouses enables you to use both annual CGT exemptions

as long as the transfer is genuine and outright. Make sure you are using other available allowances, too, such as your ISA allowance, as gains are exempt from CGT. You may have unused losses from previous tax years that could also be offset against gains to reduce your CGT bill.

For gains made before 30 October 2024, basic rate taxpayers pay CGT at 10% on gains within the basic rate band when added on top of income, rising to 18% if the gains are from residential property. Higher and additional rate taxpayers (or basic rate taxpayers where any gain crosses over into the higher rate bands) will pay CGT at 20% and 24%, respectively. For gains made after 30 October 2024, gains falling in the basic rate band are subject to CGT at 18%, while gains falling in the higher and additional rate bands are subject to CGT at 24%.

PROVIDE FINANCIAL GIFTS

If you have a sum of money you want to gift each year without incurring Inheritance Tax (IHT), you can give away up to £3,000 each tax year without this money being included in the value of your estate for IHT purposes. This allowance might also be something you wish to utilise before the tax year concludes.

You can also gift as many £250 gifts per person as you want during each tax year, provided you haven't already given a gift to the same person of more than £250. If you want to give your children a larger lump sum, for example, to put towards a property deposit or for any other purpose, the money may be exempt from IHT provided you live for at least seven years after making the gift.

START PLANNING FOR FUTURE TAX YEARS TODAY

Focusing on the current tax year is essential, but it's also prudent to begin planning for the next. As your allowances and contributions reset each year, adopting a proactive financial strategy ensures you can fully capitalise on every opportunity presented by the UK tax system. Regularly reviewing your ISAs, SIPPs and other investments will allow you to keep up with regulatory changes and achieve your financial objectives.

By following these steps and adopting a systematic approach, you can maximise the benefits

of the current tax year while preparing for future success. From investing in ISAs to planning for capital gains, these strategies can assist you in minimising your tax liabilities and securing your financial future. ■

NEED ASSISTANCE? WE'RE HERE TO HELP?

Navigating tax year deadlines and allowances can feel daunting, but you don't have to do it alone. If you have any questions or need personalised advice, contact us today. Effective planning now can make a significant difference, so don't hesitate to seek support.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.