



Don't forget the new Tax Year changes

With everything that happened in the Spring, it is easy to forget that we passed through a Tax Year on April 5th. As usual, the start of a new Tax Year saw various changes to certain allowances. These changes may have gone unnoticed, but they are certainly worth considering to see if they create an opportunity for you to review your financial plans. In summary the main changes are as follows:

Investments and savings

The Individual Savings Account (ISA) allowance remains at £20,000 for the 2020/21 tax year, but the Junior ISA allowance increases significantly to £9,000. This gives parents and grandparents the opportunity to invest further funds for those under 18 years of age.

For those people with savings outside of tax exempt wrappers, it should be noted that the **Capital Gains Tax** exemption has increased to £12,300 for individuals and £6,150 for Trust investments for the 2020/21 tax year.

Pensions

The **Lifetime Allowance (LTA)**, the limit on the amount of money that can be drawn from your pension before you incur a charge, increases to £1,073,100. This figure includes all the value of Personal Pensions as well as any Final Salary/Defined Benefit pensions you may have, which have a more detailed calculation concerning their value. Please do discuss with your adviser if you have additional pension benefits of which we are unaware.

Whilst the main Annual Allowance remains unchanged for pensions at £40,000, the rules concerning the **Tapered Annual Allowance** are amended. This was originally put in place in 2016 to significantly reduce the allowable pension contributions for high earners, potentially affecting those with earnings in excess of £110,000. This income level was increased from April 2020 and now only has the potential to affect those earning in excess of £200,000.

Inheritance Tax (IHT) rates and exemptions

The IHT Nil Rate Band will remain frozen at £325,000 until 2021/2022 as previously announced.

However, the Residence Nil Rate Band (RNRB) increases to £175,000. This allowance was introduced in 2017 and supplements the existing IHT Nil Rate Band Threshold of £325,000. The aim was to offer a total of £1m of IHT free allowance for couples who owned their own home. It was tapered in with the final taper which came into effect on 6th April 2020.

Income tax

Personal Allowance remains unchanged at £12,500 and the threshold above which higher earners start paying 40% tax is also unchanged at £50,000. These are due to increase in line with Consumer Price Index (CPI) in future years.

Note also that the National Insurance Contribution Tax threshold increases from £8,632 to £9,500.

General Tax issues

Entrepreneur Relief has been amended with the Lifetime limit reducing from £10m to £1m.

Corporation Tax remains unchanged at 19%.

As ever, we are here to provide advice. Therefore, if you would like to discuss your current financial planning arrangements in light of any of these changes to make sure you are maximising the opportunities now available to you, please do not hesitate to contact us.
