UHY Hacker Young
Chartered Accountants

2023/24 Tax Year End Planning

tax year end is approaching on 5 April

Helping you prosper

Tax year end checklist

The 2023/24 tax year is ending on 5 April 2024, therefore take stock of your unused allowances now to avoid missing any deadlines.

There are a number of tax planning opportunities that will be less effective in future tax years as a consequence of some of the measures announced by the Chancellor in his Autumn Statement.

Making the most of the planning opportunities available in the current 2023/24 tax year is, therefore, all the more important...

Personal Allowances

Check your tax code

The first and often overlooked year end planning step is to check your PAYE tax code. Your tax code is based on the amount of tax you should be paying and the amount you can earn before tax applies. If you have multiple employers or pension providers, you may get more than one.

On 6 April 2023 the additional rate tax threshold was lowered from £150,000 to £125,140.

Is your income over £125,140?

Income over £125,140 per annum is taxed at 45%. You could mitigate tax liabilities by reducing your taxable income i.e. by making pension contributions.

Could you benefit from the Marriage Allowance?

Marriage Allowance lets you transfer £1,260 of your Personal Allowance to your husband, wife or civil partner. Consequently reducing their tax by up to £252 in the tax year.

When you transfer some of your Personal Allowance you might have to pay more tax yourself but you could still pay less as a couple. Marriage allowance may be claimed for up to the four previous tax years if eligible.

Have you used your dividend allowance?

Individuals are currently entitled to a tax-free dividend allowance of £1,000 per annum. This is to reduce to £500 from 6 April 2024.

Are you earning income from trading or renting out property?

If you are selling on platforms such as eBay or renting out a protperty on Airbnb you can utilise a £1,000 on each element (property and trading) tax-free income.

Pensions

Have you maximised your pension contributions?

You can usually invest up to £60,000 a year into a pension tax-free, known as your annual allowance. This amount can be increased using carry forward of unused allowances from the three previous tax years if eligible. However, your own tax-relievable contributions are limited to 100% of your eanings in the tax year of payment of the contribution.

Do you know your tapered annual allowance?

If your adjusted income is over £260,000 your annual allowance in the current tax year will be reduced. It will not be reduced if your threshold income for the current tax year is £200,000 or less, no matter what your adjusted income is.

Affected by the pension Lifetime Allowance (LTA)?

The LTA is set to be abolished from 6 April 2024 - but equivalent limits will continue to have tax implications. In 2023/24, the standard lifetime allowance for most people is £1,073,100.

Do you have unclaimed pension pots?

Unclaimed pension pots totalled £26.6 billion in 2022 (Pensions Policy Institute). Track down old pensions by contacting your old pension provider, former employer or by using the government's pension tracing service.

Corporate

Have you claimed Research & Development (R&D) Tax Credits?

There are significant benefits available for eligible R&D projects. Claims can potentially even be made against innovations that resulted in a loss. From 6 April 2023, the additional R&D tax reduction was reduced to 30%, while the tax credit for loss-making companies was reduced from 14.5% to 10%.

Do you use Salary Exchange?

The employer benefits from reduced National Insurance Contributions. The employee pays less income tax and National Insurance (NI) on their earnings. There are certain considerations, so speak to your financial adviser for more details.

Are you holding too much cash?

Cash that is idle may not be keeping up with inflation. A company may look at other options for surplus cash balances, such as corporate investing, instead of drawing it as income or holding it in cash bank accounts. Seek professional advice.

Have you claimed your Employee tax-relief?

This can be used to claim relief on professional body membership fees, working from home allowance and business miles on your personal vehicle for work related travel.

Savings

Have you utilised your Personal Savings Allowance (PSA)?

This is the amount of savings interest income/growth you can earn tax-free. Current levels are set at £1,000 for basic rate taxpayers and £500 for higher rate taxpayers.

Have you utilised your Individual Savings Account (ISA) allowance?

You can save up to £20,000 in one type of account or split the allowance across some or all of the other types including cash ISAs, stocks and shares ISAs, innovative finance ISAs and Lifetime ISAs.

Have you used your Lifetime Individual Savings Accounts (LISA) allowance (if eligible)?

The holder of a LISA can save up to £4,000 a year (which counts towards your annual ISA limit), and can continue to pay into it until they reach 50. The Government will provide a bonus of 25% on the money invested up to a maximum of £1,000 per year.

Saving for children in a Junior Individual Savings Account (JISA)?

Junior ISAs are tax-free savings accounts for children. The limit is £9,000 for the tax year 2023/24.

The child can take control of the account when they're 16, but cannot withdraw the money until they turn 18.

Investments

Venture Capital Trusts (VCT)

If you invest in a VCT , youcan claim tax relief in the tax year you invest. You do not need to pay Income Tax on any dividends from a VCT (both for newly-issued shares and those previously owned).

Up to £200,000 can be invested, and the maximum income tax relief is 30%. Any dividends and capital gains generated on amounts invested within the annual subscription limit are tax-free.

Don't invest unless you're prepared to lose all the money you invest. This is a high -risk investment and you are unlikely to be protected if something goes wrong.

Enterprise Investment Scheme (EIS)

Investors can claim up to 30% income tax relief on EIS investments, which gives an incentive for some of the risk normally associated with funding small companies. EIS tax relief can be claimed for up to £1 million of investment in an EIS qualifying company. (£2 million if at least £1 million of that is invested in knowledge�intensive companies).

Don't invest unless you're prepared to lose all the money you invest. This is a high -risk investment and you are unlikely to be protected if something goes wrong.

Have you used your annual Capital Gains Tax (CGT) exemption?

Capital Gains Tax is a tax on the profit when you sell (or 'dispose of') something (an 'asset') that's increased in value. Have you used your annual exemption for 2023/24 of £6,000?

This will be reducing to £3,000 in the 2024/25 tax year

Gifting

Could you transfer assets to your spouse or civil partner?

This could potentially reduce the rate of tax incurred on income and gains. If you live with your partner, or where the asset that'll be transferred is an investment bond, there won't be any capital gains tax or income tax liability on transfers. This must be a genuine and outright gift for the taxable person to change.

Could you set up a trust?

A formal trust could protect and maximise your family's future assets. If you are considering setting up a trust, seek professional advice.

Have you considered using the normal expenditure out of income exemption?

Sometimes called gifts out of surplus income. A potentially valuable exemption that is often underused. The 7-year rule does not apply, and it may not disturb any other exemptions, or constitute a chargeable transfer. There are rules, so seek further advice from your financial adviser.

Can you make any small gifts?

You can give as many gifts of up to £250 per person as you want each tax year, as long as you haven't given any more than that to that person. Birthday/Christmas gifts you give from your regular surplus income are exempt from Inheritance Tax (IHT).

Have you used your annual gifting allowance?

You can give away a total of £3,000 worth of gifts each tax year without them being added to the value of your estate. You can gift this to one person or split it between several. You can carry any unused annual exemption forward for one tax year as long as the current year's allowance is fully used up alongside.

Get in touch

If you have any questions we would be happy to discuss in more detail. Get in touch with one of our advisors below.

Nick Donohue
Tax Partner
0161 236 6936
n.donohue@uhy-manchester.com

Fiona Wheeler
Senior Tax Manager
0161 236 6936
f.wheeler@uhy-manchester.com

www.uhy-uk.com

@uhy_manchester_

@UHYManchester

https://www.linkedin.com/company/uhy-hacker-young-manchester-llp

https://www.youtube.com/@uhyhackeryoung/podcasts

Helping you prosper