



# 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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