



Have you made use of these allowances for the 19/20 tax year?

Personal allowances

- The standard Personal Allowance is £12,500, which is the amount of income you do not have to pay tax on.
- Spouses can transfer £1,250 of their personal allowance, which gives a saving of £250. To benefit as a couple, the lower earner must have an income of £12,500 or less, and the higher earner must be a basic rate taxpayer.

Basic rate band

- Including the Personal Allowance, income up to £50,000 is taxed at 20%.

Capital Gains Tax annual exemption (CGT)

- You only have to pay CGT on your overall gains above the Annual Exempt Amount, which is currently £12,000 for individuals.

ISA allowance

- ISAs allow you to save and invest in a tax efficient manner. The ISA allowance is £20,000, which is the maximum amount that can be paid into a cash or stocks and shares ISA.
- The Lifetime ISA lets you save up to £4,000 every tax year towards a first home or your retirement, with the government adding a 25% bonus on top of what you save.

Inheritance Tax annual allowances (IHT)

- £3,000 'gift allowance' per year.
- Unused allowance from the 18/19 tax year can be utilised.

We recommend establishing a regular pattern of gifting surplus income to reduce your IHT liability.

Annual pension allowance

- Maximum contribution is the higher of either £3,600 or relevant earnings (excludes investment income such as property, dividends, interest).
- Subject to annual allowance of £40,000 with possible tapering to £10,000 (for individuals with adjusted income of over £150,000).
- Flexible access of pensions may trigger the Money Purchase Annual Allowance (MPAA) of £4,000.

We recommend that you take professional advice on all aspects of pension saving, and before accessing any pension fund.

Other issues

Savings Income

- The first £1,000 of investment income (other than dividends) will be received tax free by a basic rate tax payer.
- The first £500 of investment income is tax free for 40% tax payers.
- 45% tax payers don't receive this allowance.

Dividends Income

- First £2,000 of dividends is tax free, then 7.5% on dividend income within the basic rate band.
- 32.5% on dividend income within the higher rate band.
- 38.1% on dividend income within the additional rate band.

Property

- Restriction of relief for finance costs (including mortgage interest) for higher rate taxpayers which may push basic rate payers into higher rate – phased in over four years from April 2017.
- From April 2020, UK resident taxpayers must pay any CGT due within 30 days following completion of the disposal of a residential property.

- The period of qualifying occupation for principle private residence relief is being reduced from 18 months to 9 months of ownership for property disposals on or after 6th April 2020.

Our tax team help a multitude of clients navigate the complexities of personal tax, and work to establish an effective strategy that minimises tax liability.

If you would like to seek more advice, please get in touch with your usual Smith Cooper contact or one of our personal tax experts using the details below.

By working in unison with our group company, Smith Cooper Independent Financial Solutions, we're able to offer bespoke financial planning and pension advice. Get in touch to find out more.

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