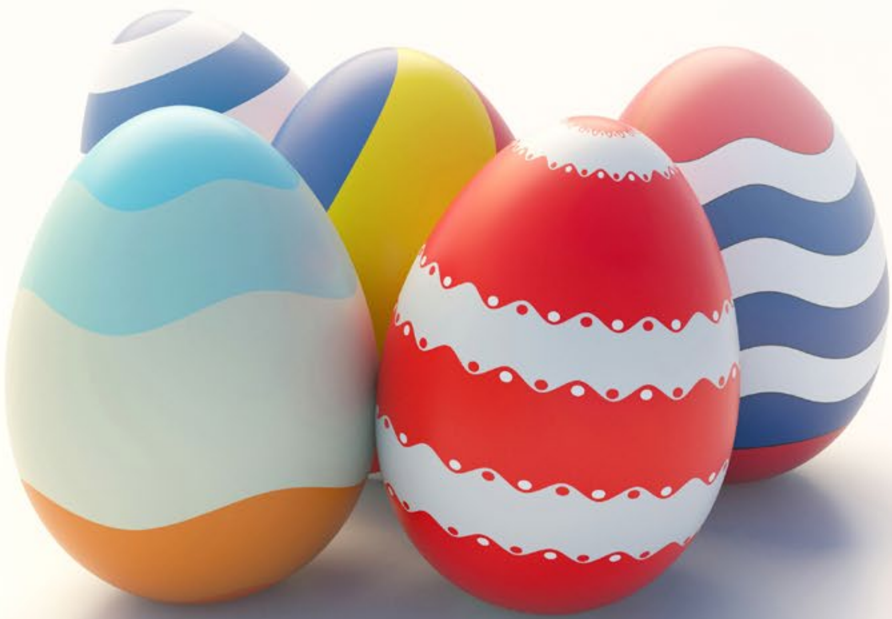
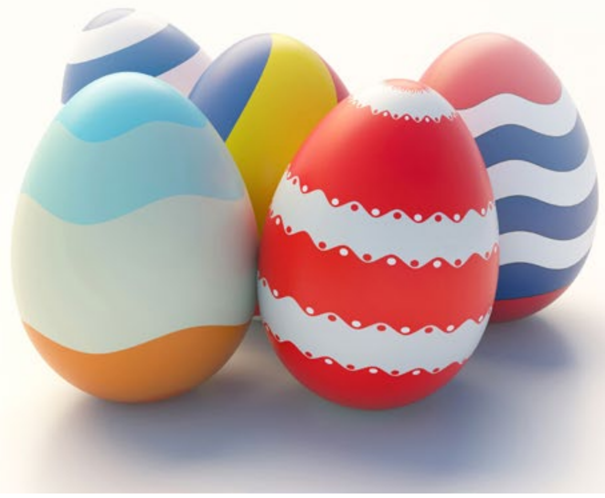
End of Tax Year Planning Guide for Barristers

- Your main tax planning opportunities for the 2021–22 tax year
- Focus on financial advice for barristers and members of the judiciary
- Pensions, ISAs, JISAs, VCTs and EISs
- IHT, CGT and the Dividend Allowance
- Don't miss the tax year-end deadline – 5 April 2022
- Contact us for a free initial consultation



The time to take advantage of tax-efficient allowances

Rather than leaving things until the last minute, it makes sense to get ahead of the end of tax year rush by ensuring that you have your financial affairs in order. That includes taking advantage of all the tax-efficient allowances available to you through pensions, Individual Savings Accounts (ISAs), Junior Individual Savings Accounts (JISAs), Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EISs).



Pensions

You can contribute as much as you like into your pension, but there is a limit on the amount of tax relief you will receive each year; this year the Annual Allowance is £40,000. Currently, you can carry forward unused allowances from the past three years, provided you were a pension scheme member during those years.

For every £2 of adjusted income (total taxable income including all pension contributions) over £240,000, an individual's Annual Allowance is reduced by £1 (the minimum reduced Annual Allowance is £4,000).

A Lifetime Allowance also places a limit on the amount you can hold across all your pension funds without having to pay extra tax when you withdraw money. This limit is currently £1,073,100.

You can also invest into a pension for a non-working or non-tax-paying spouse and doing so has the additional advantage of allowing them to use their personal tax allowance in retirement. Similarly, you can pay into a pension for children under 18. The maximum annual contribution you can currently make is £2,880 which, along with tax relief, amounts to £3,600 a year.

Pensions are not the only way to invest for retirement. Indeed, many of our barrister clients have no intention to use funds from pensions but instead will rely upon other tax advantageous investments and pass on their pension funds free of Inheritance Tax to their children.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

Individual Savings Accounts (ISAs)

The ISA allowance is £20,000 for the 2021-22 tax year. You can put all the £20,000 into a Cash ISA or invest the whole amount into a Stocks and Shares ISA or a combination of the two. However, the combined amount can't exceed your annual ISA allowance. With pension contributions subject to annual and lifetime limits, ISAs represent an excellent way of topping up retirement income. There is no Income Tax or Capital Gains Tax (CGT) payable on ISA proceeds. You cannot carry over your ISA allowance once the tax year has ended.

In certain circumstances, investors can use existing holdings to open or top up their ISAs; this arrangement is known as a Bed & ISA. This is a way of transferring assets held outside an ISA into an ISA so that future investment income and growth are sheltered from tax. The investments are sold, cash is transferred into the ISA and the investments are repurchased. Charges apply and you could end up with a CGT liability if the gain you make on selling the asset together with any other taxable gains you make within the tax year exceeds the annual CGT allowance.

A Lifetime ISA is available to those aged 18 or over, but under 40, who want to buy their first home or save for later life. You can put in up to £4,000 each tax year, until you are 50. This contribution counts toward your annual ISA limit of £20,000. The government will add a 25% bonus to your savings, up to a maximum of £1,000 per year. Conditions apply.

Junior Individual Savings Accounts (JISAs)

Junior ISAs are a tax-efficient way to build up savings for children (and grandchildren) and can be opened for any child under 18 living in the UK. The money can be held in Cash and/or invested in Stocks and Shares. They work in exactly the same way as your own ISA; however, the maximum annual investment is currently £9,000 per child.

Gifting for Inheritance Tax (IHT) purposes

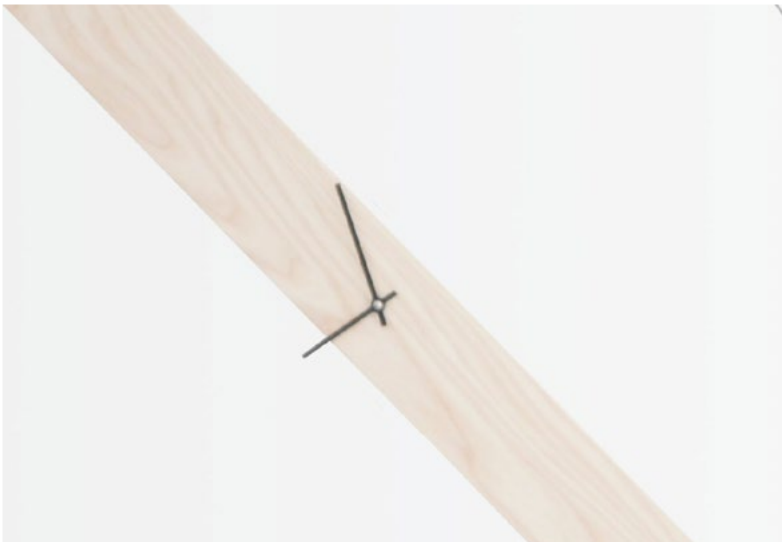
You can make gifts worth up to £3,000 in each tax year which will be exempt from IHT on your death. You can carry forward any unused part of the £3,000 exemption to the following year, but if you don't use it in that year, the exemption will expire.

Certain gifts don't use up this annual exemption but there is still no IHT due on them e.g. wedding gifts of up to £5,000 for a child, £2,500 for a grandchild (or great grandchild) and £1,000 to anyone else. Individual gifts worth up to £250 per recipient per year are also IHT free.

It is also possible to make regular gifts, known as 'normal expenditure out of income' providing you can afford the payments after meeting your usual living costs.

These are relatively small sums, but you should use these up where possible to gradually reduce your overall estate.

With pension contributions subject to annual and lifetime limits, ISAs represent an excellent additional way of saving for retirement.



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Capital Gains Tax (CGT)

Every individual is entitled to a CGT annual exemption which is currently £12,300 (£6,150 for trusts). You cannot carry forward this relief and so you may look to crystallise gains up to this amount before the end of the tax year. Capital losses can also be used to offset gains.

Above the CGT allowance, basic rate taxpayers selling investments would pay CGT at 10%, with higher rate taxpayers paying at 20%.

Spouses have two annual exemptions between them and can take advantage of the rules allowing assets to be gifted with no CGT implication until the asset is subsequently disposed of.

The deadline for paying CGT (where applicable) on the sale of UK residential property was increased from 30 to 60 days from 27 October 2021, following recommendations by the Office of Tax Simplification. CGT rates applicable to chargeable residential property would be 18%/28%.

Dividend Allowance

For the current tax year, investors can earn up to £2,000 in dividend income tax-free. How much tax you pay on dividends above the Dividend Allowance depends on your Income Tax band; this is 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers. Dividends on Stocks and Shares ISAs and pension funds do not come into the calculation.

In order to fund the new Health and Social Care Levy, from April 2022, the rate of Dividend Tax will increase by 1.25 percentage points to 33.75% for higher rate taxpayers and 39.35% for additional rate taxpayers.

Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EIS)

Venture Capital Trusts (VCTs)
VCTs offer growth potential by investing in smaller VCT-qualifying companies that are not listed on the main London Stock Exchange. For 2021-22 the maximum investment into VCTs is £200,000.

VCTs provide a number of tax incentives including:

- 30% upfront Income Tax relief, provided you hold the VCT for five years
- No CGT on profits
- Tax-free dividends

Enterprise Investment Schemes (EISs)
For this tax year, the maximum investment in EISs is £1 million (or £2 million as long as at least £1 million of this is invested in knowledge-intensive companies). Tax incentives are a feature of EISs and include:

- 30% upfront Income Tax relief, provided you hold the EIS for three years
- No CGT on profits after three years
- No IHT after two years

In recent years, both EISs and VCTs have gained significant popularity amongst wealthier investors and both schemes undoubtedly remain an attractive proposition for experienced investors looking to maximise tax-efficiency and diversify their portfolios.

Both EISs and VCTs are high risk investments. This enhanced risk element stems from the fact that EISs and VCTs invest in small, fledgling, and therefore typically fragile enterprises. There may be no market for the shares should you wish to sell them and it could therefore be difficult to make a disposal. You may lose all your capital.

Both EISs and VCTs are only suitable for investors who are comfortable holding high-risk investments.

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Fleet Street Wealth is an independent wealth management firm providing tailored advice, to individuals, corporations, trustees and charitable bodies.

We are a Chartered independent financial advisory and wealth management firm, one of the main providers of financial services to barristers, working with several hundred barristers from within most of the London sets and members of the Judiciary. Furthermore, we are a Bar Council Partner. We are well known within chambers, by many of the clerks, accountancy firms who operate within this sector and other affiliated bodies. We also act as adviser to most of the main legal charities based on Chancery Lane.

Our advisers recognise the issues barristers face due to the unpredictable nature of self-employment and can help provide structure to one's financial affairs, analytical rigour and quality fund management. We account regularly to clients on benchmarked performance and costs and provide a comprehensive review process to serviced clients.

As a Chartered firm, with a highly competitive, transparent fee structure, including fixed initial fees, discounts for multiple transactions and capped ongoing charges for larger accounts, we are a firm you can trust.

There are significant opportunities to take advantage of before the end of the tax year.

It's important to ensure that you take expert advice to ensure that you benefit from those opportunities. To arrange a free initial consultation to discuss your end of tax year planning, please call us on 0207 353 6373, email barristers@fswealth.co.uk or visit www.fswealth.co.uk.

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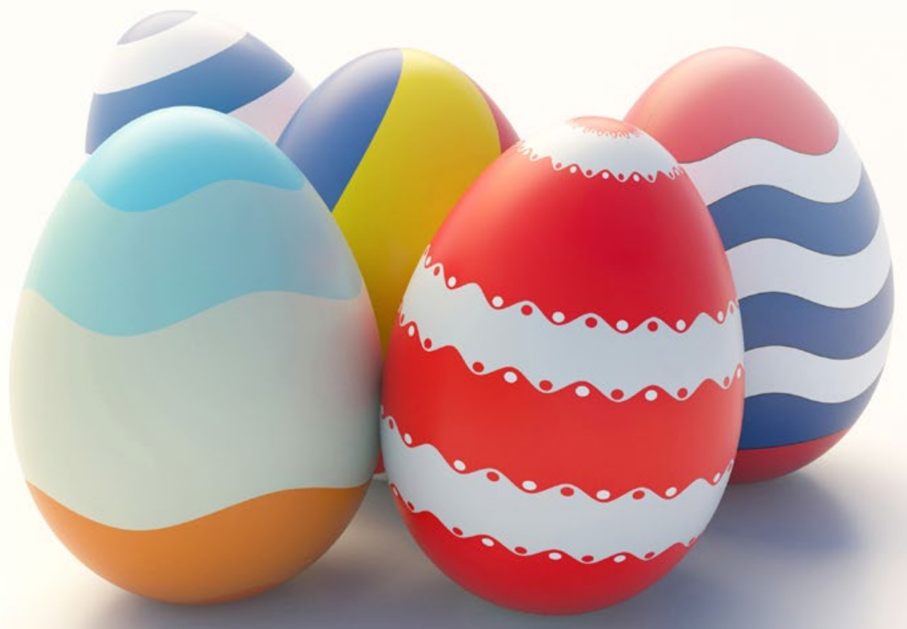

The information contained in this guide is based on our understanding of current allowances and rates at 4.11.21, which could be subject to change. The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor. No part of this document may be reproduced in any manner without prior permission.

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