Make the most of your income by taking advantage of the tax allowances available to you

Did you know that tax breaks could help boost your salary, savings and investments?

It's easy to miss out on their full benefits as tax can be complex. But with help from your adviser, you can explore the following tax allowances in more detail.

For married couples or those in a civil partnership

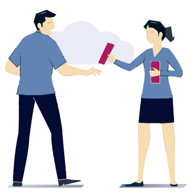
You might be able to take advantage of the marriage tax allowance. It allows one half of a couple who earns less than the income tax threshold (which is £12,570) to transfer up to £1,260 to their higher-earning spouse – who must be a basic rate taxpayer.

Spouses and civil partners can also inherit one another's estates, without being liable for any inheritance tax (IHT). IHT allowances allow you to pass on up to £325,000 of assets (£500,000 if the estate includes a main residence) tax-free. This means a couple can have a total IHT allowance of £1 million.

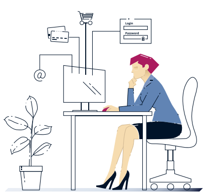
Tax-free childcare

Couples who both work at least 16 hours a week normally qualify for tax-free childcare. For parents of children aged 11 or under, the government will add £2 for every £8 they pay into an online childcare account. This can be used for after-school, breakfast and holiday clubs, childminders, nurseries and some sporting clubs. This is capped at £2,000 per child per year (£4,000 if the child is disabled) and the child must be 11 or under (or 16 or under for a disabled child). You won't qualify if your combined adjusted net income exceeds £100,000 in the tax year.

> **"...tax can be complex. But with help from your adviser, you can explore tax allowances in more detail."**

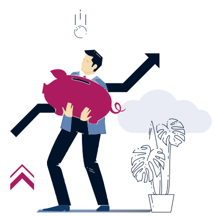


BORROW

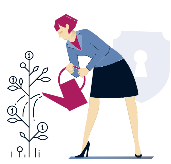


SPEND

Please speak to your financial adviser to find out about other guides in the series.



SAVE & INVEST



PROTECT

ISAs

An ISA allows you to save or invest up to £20,000 tax free annually, whether it's in a cash ISA or stocks and shares ISA – and also comes with the benefit of being exempt from dividend tax and capital gains tax on all growth.

The lifetime ISA (LISA) can be used by first-time buyers to fund a deposit for a property or taken tax-free from the age of 60. As well as paying interest, each subscription to your LISA benefits from a 25% government bonus (up to a maximum of £1,000). The maximum you can put in each year is £4,000, which comes out of your £20,000 ISA allowance.

The LISA can be opened by anyone aged 18–39, but you can keep saving into it until you are 50.

JISAs

You can also invest up to £9,000 in a Junior ISA (JISA) and save for your child either in a cash JISA, a stocks and shares JISA or a combination of the two. Investments can be made from birth until the age of 18.

> **"...comes with the benefit of being exempt from dividend tax and capital gains tax on all growth."**

Four tax breaks that could help you

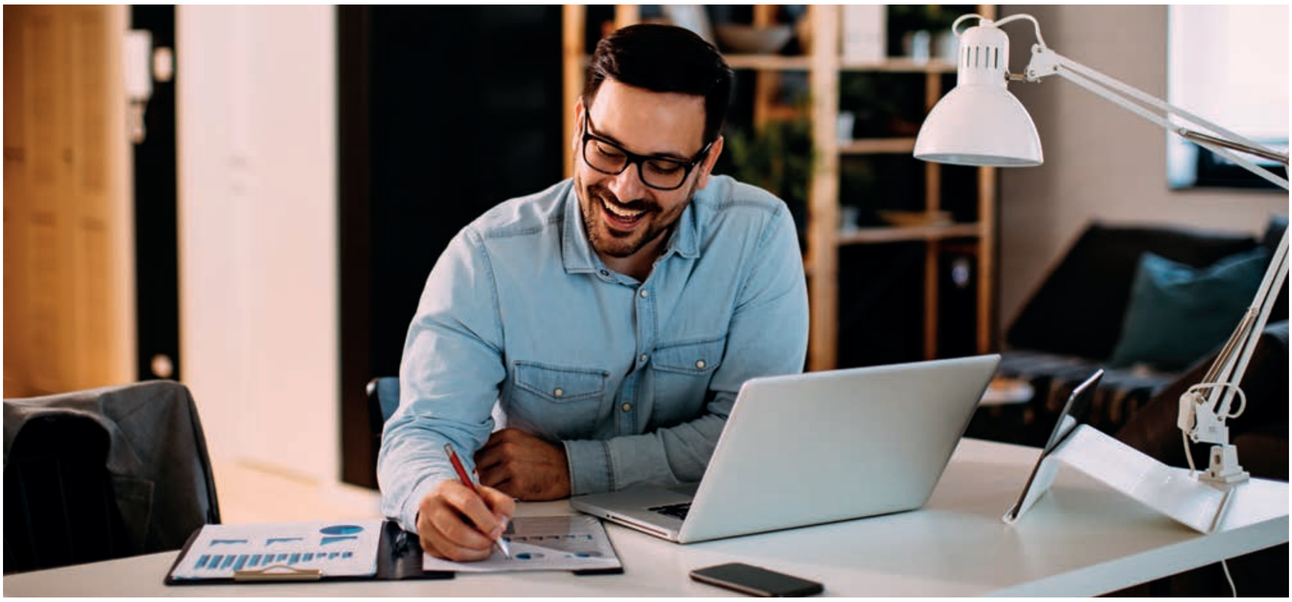
01 **Trading allowance**
If you're a basic rate taxpayer and have a side income from a hobby or a casual business like babysitting, gardening or freelancing, you are eligible to earn the first £1,000 tax-free.

02 **Rent-a-room**
If you rent a furnished room in your home to a lodger, the first £7,500 of rent each year is tax free. If you make more than this amount it will need to be included in a tax return.

03 **Working from home**
If you have to work from home because your job requires you to live far away from your office or your employer does not have an office, you may be able to claim tax relief of £6 a week for household costs.

These include things like phone calls or energy bills but not expenses that you would have used anyway as part of your everyday living (like broadband, rent or mortgage).

04 **Uniform expenses**
If your job requires a uniform that you need to clean yourself, you can claim tax relief on what you spend, but the amount varies depending on your job and rate of income tax.



Personal savings

Your annual pension allowance is £60,000, although it can be lower for higher earners and where pension savings have been flexibly accessed. When you contribute to your pension some of the money you would have paid in tax to the government goes into your pension instead For example: If you are a basic rate taxpayer, a £100 contribution will only cost you £80.

Capital gains tax

Profits or gains you make on the sale or disposal of an asset (like a property or shares) are exempt from tax up to the annual allowance threshold which is £6,000 in the current tax year (2023/2024). For married couples or those in civil partnerships who own joint assets, the allowance is £12,000. If you don't make use of this allowance in a tax year, you can't carry it over to the next.

Tax and employee share schemes

If your employer offers you company shares, you could be eligible for tax advantages – for example not paying Income Tax or National Insurance on their value. Tax advantages only apply if the shares are offered through the following schemes:

- Share Incentive Plans
- Save As You Earn (SAYE)
- Company Share Option Plans
- Enterprise Management Incentives

You may be offered shares outside of these schemes, but they won't have the same tax advantages. Your financial adviser is here to help you make the most of your available tax allowances.

Charitable donations

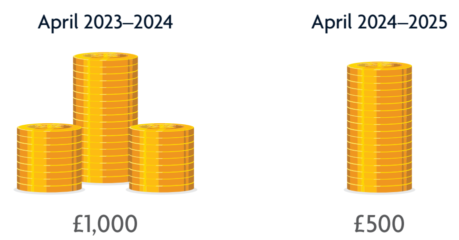
You can donate to charity tax-free and claim back the tax on your donation through gift aid. If you are a higher or additional income taxpayer, you can also claim back the difference to the basic rate on your gift aid donations. Just remember to keep hold of all records of your donations to claim tax relief when the time comes to submit your tax return.

Dividends

Dividends are a portion of a company's profit that they choose to pay shareholders as a reward for their investment. Companies usually pay out dividends twice a year, although some firms will pay out on a quarterly basis.

In April 2023 the tax-free dividend allowance fell to £1,000 and will drop again to £500 in the year after. The tax rate you pay on dividends above the allowance depends on your income tax band, which you can work out by adding your total dividend income to your regular income. If one member of a married couple receives dividends and the other does not, you could transfer shares between you and benefit from two allowances.

Tax-free dividend allowance:



An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Tax concessions are not guaranteed and may change in the future. Tax free means the investor pays no tax.

For specialist tax advice, please refer to an accountant or tax specialist.

Get in touch

Speak to your adviser to help you maximise your earnings and for guidance in areas like pension contributions. **Please get in touch to arrange a time to chat.**

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