SAUNDERSON HOUSE

Special Briefing

From One Year End to Another - Navigating the end of 2017/18

On 5 April 2018 the 2017/18 tax year closes and, with it, the opportunity to utilise a number of generous allowances and exemptions. With concerns regarding the impact of Brexit persisting, and worries over US politics both domestically and abroad still dominating headlines, investors may well be distracted from giving their personal financial situation the attention it needs. Therefore, to assist individuals in navigating the end of the 2017/18 tax year, we have prepared a useful checklist of items that ought to be considered in advance of 6 April.

❑ Contribute to your pension

While individuals are able to contribute up to £40,000 to a pension plan in 2017/18, this will be reduced by £1 for every £2 of income over £150,000, such that those earning over £210,000 in 2017/18 will only receive tax relief on contributions of up to £10,000. **It is worth noting, however, that even a pension contribution of £10,000 gross attracts tax relief of £4,500 for an additional-rate taxpayer.**

❑ Check your carry-forward allowances

Depending on the amount contributed to your pensions since 2014/15, **it may be possible to pay up to £100,000 gross (£80,000 net of basic-rate tax relief, or just £55,000 net of additional-rate tax relief) before 6 April 2018**. For some individuals it may be possible to contribute further monies to a pension this tax year and claim tax relief of up to £63,100. Under the intricacies of the legislation, **any unused carry-forward allowances from 2014/15 (a year in which the annual allowance of £40,000 was fully available to high earners) would be lost if not used by 5 April 2018.**

Individuals may also like to consider making pension contributions on behalf of their children, which can be a very tax efficient means of gifting monies to issue. Where children are not in receipt of any earned income themselves, a maximum contribution of £3,600 (£2,880 net of basic rate tax relief) can be made. Where children are in receipt of any earned income, a contribution of up to 100% of earnings can be made (capped at £40,000), noting that carry-forward allowance may also be available.

❑ Pay into an ISA

Consideration should be given to **making sure the allowance (£20,000 for 2017/18) is used, especially as this cannot be carried forward.** As a reminder, investments held within an ISA grow free of income and capital gains tax and can be accessed anytime. Furthermore, following the introduction of Flexible ISAs, contributions can be withdrawn, and subsequently re-invested, should the need to do so arise.

For individuals aged 18 to 39, consideration should be given to pay part of their ISA allowance to a Lifetime ISA (LISA), particularly in instances where pension contributions have been maximised. Individuals will be able to contribute up to £4,000 per tax year to a LISA and receive a 25% government bonus on top, of up to £1,000 per tax year. It is important to note, however, that penalties will apply on monies withdrawn from a LISA before age 60, unless paid directly to a conveyancing solicitor towards an individual's **first** residential property purchase (on which a number of restrictions apply).

As with pension contributions, individuals may also like to consider making ISA (and/or LISA) contributions on behalf of their children (or to Junior ISAs where children are less than 18 years of age).

❑ Take profits from existing investments

Despite ongoing political uncertainty – concerns regarding the impact of Brexit both domestically and within Europe are still present, as is the potential fallout of any further escalation of tensions between the US and North Korea – global equity markets are currently trading at, or very near, all-time highs. **Investors may therefore be encouraged to consider utilising the 2017/18 annual CGT exemption (£11,300). Quite aside from current market levels, investors (and spouses or civil partners, if applicable) with unrealised gains in taxable accounts should typically aim to use their 2017/18 annual CGT exemption.**

❑ Consider other opportunities

Alongside the above, and particularly for those individual's that are unable to contribute further to pensions and/or ISAs, it may be appropriate to consider investing in Enterprise Investment Schemes, Venture Capital Trusts and Seed Enterprise Investment Schemes. Consideration should also be given to making gifts to friends and family in order to immediately reduce their potential Inheritance Tax liability, using the small gifts exemption (£250 per person) and annual exemption of £3,000 (or £6,000 if no gifts were made in the 2016/17 tax year), while larger gifts may be possible where there is surplus income. Meanwhile, those wishing to support charitable causes can also reduce their 2016/17 and 2017/18 income tax or CGT liabilities through charitable donations before 6 April.

❑ Talk about it

Discussing these options with a suitably qualified, professional adviser will help you get organised, prioritise your objectives, and ensure you do not miss out on any of these opportunities. **Investing a small amount of time now can save you lots more in the long term,** as well as providing peace of mind and reducing the associated stress, so that you can focus on the things that really matter.

If you would like to find out more information about Saunderson House or you would like us to review your portfolio, in a cost-free initial meeting please do not hesitate to contact me.

John Bawden,
Chartered Financial Adviser, Saunderson House

E: john.bawden@saundersonhouse.co.uk
T: 020 7315 6514

Saunderson House Limited
1 Long Lane, London EC1A 9HF

T: 020 7315 6500
F: 020 7315 6650
E: shl@saundersonhouse.co.uk
www.saundersonhouse.co.uk