Year Start planning: time to get ahead?

As we near the end of the tax year, now is the time to consider not only year end planning, but also planning for the new tax year.

It is one of the features of the political cycle that the more difficult and less palatable legislation tends to come at the start of a parliamentary term rather than as an election nears. Tax changes are very much a case in point: the rises come soon after an election, the cuts shortly before the election. When 2016/17 starts there will be a number of important tax changes scheduled to take effect which need to be built into your financial planning:

- **Lifetime allowance** The lifetime allowance effectively sets the maximum tax-efficient *value* of all your pension benefits. It started life in 2006 at £1.5m, reached a maximum of £1.8m and will be cut from £1.25m to £1m on 6 April 2016. It will be possible to claim some transitional protection, although final details are still awaited.

- **Annual allowance** The annual allowance effectively sets the maximum tax-efficient annual *input* to all your pension benefits, regardless of source. It started life in 2006 at £215,000, reached a maximum of £255,000 and is now £40,000. From 6 April 2016 a new tapered annual allowance will be introduced, which may affect you if your total income (not just earnings) exceeds £110,000. The taper will mean that your annual allowance could be as low as £10,000.

- **Dividend taxation** The new tax rules for dividends begin on 6 April. If your dividend income is less than £5,000 you will have no tax to pay, but if you have substantial dividend income – perhaps from a shareholding in a private company – then your dividend tax bill could increase.

- **Personal Savings Allowance** This new allowance will mean that if you are a basic rate taxpayer you have no tax to pay on the first £1,000 of interest, while if you are a higher rate taxpayer, then £500 will suffer no tax. In line with these new allowances, interest from banks and building societies will be paid without deduction of tax (but it will still be taxable).

If any of the changes gives you pause for thought, do contact us. Each one offers planning opportunities, not all of which are obvious.

The value of your investment can go down as well as up and you may not get back the full amount you invested. The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.