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Year-end tax planning guide

- Income tax
- Plan your savings
- Plan for your business
- Plan for the long term
- Your year-end checklist

Are you ready for the end of the tax year?

It's time to review your financial goals.

Even if we'd predicted the chaotic events of 2022, you wouldn't have believed us. Tanks rolling into a European country. The world teetering on the brink of both world war and global recession.

Russian oil fuelling rocketing inflation. And then in Britain alone, four chancellors and three prime ministers in twelve weeks! The 'KamiKwazi budget', was followed by its almost total reversal. Strikes and the most brutal tax squeeze since the dark days of the 1970s...

But it's our job to try to find order among the chaos and to help you plan for whatever we might face next year. And one thing that is predictable with rock-solid certainty is the tax requirements for April.

The Treasury has recently announced that personal allowance and tax bands for the basic and higher rate tax thresholds should remain unchanged until 5 April 2028.

So, it's that time of year again when we remind you of the current tax rates, what's proposed for the future and how you can best plan for it. As ever, our tax specialists have been working hard all year to find ways you can mitigate your personal tax liabilities, increase your business's profitability, and maximise your personal wealth.

Because while it's only right that we all pay our fair share of tax to keep public services running, that doesn't mean you can't be a bit shrewder in making legitimate use of the tax allowances the Government offers you.

In his Autumn Statement 2022, The Chancellor of the Exchequer froze many of the tax allowances for individuals and cut the capital gains tax annual exemption. This will have the effect that, over time, most people's tax liabilities will increase, and more taxpayers will be sucked into the Self-Assessment system.

The good news is that there will still be chances to review your tax and financial arrangements throughout the tax year – but you may well benefit from checking out any remaining reliefs, allowances, and exemptions, while considering planning opportunities either for this tax year or to improve your long-term future.

So please take a few moments to look through this planner. It's designed to give you a few strategies for arranging your affairs to minimise your tax exposure and make the most of the tax-saving opportunities available to you before 5 April 2023.

It will help you:

- make the best use of your capital allowances
- maximise your ISA allowance
- minimise your inheritance tax liability
- hold on to more of your profit
- plan ahead for a more comfortable retirement

Planning for your family

It is important to use all your own personal allowances and those of your whole family to help ease your tax burden.

Income tax

There are several strategies available to help you keep more of the money you earn.

Personal allowance

All taxpayers are granted a personal allowance – which for most means the first **£12,570** of their income is tax-free. This can't be carried forward, so you must use it in full each year.

If you're a basic rate taxpayer and your spouse does not pay any tax, it should be possible to transfer some of your personal allowances.

If your income is over **£100,000**, the personal allowance (of **£12,570**) begins to be withdrawn at a rate of **£1** for every **£2** of income above **£100,000**. This results in a quite punitive **60% effective tax** rate for income between **£100,000** and **£125,140.**

Earnings over **£150,000** (**£125,140** from **6 April 2023**) also attract the additional tax rate of **45%.**

If this is the case for you, you may wish to think about claiming other income tax deductions to reduce your income, such as donations under Gift Aid, transferring income to others or making extra pension contributions.

Income tax rate bands

From **April 2023**, the threshold for the top rate of tax will be cut from **£150,000** to **£125,140**, so in future, you'll start to pay the top rate of income tax sooner. Spouses and civil partners are taxed separately, so (within the bounds of anti-avoidance and settlements legislation) you should consider making use of lower-rate tax bands, and look at the tax implications of transferring income-producing assets.

Dividend nil rate band

The first **£2,000** of dividend income received in the tax year (**£1,000** after **April 2023** and just **£500** from **April 2024**) is FREE of income tax.

Any dividends received over those allowances are subject to a rising scale of tax rate bands. For this reason, if you own shares in a family company, you might consider transferring some of your shares to another family member – as long as you keep within the HMRC anti-avoidance regulations.

It's possible to issue different shares with different rights (e.g. dividend-only shares or non-voting shares) if you're concerned about ceding control.

Married couples

Married couples can make use of each person's personal reliefs, along with their starting and basic rate tax bands.

You may also wish to consider making outright and unconditional gifts of income-producing assets to your spouse (or vice versa) to spread income between you and your spouse. Income from jointly owned assets – even if you own unequal shares – is generally shared equally for tax purposes.

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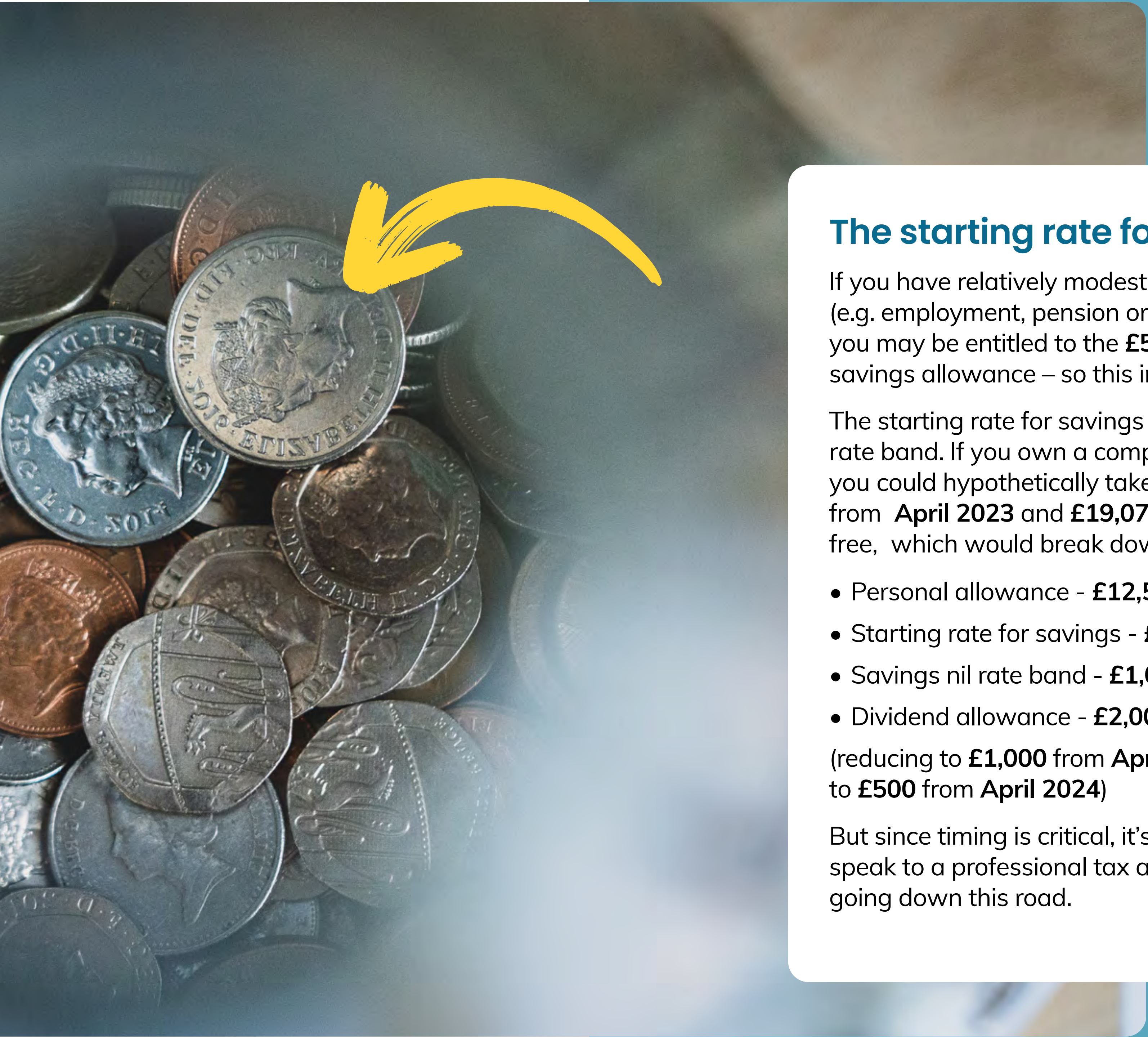
Personal savings allowance

The first £1,000 of savings income for basic rate taxpayers is taxed at 0%.

For higher-rate taxpayers, the savings rate band is **£500**, but there is no allowance for taxable incomes over **£150,000** (**£125,140** from **April 2023**).

You're not allowed to transfer your savings nil rate band to your spouse, so it's important to ensure that savings in your bank accounts are spread to maximise the nil rate band.



The starting rate for savings

If you have relatively modest non-savings income (e.g. employment, pension or income from property), you may be entitled to the **£5,000** starting rate for savings allowance – so this income can be tax-free.

The starting rate for savings applies before the nil rate band. If you own a company and plan it right, you could hypothetically take out **£20,570** (**£19,570** from **April 2023** and **£19,070** from **April 2024**) tax free, which would break down thus:

- Personal allowance - **£12,570**
- Starting rate for savings - **£5,000**
- Savings nil rate band - **£1,000**
- Dividend allowance - **£2,000**

(reducing to **£1,000** from **April 2023** and down to **£500** from **April 2024**)

But since timing is critical, it's important that you speak to a professional tax advisor for advice before going down this road.

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Children's allowances

Since children have their own tax bands and allowances, it may be possible to transfer income-producing assets to a child to save on tax.

Again, please speak to your local Xeinadin professional tax advisor for detailed advice on this.

Child benefit tax charge

If your income (or your spouse's) is over **£50,000**, then part or all of the Child Benefit you claim will be clawed back.

For the same reason, if one of you earns over **£60,000** you might consider disclaiming Child Benefit to avoid a clawback tax charge.

However, if the person claiming child benefit is not working, then disclaiming it will mean the year does not qualify for State Pension purposes, so it's better to just ask for payment to be stopped rather than disclaiming it altogether.

Paye notices of coding

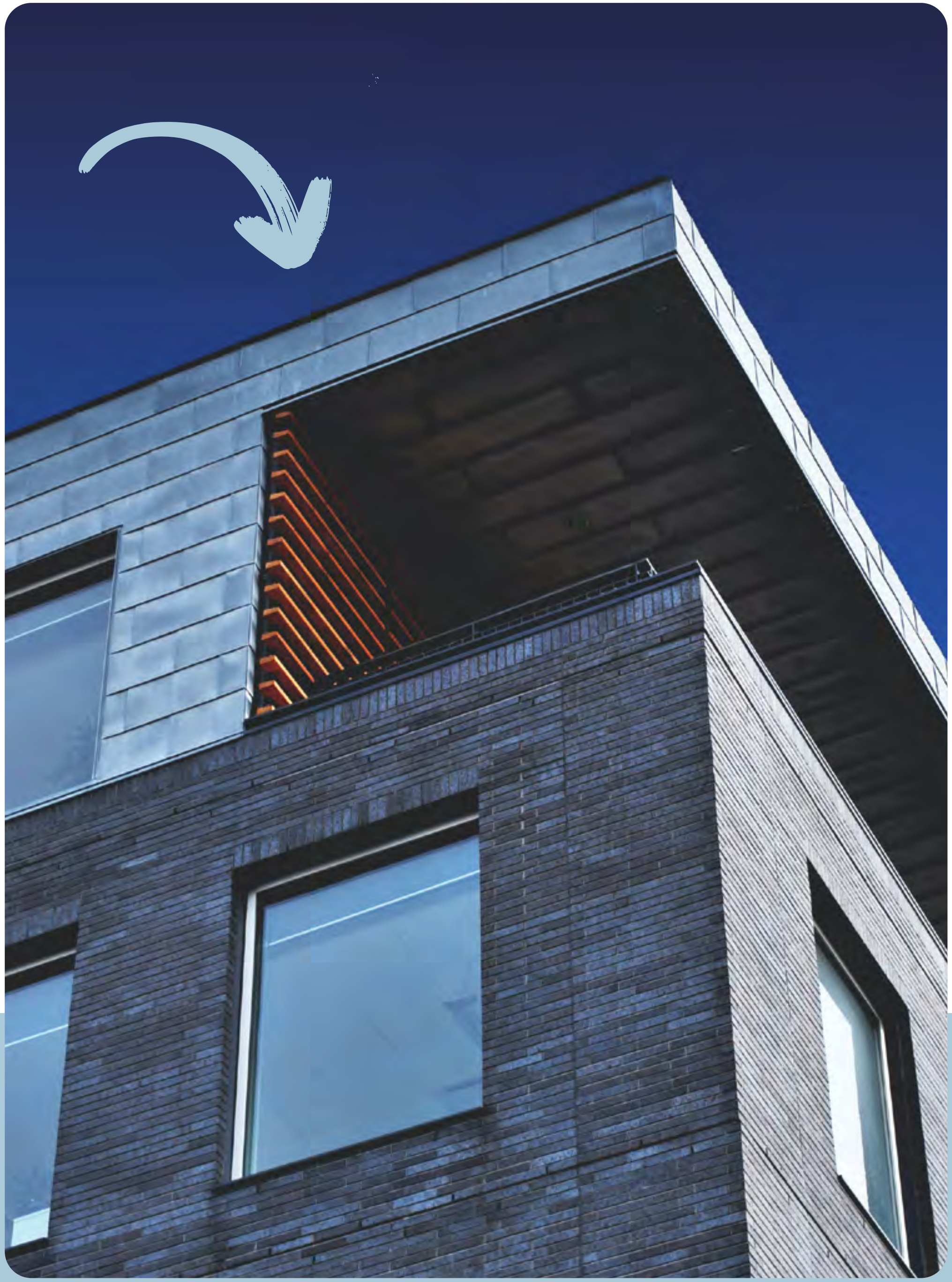
If you're employed or have a pension, you should check your PAYE Notice of Coding to ensure your allowances - including relief for pension contributions, charitable donations and any other tax reliefs are correctly stated.

HMRC's coding system is responsible for frequent incorrect coding notices, which could land you with an unexpected tax bill after the end of the year. If you're in any doubt, please speak to one of our professional tax advisors.

Property

The Chancellor has increasingly targeted second properties in recent years.

Specifically buy-to-lets – with measures that include increasing Stamp Duty Land Tax (SDLT), restricting expenses which can be set against rental profits (e.g. mortgages, loans for furnishings etc and overdrafts) and raising capital gains tax rates.



These have changed the landscape so significantly that we would advise any clients with one or more buy-to-let properties to review their position and think seriously about how these measures may affect their property income and tax liability.

Among the things you should consider are whether you should hold them in your own name, as a couple, or as a partnership. If you have a substantial rental property business that's not currently structured as a company, you may wish to consider incorporation.

If you plan to dispose of any UK buy-to-let properties, we recommend taking advice on the reporting requirements as Capital Gains Tax Property Returns must be filed within 60 days of completion.

On the plus side, it's still possible to access some tax breaks. If you rent a room in your main residence, for example, you can receive the first **£7,500** of rental income free of tax under the "rent a room" allowance.

And if you have a Furnished Holiday Letting (FHL), there are even more generous tax breaks, such as full tax relief on loan interest relating to the property, and **10%** capital gains tax on the eventual sale.

However, to qualify as an FHL, specific conditions must be satisfied, and we strongly recommend that you have a conversation with a professional tax adviser if you'd like to take advantage of these tax breaks without falling foul of the regulations.

Annual tax on enveloped dwellings (ATED)

Annual tax on enveloped dwellings (ATED) rules catch out so many people who have properties valued at more than **£500k** held inside Ltd Companies.

It is payable annually in advance but, even if no tax is payable, many taxpayers will get penalised for not making an ATED return each year. **Please feel free to get in touch if this might apply to you and we'll be happy to support you.**

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Stamp duty land tax

The starting nil rate band for SDLT has been frozen at **£250,000** until **31 March 2025**. First-time buyer's relief from SDLT covers the first **£425,000** of the purchase price, but it's not yet clear if this increase will be permanent.

A **2%** SDLT surcharge was introduced for non-resident buyers of UK residential property, from **1 April 2021**.
The **3%** surcharge on the purchase of additional properties applies at all times.

Gifts to charity

Using the Gift Aid scheme to make charitable donations can bring significant benefits for both the donor and the charity.

It's crucial that you keep a record of any charitable payments on which you wish to claim tax relief, as HMRC might want to see the evidence. If you're a low earner, you should take care in claiming Gift Aid to avoid unexpected tax charges resulting from gift funds which fall inside your personal income tax allowance.

Provided that the payment is made before filing the **2022/23** tax return, you can claim additional tax relief against **2022/23** income for charitable donations made between **6 April 2023** and **31 January 2024**.

However, you may prefer to hold off making large charitable donations until the **2023/24** tax year if the threshold changes will pull you into a higher tax bracket.

For larger charitable donations – such as gifts of quoted shares and securities, or land and buildings to charities – you may be able to claim income tax relief on the value of the gift.

Capital gains tax (cgt)

The sale of capital assets should be driven primarily by investment considerations, with tax efficiency being a secondary concern.

With this in mind, here are a few points for you to consider before the tax year end:

- The first **£12,300** of gains made in **2022/23** are generally CGT-free. From **6 April 2023** this exemption will drop to **£6,000** and then from **6 April 2024** to **£3,000**.
- You, your spouse and your children each have individual annual exemptions. These can't be carried forward and will be lost if not used.
- Similarly, if your spouse earns less than you, transferring assets to them may mean that using their basic rate band reduces your CGT to **10%** rather than up to **20%.** (These rates are **18%** and **28%** for residential property).
- A Bed & ISA will enable you to use the current year's ISA Allowance by moving investments into an ISA Tax Wrapper. To do this, you'll need to dispose of the unwrapped investment and then repurchase it through an ISA. The disposal may attract CGT but once in the ISA, the investments are sheltered from CGT in the future. There are ways to mitigate this CGT, so please consult with your local Xeinadin professional tax adviser if you're thinking about this.

Taxation of gains on property - main residence

When you sell a house you've lived in as your main home, any profit or gain you make on the original purchase price is generally exempt from capital gains tax.

When you sell a home that has been your main residence at some point, the last nine months of ownership are deemed to be CGT exempt whether you're living there or not.

So if you've got more than one home, it's best to time the sale to fit in with this, or elect the one you're going to sell as your main residence. There is a time restriction on this, so we recommend you speak to your local Xeinadin professional tax adviser if this might be a concern or your circumstances change.

UK residential property

If you're a UK resident individual or trustee, if CGT is due on the sale of UK residential property, you'll need to file a new standalone online return within 60 days (previously 30 days) of the date of completion of the transaction.

Taxation of gains made by non-residents - residential

The CGT legislation was changed on 6 April 2015, making non-residents liable to tax on disposals of UK residential property. However, non-residents can opt to rebase their properties to 6 April 2015 value so that they're only taxed on the growth in value after this date.

The new regulations state that the main residence election can only be made if one of the following conditions is met:

- You are a UK resident for tax purposes in the same country as the property for which you're making the main residence election; or
- You spend at least 90 nights in the property (or if you own more than one property in that country, 90 nights between all your properties in that country).

This legislation was originally intended to prevent non-residents from just electing one of their UK properties as their main residence. However, it has knock-on effects for UK residents, because a UK resident who owns a property overseas can only elect that property as their main residence if they spend at least 90 midnights there.

If you're a non-UK resident - or considering moving abroad - you should consult expert advice about your CGT position before you sell or move, and you'll need to notify HMRC within 60 days of the sale or disposal of a UK property and file a CGT return.

Taxation of gains made by non-residents

All types of property

If you're not a UK tax resident, any gains you make on the sale of UK property and land are taxable, including indirect disposals of UK land (i.e. if you sell a business that derives at least 75% of its asset value from UK land).

However, a property not previously within the rules can now be re-based to the 6 April 2015 value so that you're only taxed on the growth in value after this date.

Again, you must notify HMRC within 60 days of the sale or disposal and file a CGT return.

Business asset disposal relief

If you dispose of an asset that qualifies for Business Asset Disposal Relief (BADR) - formerly Entrepreneurs' Relief - the capital gain arising is taxable at **10%**.

With effect from **11 March 2020**, the lifetime limit of capital gains from disposals was reduced from **£10m** to **£1m**.

Generally, BADR applies to the sale of all or part of a trading business or the sale of shares in a qualifying company where you hold more than **5%** of the nominal share capital and voting rights and are an officer/employee of the company.

From **29 October 2018**, this was extended to include officers or employees entitled to **5%** of the distributable profits and assets, or in line to receive **5%** of the proceeds if the company's ordinary shares were to be sold.

Since there is a two-year ownership and trading requirement in all cases, you should plan ahead of an exit and adjust shareholdings so you or other family members hold the **5%** requirement to qualify for BADR.

You should also regularly review any shares you hold in a company, or any property which you think may be affected, to ensure that BADR will be available on ultimate disposal.

Investors' relief

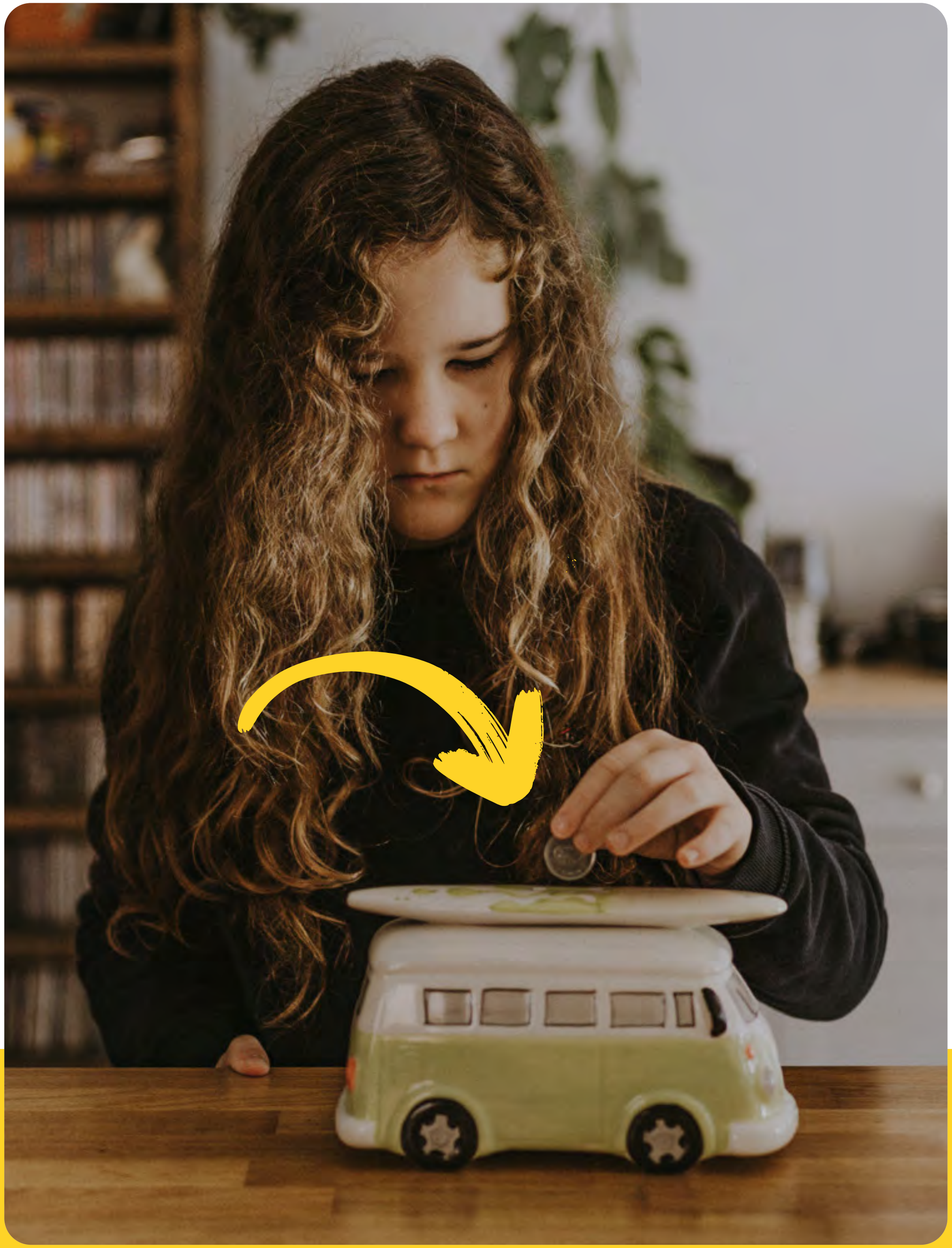
Investors' Relief gives you a further, separate lifetime limit of £10m with a 10% rate of tax on qualifying investments, subject to the following important conditions:

- Relief can apply to disposals of shares in unquoted trading companies or the holding company of a trading group
- Shares must be ordinary shares, subscribed for and fully paid in cash
- The shares must be issued on or after **17 March 2016** and disposed of on or after **6 April 2019**
- There are restrictions on investors being employees or directors of the company
- The shares must have been issued and subscribed for at arm's length
- Unlike BADR, there is no minimum qualifying percentage.

Tax efficient investments

If you acquire tax-efficient investments, you can obtain additional tax reliefs. If you're in a high-income bracket that restricts your ability to make pension contributions, you may find that investments like these are your only real options to reduce income tax.

However, while tax efficient, such investments will carry risks to your capital. You should take particular care when investing in EIS, Seed EIS or VCTs.



Individual savings account (ISAs)

You can currently save a maximum of **£20,000** in an ISA. The ISA wrapper protects any growth from both income tax and capital gains tax, which makes it a useful vehicle for converting taxable interest and dividends into non-taxable income.

You may also withdraw funds from your ISA and replace them, later, without the replacement funds counting towards your ISA investment limit for the year.

The ISA deadline is **5 April** - but unused reliefs are not transferrable to future tax years, so it's best to take advantage of the full ISA allowance each year where possible.

Some types of ISA have more tax benefits than others, but there is a wide range to choose from, including:

Lifetime ISAs

Introduced on **6 April 2017** to encourage young people to save. Anyone between 18 and 40 can save up to **£4,000** each year, and the Government will contribute a bonus of **25%**. Funds can be withdrawn to purchase a first home or for retirement.

Junior Individual Savings Account (Junior ISA)

Introduced to replace Child Trust Funds (CTF), Junior ISAs allow parents, other family members or friends to invest up to **£9,000** annually in a tax-free fund to pay for a child's future higher education. There are no Government contributions, and the funds can't be accessed until the child reaches 18.

From **2020/21** onwards, changes were made to allow savings in maturing Child Trust Funds (CTFs) to keep their tax-advantaged status and to be transferred into an ISA without impacting the annual ISA limit.

Enterprise investment scheme (EIS)

EIS allows income tax relief at **30%** on new equity investment (in qualifying unquoted trading companies), up to a maximum investment of **£1 million** in any one tax year. This can be increased to **£2 million** provided at least **£1 million** is invested in Knowledge Intensive Companies.

In this way, it can reduce your income tax bill by up to **£600,000** for the tax year.

You can also carry back relief to the previous tax year, i.e. **2021/22** if you did not use the **£1 million** limit in the previous year.

If you didn't reach the **£1m** investment in the current or previous tax year, you can choose which tax year you want to claim the relief to maximise the tax relief due (depending on your income position in the current and previous tax year).

Additional tax benefits for qualifying EIS shares include:

- Exempt from capital gains tax (if held for at least three years)
- EIS losses can be set against your taxable income (rather than capital gains).
- Other capital gains can be deferred to the extent that you invest in EIS investments.
- If you've sold an asset up to 3 years before the EIS share issue, you can defer that gain and claw back any capital gains tax previously paid.
- If you hold the shares for two years, they're effectively free from inheritance tax.

Seed EIS (SEIS)

Basically, a little brother to EIS, aimed at smaller companies. While it carries additional risks, it also offers more generous tax breaks. The maximum you can invest in one year is **£100,000** - however, you can carry back the income tax relief to the previous tax year.

Tax advantages include:

- Income tax – **50%** tax reduction.
- Free from CGT if held for three years.
- Capital losses can be set against your general income.
- Reinvesting gains from other non-SEIS investments into an SEIS investment can give **50%** capital gains tax relief on the original gain.
- No inheritance tax due on death if owned for more than two years.

Venture capital trust (VCT)

A collective investment fund which invests in unquoted trading company shares, which can offer tax-free dividends and capital gains.

You can claim up to **£200,000** income tax relief per tax year (currently at **30%**) when you subscribe to VCT shares, so long as you hold the shares for at least five years.

Social investment tax relief (SITR) - available only until April 2023

Designed to support social enterprises looking for external finance by giving income tax relief to investors who invest in new shares or qualifying debt investments (which can reduce income tax by **30%** of the value of the investment, up to a ceiling of **£1 million**).

If you reinvest the profits in social enterprises, such as charities or community interest companies, you can also defer CGT on chargeable gains up to the amount invested, and you can also treat all, or part of the investment, as if it were made in the previous tax year.

Self-employed and unincorporated businesses

Change of tax rules for self-employed individuals and unincorporated businesses

From **6 April 2024** self-employed and unincorporated businesses will be taxed on the profits made within the tax year, irrespective of when their accounting year ends.

This will naturally affect businesses that don't have a **31 March** or **5 April** year end who have previously only been taxed on the profits of the accounting year which ended within the tax year, because they will be taxed on more than 12 months profit - the profits up to their current accounting year end plus the profit from that date and **5 April**.

Any additional taxable income for 2023/24 might therefore be managed in two ways:

- You can offset any unused overlap relief available from the start of your trading year (or a previous year-end change) against the profits of the additional period; or
- You can elect to spread the additional profits over 5 years.

The second option is likely to be most popular in order to manage the cashflow impact, but we'd advise clients to consider current and future levels of profitability.

Transitional rules will	Transitional rules will not
Restrict personal allowances where adjusted income exceeds **£100,000**	Expose individuals to the high-income child benefit charge if profits to the normal accounting date are under **£50,000**
Count as relevant net earnings for pension contribution purposes	Taper off the annual pension allowances if this results in taxable income exceeding **£240,000**
Allow transitional losses to be carried back up to 3 years	
Allow super profits generated by the recognition of an additional period to be spread over 5 years	

Inheritance tax (IHT)

If your estate is worth more than **£325,000** at death, your executors may have to pay IHT, so it's particularly important to ensure you have appropriate life assurance cover and a tax-efficient Will in place to protect your family financially.

Despite calls for substantial reforms from the Office of Tax Simplification, the Government has declined to make changes to IHT and intends to maintain the nil rate band at **£325,000** until at least **April 2028**.

Due to the complexity of this type of tax, we strongly recommend that you take regular advice, as your exposure can change from year to year, and at the next year-end it's worth considering the following:

Your IHT annual exemption

Gifts of up to **£3,000** per year can be made free of IHT. If the previous year's annual exemption was not used, this limit increases to **£6,000**. So, if no gifts were made in the prior tax year, a married couple can make IHT-free gifts of up to **£12,000** in one tax year. This alone could save a possible IHT bill of **£4,800** in the event of your death.

Normal expenditure out of income

Where certain conditions are met, regular gifts of any size can be given out of income tax-free – so you can potentially make sizable gifts which will instantly fall outside of your taxable estate upon death (rather than after a seven-year period).

Business relief (BR)

A complex, but valuable IHT relief which may apply to exempt or partially exempt business property on death – but may not even if you expect to meet the conditions; so it's crucial to regularly review your BR position to ensure your business activities don't threaten your BR position.

Passing on your pension

In **2015**, HMRC introduced key changes to the taxation of pension death benefits which means your pension pot can be passed tax-efficiently from generation to generation.

Simply put, if death occurs before the age of 75, the pension fund can be passed on tax-free to a beneficiary. If death occurs after 75, a beneficiary can draw on the fund at their own marginal rate of tax as a lump sum, drawdown or an annuity, as they choose.

HMRC gives a broader definition of a beneficiary than that of a dependent, so you have a reasonable amount of freedom to choose whom you'd like to benefit from your pension fund.

If the beneficiary takes the death benefits as a lump sum, they would form part of his or her estate, so it may be more tax-efficient to consider 'dependents drawdown', so they could enjoy the tax advantages associated with investing in a pension, whilst draw income as and when required. They could then pass on the remainder of the fund to their own beneficiaries.

Again, due to the complexity of the regulations, we recommend that you take advice on pensions in the context of IHT and Will planning.

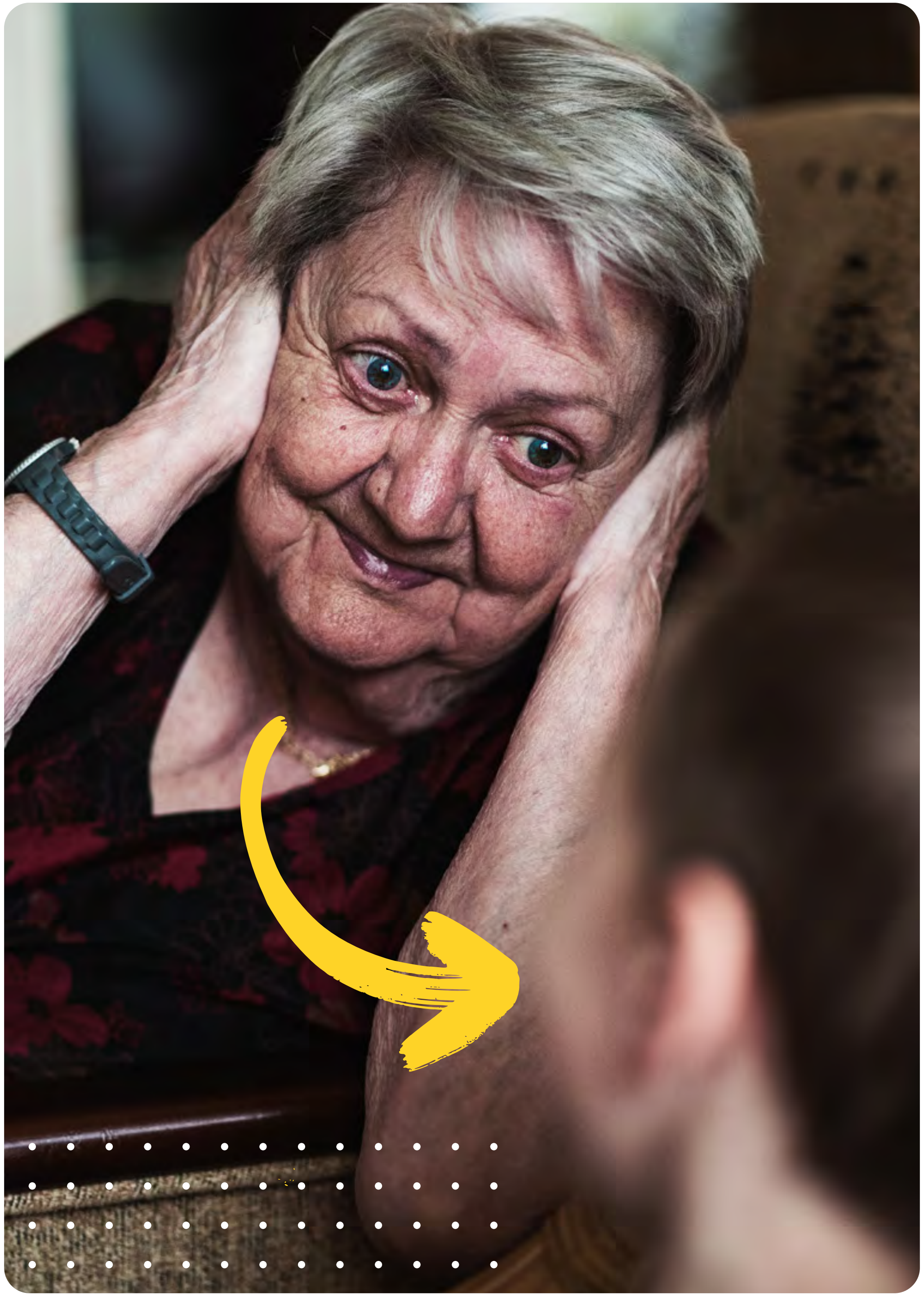
Additional residence nil rate band

As of **6 April 2017**, if your residence passes to a direct descendant on your death, an additional Residence Nil Rate Band (RNRB) is available for an estate. For the **2020/21** to **2025/26** tax years, up to **£175,000** of RNRB may be available, and you can transfer any unused RNRB to a surviving spouse or civil partner.

Planning for the future

If there is one thing we would recommend any of our clients to do right now, it is to get plans in place for the future. Why wouldn't you ensure your affairs are structured in the most tax-advantageous manner, and your estate was optimised? And it is simply common sense to make sure you keep more of what you earn in the coming years and that your savings and investments are tax efficient.

Give your local Xeinadin office a call and they will leave no stone unturned to streamline your financial future.



Family investment companies (FICs)

If you're looking to pass assets more tax-efficiently to the next generation, there are much smarter options available to you than simply gifting your wealth.

Two of the best are either to create a family trust or to set up a family company - enabling you to transfer the full benefit of the family wealth to younger family members, without giving them uncontrolled access to the underlying assets.

In the former, your board of Trustees can then protect and administer the assets (and even, if you wish, the income from those assets) for the ultimate benefit of your descendants.

On the other hand, a family company gives you similar flexibility but offers more tax advantages – such as a more attractive corporate tax rate, dividend exemptions and full mortgage interest relief for rental property.

The children hold shares from whose growth they can benefit, while more experienced family members maintain control through directorships, voting rights and preferential share classes. It is best to keep funds within the company because if profits are extracted annually, they'll attract a double taxation charge.

This is by no means aggressive tax planning. HMRC has recently agreed that setting up a Family Investment Company is considered compliant, and their dedicated unit set up to investigate the tax risks associated with FICs has been disbanded.

Although we can't rule out future changes in tax legislation, FICs are still a valuable planning tool for protecting family assets down the generations. Due to the imminent rise in capital gains tax rates, you might want to consider transferring assets into a corporate now, while the rate is still 20%.

Making tax digital for business: Vat and income tax

Making tax digital for businesses

The Making Tax Digital (MTD) initiative – through which HMRC ultimately requires taxpayers to maintain a fully digital tax system - now includes all VAT-registered businesses, including all registered businesses under the **£85,000** threshold.

All businesses now should be compliant and HMRC are putting more effort into chasing up businesses that haven't yet made the move.

The next stage - from **April 2026**, self-employed individuals and landlords with an income of more than **£50,000** will be required to keep digital records and provide quarterly updates on their income and expenditure to HMRC through MTD compatible software.

Those with an income of between **£30,000** and **£50,000** will need to do this from **April 2027**.

The government is also reviewing the needs of businesses under the **£30,000** income threshold. This review will consider how MTD for ITSA (Income Tax Self Assessment) can be shaped to meet the needs of these businesses to fulfil their Income Tax obligations.

Partnerships will not, for now, need to comply with the requirements of MTD.


2500
1.51 Sec
2,500
4,567
2,315
7,325
Daily active users
Link One
Link Eight

Pensions

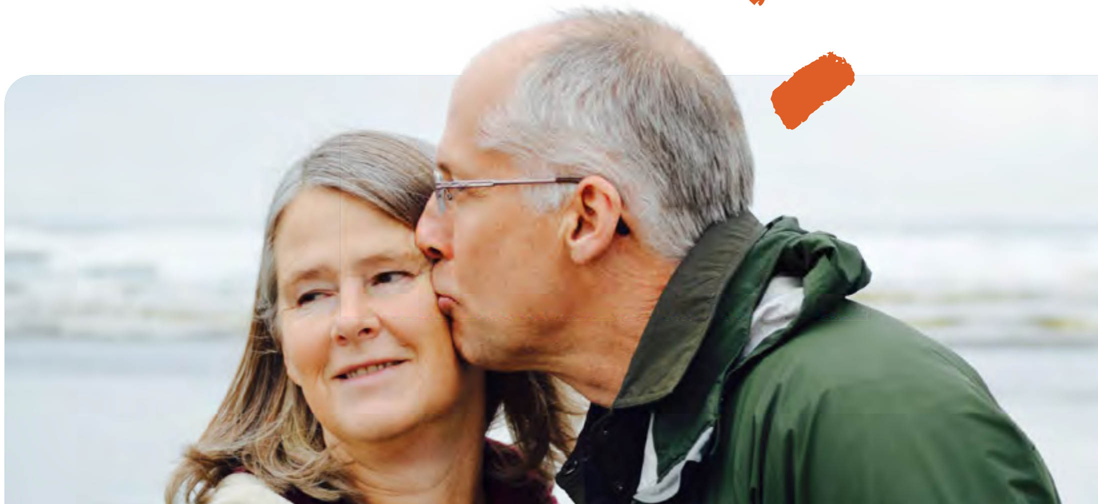
Pensions are an especially useful tool for both retirement and estate planning, bringing generous tax reliefs on contributions; tax-efficient growth of funds; flexible access from the age of 55; and tax-efficient death benefits.

Lifetime allowance (LTA)

Pension contributions paid by an individual still attract tax relief at their marginal rate.

The LTA has been fixed at **£1.073 million** until **April 2026**, and while the Government has given some transitional protections, they haven't yet set a deadline for applications – so you may still be able to apply for protection.

LTA is an especially complex area, so we can't emphasise enough taking advice on making any changes (e.g. relinquishing an Employer Pension Contribution or accrual under a Defined Benefit Scheme to avoid a Lifetime Allowance Charge).



Pension carry forward

If you are a member of a registered pension scheme during the relevant period, any unused annual pension allowance can be carried forward from the last three tax years (2019/20, 2020/21 and 2021/22) and added to your 2022/23 allowance (up to a maximum contribution of **£160,000**) and will receive tax relief at your marginal rate (subject to your relevant earnings in the year and tapering according to your annual income allowance).

5 April 2023 will be your last opportunity to use any available carry-forward allowance from the 2019/20 tax year, so you might want to consider a tax-efficient use of profits by paying this through your company.

Pension tapered tax relief

Standard annual pension contribution allowances (currently **£40,000**) will be reduced by **£1** for every **£2** of income over **£240,000**.

If your adjusted net income exceeds **£312,000** your annual allowance will suffer the full reduction to **£4,000**, and there is no tax relief on contributions above this figure.

Adjusted net income is complex to calculate, but it does include employer pension contributions and other sources of income such as rental income.

Pension freedom reforms

If you're aged over 55, the recent pension freedom reforms will allow you to withdraw your entire pension fund as a lump sum or as regular income. However, you should be aware that pension funds withdrawn as 'income' are taxable at your marginal rate, while a lump sum withdrawal can mean you get hit with a higher tax bill than if you'd taken the same income over multiple tax years, using each year's allowances and income thresholds.

Non-UK domiciliaries and UK trusts

Non-UK domiciliaries

Non-UK domicilaries - or "non-doms" – have a number of statutory changes to consider. These are too complex to be covered in detail in this planner, so we urge clients in this category to seek advice and clarity even if they don't think the changes will affect them or if they have already acted in anticipation of the changes. However, we've summarised the changes briefly below.

UK deemed domicile for all tax purposes

If you're a Non-UK domiciliary and you've been a UK tax resident for at least 15 out of the past 20 tax years, you are deemed UK domiciled for Income Tax, CGT and IHT purposes and will have been taxed on your worldwide income and capital gains on an arising basis since 6 April 2017.

If you haven't arranged your affairs otherwise, you'll also be subject to UK IHT (at 40%) on your worldwide assets, although IHT protection will be available on any trusts you created before being deemed UK domiciled.

Returning Foreign Domiciliaries (RFD)

If you were born and originally domiciled in the UK and subsequently acquired a foreign domicile of choice, you'll immediately be treated as being UK domiciled for tax purposes if you return to be a UK tax resident at any point.

If you're an overseas resident who originally had ties with the UK and wish to relocate to the UK, you should seek advice on how these new rules will affect you, so that you don't accidentally become a UK tax resident and immediately fall within the scope of UK income tax, CGT and IHT.

Rebasing of capital assets

On any capital gains you realised after 6 April 2017, your gains accrued before that date will be free of CGT. To do this, you'll need to apply of a rebasing election on an asset-by-asset basis.

This relief is only available on your personally owned assets held outside the UK as of 16 March 2016 if you became deemed UK domiciled on 6 April 2017, were a UK resident for the 2017/18 tax year and had paid the remittance basis charge in the past.

UK residential property

UK IHT will now apply in relation to UK residential property even in cases where it would previously have been protected, such as property held through a non-UK corporate structure directly or as part of a structure headed by a trust.

We recommend you speak to your local Xeinadin tax expert for advice if you feel this may apply to properties you own in the UK.

Business Investment Relief (BIR)

BIR enables UK tax resident foreign domiciliaries to invest untaxed foreign income and gains in qualifying UK businesses without attracting UK tax, by subscribing for shares in, or lending money to a UK company.

Offshore trusts

Protected Trusts

New regulations state that “protected trust” status is allowable as long as certain conditions are met, meaning income that would otherwise be taxable is treated as “protected foreign source income” and is outside the scope of UK tax.

It is important to note that any value added to the trust (subject to very broad definitions in the legislation) could cause it to lose its protected status, so we recommend taking advice from your local Xeinadin tax adviser in this area.

Property Disposals

Non-resident CGT also applies to trustees for both direct holdings in UK property and disposals of “property-rich companies”. The reporting requirements are the same as for individuals, so we recommend taking advice before any disposal is made.

Since **5 April 2019** - if the disposals are made by an offshore company - any gains are now subject to corporation tax rather than capital gains tax, so registration will be due within three months of the disposal, and the tax payable within three months and 14 days.

UK trusts

Although the Government has been considering advice and cross-party committee recommendations to simplify trust taxation, it has remained fairly unchanged for a few years now. Trusts are still a useful structuring tool for succession planning, tax mitigation and asset protection. How your UK trust is taxed will vary depending on what type of trust you have.

Discretionary Trusts

Discretionary Trusts are taxed up to **39.35%** (**38.1%** from **6 April 2023**) for dividends and **45%** for other income - with an allowance of up to **£1,000** which is subject to tax at **8.75%** (**7.5%** from **6 April 2023**) for dividends and **20%** for other income.

Income distributions to beneficiaries are treated as having a tax credit on this tax paid at a rate of **45%** (irrespective of the rate of tax paid), which can be offset against their overall tax liability – although the overall credit cannot exceed the tax paid.

Life Interest/Interest in Possession Trusts

Subject to basic rate (**8.75%**) tax, regardless of the level of income. When income is paid to beneficiaries it's treated has having had the tax paid at the basic rate, with the rate of tax matching the income it was paid on.

Capital Gains Tax

Both types of trust are subject to capital gains tax at the higher rate of **20%**, and **28%** payable in respect of residential property. They also benefit from an annual exempt amount - capped at **50%** of your allowance at **£6,150**.

Although the benefit is lower than it is for individuals, it is still worth trying to use this each year. From **6 April 2023**, this allowance will reduce to £3,000 and then to **£1,500** from **6 April 2024**.

Inheritance Tax

The IHT position is complex in this area and varies depending on the trust's age and the type of trust. If you have a trust and are unsure of the IHT position, we recommend speaking to a professional adviser.

International and offshore residency rules

International and offshore

Thanks to the Statutory Residency Test (SRT), there's now more certainty around your residency status for UK tax purposes – we recommend carefully reviewing the regulations – particularly if you feel you are a non-UK tax resident but continue to visit the UK.

If you're relocating to the UK, it is crucial to take UK tax advice before you start organising your move since many of the planning opportunities can't be implemented once you have become UK tax resident.

Technically, under the SRT, you're considered a UK tax resident for the whole of the tax year, regardless of how much of the year you spend here. However, if your circumstances met certain conditions, the 'split year treatment' is often applied to ensure that you're not liable for UK taxes over the period before or after you lived in the UK.

Who is eligible for the split-year treatment?

You may be eligible for split-year treatment if you're a UK resident under the SRT for that tax year and you arrive (or depart) from the UK in that year. You can only split a tax year once.

While qualification is highly dependent on several other conditions being met, in the year that you arrive there are five broad contexts which may mean split-year treatment applies to you:

- you start to work full-time in the UK
- you have a home in the UK, or in the UK only (these two circumstances are dealt with differently)
- you cease full-time work overseas and return to the UK
- you are the partner of someone who stops full-time work overseas and returns to the UK

...and in the year that you depart, there are similar circumstances which may make you eligible:

So, as you can see, the rules on split-year treatment are highly complex - you can't choose the date on which you split the year, and often it's not split on the date you expect. However, it is sometimes possible to 'override' the split-year date for certain purposes by using a 'double tax agreement'.

Again, due to the complexity of the regulations, we recommend that you seek expert advice from your local Xeinadin tax adviser if your circumstances are affected by these rules.

It is essential to act now in order to minimise your tax bill and maximise tax reliefs.

Don't leave it until 5 April 2023.

Talking to us in good time will ensure that we can discuss the tax planning opportunities available to you and help you manage your cashflow by giving you early warnings of any tax payments due.

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