MAKE THE MOST OF EVERY AVAILABLE TAX-PLANNING OPPORTUNITY

You'd better get your skates on with the end of the tax year fast approaching

No one likes to pay more tax than they have to but one of the challenges of holding wealth is the high taxation it attracts. With real-terms tax increases the prospect for the foreseeable future, the pressure is on to make the most of every available tax-planning opportunity.

Different ideas will suit different people but you'd better get your skates on. With the end of tax year fast approaching on 5 April 2014, sorting out your finances now is vital. Please ensure that you take professional advice before acting. Here are some examples of the ways in which legitimate planning could save you money by reducing your tax bills.

DEFER INCOME

Whatever your top rate of tax, if you have some flexibility over the timing of income, consider arranging for investment income, earnings or profits to fall into a later tax year. So long as this doesn't increase the rate of tax you pay, deferring income may mean you can delay when you have to pay the tax.

MAXIMISE YOUR PENSION PROVISION

Pension tax relief is due to be restricted yet further from 6 April 2014, so do you need to maximise your contributions now to make the most of your annual and lifetime allowances? Currently, the annual pension contribution allowance is £50,000 but will reduce to £40,000 from 6 April 2014. You will only benefit from tax relief on pension contributions up to 100% of your annual income or £3,600, whichever is the greater. The lifetime allowance will also be reduced, from £1.5 million to £1.25 million, but many people may now find their chance to build their pension 'fund' up to the lifetime maximum restricted.

TAKE ADVANTAGE OF TAX-EFFICIENT INVESTMENTS

There are a number of tax-advantaged investments of varying complexity. Individual Savings Account (ISA) allowances provide a tax shelter for income and capital gains. The 2013/14 limit is £11,520 per person but, if not used, the allowance is lost.

Junior ISAs are now available too, enabling parents and grandparents to save up to £3,720 a year tax-efficiently for their children or grandchildren who do not have a child trust fund.

Enterprise Investment Schemes (EISs) can have significant advantages such as 30% Income Tax relief, Capital Gains Tax (CGT) exemption, a capital gains shelter and potential relief from Inheritance Tax (IHT) after two years.

Venture Capital Trusts (VCTs) also offer 30% Income Tax relief and exemption from both Income Tax on dividends and CGT.

The value of investments and the income from them may go down. You may not get back the original amount invested.

Some funds will carry greater risks in return for higher potential rewards. Investment in smaller companies can involve greater risk than is customarily associated with funds investing in larger, more established markets. Above average price movements can be expected and the value of these funds may change suddenly.

MAKE FULL USE OF CGT RELIEFS AND EXEMPTIONS

Individuals have a CGT-free allowance of £10,900 in the current tax year. If you have not realised gains of this amount, you should look at whether assets can be sold before 6 April 2014 to take advantage of this tax-free amount. If you are married or in a registered civil partnership and want to realise a gain on shares to use up the exemption, but want to keep the benefit of those shares in your family, your spouse or registered civil partner can buy back a similar number of shares to those sold –although a direct sale or gift to your spouse or registered civil partner will not achieve the desired result. If your relationship is not formalised by marriage or registered civil partnership, a gift to your partner will achieve the same result without the need to incur dealing costs.

REDUCE CGT CHARGES FROM 28% TO 18% OR 10%

If you own assets on which you qualify for Entrepreneurs' Relief (ER) you can claim to pay a reduced rate of 10%. This rate is subject to certain criteria being met for at least a year and there is a lifetime limit of £10 million, so it is extremely important to ensure your assets qualify for this rate where possible.

USE CGT LOSSES TO THE FULL

If you already have taxable gains, review your other assets to see if you can crystallise capital losses to reduce the gains on which you pay tax. If you do this, take care only to realise sufficient losses to reduce your gains to the level of the annual exemption to avoid wasting your losses. If you have made losses that you don't need to set off against this year's gains, you should still claim them so they can be used in future years.

ENSURE WILLS ARE UP TO DATE

You should ensure that your will is up to date and reflects your wishes. The will should be written in a way that both minimises tax and gives your family flexibility and protection in the future, for instance, by using tax-efficient trusts. Trusts may enable your heirs to make more tax-efficient plans than if assets were put into their hands absolutely, as well as helping to protect assets.

MAKE FULL USE OF ALLOWANCES AND RELIEFS

Inheritance Tax (IHT) allowances and exemptions to be aware of include:

- £3,000 annual allowance and any unused allowance from last year
- £250 per individual donee
- gifts in connection with marriage (limits may apply)
- lifetime gifts that are 'normal expenditure out of income'

A PURPOSEFUL AND INFORMED PLAN

Tax planning is inherently complex, so if you would like to discuss any of these opportunities, we'll take the time to understand your needs and wishes and recommend solutions that are tailored to your needs. To review your situation, please contact us.

Tax assumptions are subject to statutory change and the value of tax relief (if any) will depend upon your individual circumstances. The Financial Conduct Authority does not regulate taxation and trust advice or will writing. The value of your investment can go down as well as up and you may not get back the full amount invested. Levels and bases of and reliefs from taxation are subject to change and their value depends on the individual circumstances of the investor.