ROTHESAY BENNETT

FINANCIAL PLANNING

GUIDE TO

END-OF-TAX-YEAR PLANNING

How to maximise your finances before the 5 April 2025 deadline

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Rothesay Bennett Financial Planning
Top Floor 287/289, Kenilworth Road, Balsall Common, CV7 7EL
Tel: 01676 533692 **Web:** www.rothesaybennett.co.uk

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GUIDE TO

END-OF-TAX-YEAR PLANNING

How to maximise your finances before the 5 April 2025 deadline

Welcome to our *Guide to End-of-Tax-Year Planning*.

Our money is hard-earned and precious, so it is understandable that parting with it in the form of taxes isn't something anyone looks forward to. However, understanding how to plan your finances effectively could significantly affect your financial future.

The UK tax system is complex, and many individuals remain unaware of the assistance and allowances available to them. With the current tax year running until 5 April 2025, there's still time to optimise your finances.

Taking advantage of various tax reliefs and allowances can minimise your tax liabilities and secure your financial wellbeing. Understanding isn't just about numbers – it can help you plan ahead and make the most of what you earn.

Why personal tax planning matters

Personal tax planning should now be a priority for anyone keen to maximise what they keep from their income or investments. Using proactive measures before the tax year's end ensures you capitalise on untouched reliefs, exemptions and options to safeguard your financial outlook.

Planning your tax liabilities requires understanding the system thoroughly. By staying informed and taking steps promptly, you can make the most out of available allowances while also considering strategic opportunities for the future, such as improving retirement stability or optimising savings.

Key dates in the UK tax calendar

The current tax year ends on 5 April 2025. This date also marks the closure of your annual earnings cycle, which helps determine your tax band. Understanding your position is critical; it ensures you claim every allowance and relief to which you are entitled.

From 6 April 2025, the following tax year begins. This transition makes the current period the optimal time to review your position, plan for the future and implement efficient strategies for both short-term and long-term financial goals.

Income Tax and allowances

Income Tax is something most of us deal with, but it doesn't have to be confusing. Everyone receives a personal allowance. This is the amount of money you can earn without paying any Income Tax. For the 2024/25 tax year, this allowance is £12,570. However, if your income exceeds £100,000, your personal allowance will gradually shrink.

Once you go over the £12,570 threshold, your earnings are taxed progressively. This means higher earnings are taxed at higher rates.

Here's how the tax bands work for this tax year:

- Basic rate (20%) applies to income between £12,571 and £50,270.
- Higher rate (40%) kicks in for income between £50,271 and £125,140.
- Additional rate (45%) comes into play for income over £125,140.

Understanding where your earnings fall can help you manage your taxes better.

Special allowances for savings and dividends

If you have savings or investments, there are extra allowances to know about that might save you money. The Personal Savings Allowance lets you earn some interest on your savings without being taxed. How much depends on your tax bracket:

- Basic rate taxpayers (20%) can earn up to £1,000 in savings interest tax-free.
- Higher rate taxpayers (40%) have a lower limit of £500.

If you've got some money put away, it's worth checking how this affects you!

Dividend allowance

Do you receive dividends from investments? You can earn up to £500 in dividend income tax-free, regardless of your tax bracket.

Marriage allowance – a simple way to save

Couples can benefit from the Marriage Allowance, which permits one partner to transfer up to £1,260 of their unused Personal Allowance to the other, reducing their tax liability by up to £252. This is often overlooked but can make a significant difference for those who qualify.

Only applicable to married couples or those in registered civil partnerships, this allowance works for situations where one partner earns below the personal threshold, while the other is a basic rate taxpayer. Efficiently sharing allowances can optimise your household finances.

Salary sacrifice for pension contributions

Salary sacrifice schemes, available through many employers, are an efficient way to contribute to your pension while reducing tax and National Insurance contributions (NICs). By agreeing to a reduced salary, your employer pays that deduction directly into your pension scheme, reaping tax benefits while boosting your retirement funds.

Extra advantages can arise as some employers reinvest their NIC savings into your pension. Over time, this method makes it easier to achieve larger contributions while reducing your current tax liabilities.

Versatile Individual Savings Accounts (ISAs) strategy

Individual Savings Accounts (ISAs) remain a popular, tax-efficient way to save or invest. Whether through Cash ISAs or Stocks & Shares ISAs, your savings benefit from being sheltered from Income Tax, Capital Gains Tax and Dividend Tax. The annual contribution limit for ISAs currently stands at £20,000.

Specific ISAs, such as the Lifetime ISA, offer a focus on long-term goals like buying your first home or enhancing retirement savings. With a 25% government bonus on contributions of up to £4,000 yearly, they are a powerful tool for younger savers aged 18-40.

> Inheritance Tax planning remains a critical consideration for families, particularly as thresholds are currently frozen until 5 April 2030. The Residence Nil-Rate Band offers substantial relief when passing property to children or grandchildren, providing up to £1 million of exemptions for married couples.

Key changes to ISAs in 2024

Recent rule updates in November 2024 make fractional shares within an ISA wrapper tax-efficient, providing new opportunities for savvy investors. Changes also now allow ISA transfers between providers to access better terms, but care is required to ensure limits and tax benefits remain intact.

Flexible ISAs provide another layer of practicality, enabling withdrawals and replacements of funds within the same tax year without impacting your allowance – though this feature is unavailable for Junior and Lifetime ISAs.

Reviewing pensions before the tax year closes

Ensuring you maximise pension contributions is a significant aspect of end-of-year financial planning. Contributions benefit from tax relief, and the current annual allowance is £60,000 gross, though high earners with adjusted incomes over £260,000 will see these allowances tapered.

Planning contributions for minor or adult children and grandchildren can further optimise taxation and wealth strategies. Remember the 'Carry Forward' rules to backdate unused allowances from the past three years.

Safeguarding wealth from Inheritance Tax

Inheritance Tax planning remains a critical consideration for families, particularly as thresholds are currently frozen until 5 April 2030. The Residence Nil-Rate Band offers substantial relief when passing property to children or grandchildren, providing up to £1 million of exemptions for married couples.

Recent proposals announced during the Autumn Budget Statement 2024 include pensions under the Inheritance Tax framework, complicating their efficiency as estate planning tools. Alternatives such as gifting, whole-of-life insurance policies or trust arrangements may prove more beneficial.

Agricultural and business relief reforms

Another significant change to Inheritance Tax proposed in the Autumn Budget Statement 2024 is a reform of Agricultural Property Relief (APR) and Business Property Relief (BPR) from April 2026. Currently qualifying assets can attract relief up to 100% of their value from Inheritance Tax with no overall cap on how much relief can be claimed.

It is proposed that the relief will continue only for the first £1 million of combined agricultural and business property, with a reduced rate of 50% relief thereafter. Furthermore, a reduced 50% relief will also apply for shares designated as 'not listed' on the markets of recognised stock exchanges, such as the AIM market, from April 2026.

Making tax-efficient gifting decisions

Gifts offer another way to reduce taxable estates effectively. Exemptions include wedding gifts, annual allowances of up to £3,000 and contributions to charities or political parties. By utilising these provisions properly, families can reduce inheritance liabilities while distributing wealth during their lifetime.

Capital gains and the importance of timing

Capital Gains Tax is also in the spotlight following the Autumn Budget Statement 2024, with a revised rate of 24% likely to impact investors' behaviour. While less onerous than the previous 28% rate applicable to properties, the slight decrease may not be enough to alter transaction trends dramatically. Crucially, unlike other taxes, CGT enables much more control over decisions, such as when to sell assets. For those sitting on significant gains, deferral options like the Enterprise Investment Scheme (EIS) remain available. However, some may prefer to pay the tax now rather than risk a higher future rate in the current environment.

Planning for CGT becomes even more important when balancing other tax considerations and wealth goals. One strategic method involves selling and repurchasing shares to utilise the annual allowance of £3,000 without

longer-term penalties. This approach requires timing – waiting over 30 days for a repurchase or conducting the transaction via a spouse, registered civil partner, ISA or pension can maximise its effectiveness.

Considering non-dom status versus other strategies

For individuals seeking to escape the UK tax net, non-domicile status might appear attractive theoretically but is fraught with complexities in practice. While Income Tax can often be avoided relatively quickly by moving abroad, full detachment from the IHT framework takes years. This leaves many questioning whether waiting for ten years outside the tax net is worth the effort.

Alternatively, gifting significant portions of wealth now can be a simpler and more immediate way to sidestep long-term IHT liabilities. Some clients are increasingly exploring philanthropy or intergenerational financial gifting to manage their estates while also creating a meaningful legacy.

Strategic planning is essential to minimise liabilities and create financial security

The UK's evolving tax regulations create both challenges and opportunities. From ISAs to pensions, capital gains and inheritance provisions – strategic planning is essential to minimise liabilities and create financial security. The interplay of exemptions and allowances requires careful management, making tailored advice invaluable. ■

TAKE CONTROL OF YOUR FINANCIAL FUTURE TODAY!

Don't miss the chance to maximise your finances and secure what you've worked hard for. With the tax year ending on 5 April 2025, now is the time to act. Contact us to ensure you take advantage of your available tax reliefs, allowances and smarter strategies to minimise your liabilities and maximise your income or investments.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

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

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

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TIME TO TAKE CONTROL OF YOUR FINANCES TODAY AND SECURE A BRIGHTER FINANCIAL FUTURE?

Don't miss the chance to optimise your tax planning before 5 April 2025. Discover how you can save more by using untapped tax reliefs and allowances. Act now to minimise tax liabilities, protect your savings and make your hard-earned money work smarter.

Don't leave your financial future to chance.
Contact us today.

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