TAX PLANNING TIPS

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Personal & family planning

1. Can you use the transferrable amount of the personal allowance?
Married couples and civil partners can share 10% of their personal allowance between them. The unused allowance of one partner can be used by the other, meaning an overall tax saving for the couple. The amount you can transfer is capped at £1,250 for 2019/20 and a transfer is not permitted if either partner pays tax at a rate higher than the basic rate of 20% (higher than the intermediate rate of 21% for Scottish taxpayers).

Example: *Leila is employed on an annual salary of £45,000, but her husband does not have any income. For 2019/20, they could save tax of £250 (£1,250 at 20%) by sharing the husband's personal allowance.*

2. Contribute up to £4,368 into your child's Junior ISA
The fund builds up free of tax on investment income and capital gains until the child reaches 18, when the funds can either be withdrawn or rolled into an adult tax-free ISA. Relatives and friends can also contribute to the child's Junior ISA, as long as the £4,368 limit for the year is not breached.

3. Make sure you tell HMRC which of your properties should be treated as your main home for tax purposes when you buy a second (or even third) home
The property that has always been your main home is free of capital gains tax (CGT). Any other property where you have lived for part of the time will attract a CGT exemption for the periods you have lived there and have elected for it to be your main home. If a property has been your nominated main home at any time, the gain for the last 18 months of ownership (reducing to nine months from 6 April 2020, but always 36 months if moving into residential care) is free of tax, even if you do not live there during that final period. The same does not necessarily apply where an overseas property is involved.

4. Check how much you are paying in national insurance contributions (NICs)
If you have more than one job, you may overpay NICs during the tax year. You can reclaim any overpaid NICs from HMRC after the end of the tax year. However, you can prevent the overpayment occurring in the first place by deferring payment of NICs on one of your jobs by sending HMRC a completed form CA72A (either online or by post) by 14 February in the tax year, but ideally earlier.

Personal & family planning

5. If you are getting married or entering into a civil partnership, and both own properties, you need to nominate one of them as your main home within two years of your marriage/civil partnership
Once married, you can have only one main home between you for tax purposes. If you both own separate properties which you continue to occupy for some periods, nominate the one that is likely to make the best use of your CGT property exemption, otherwise HMRC will designate the property that you occupy for the majority of your time as your main residence.

Example: *If a property has been your nominated main home at any time, the gain for the last 18 months of ownership is free of tax (reducing to nine months from 6 April 2020).*

6. If you own a trading company, you can reduce the CGT payable on a future sale by spreading the shares between yourself and your spouse
If you both meet the 5% shareholding test for at least the two years before the sale, and are a director or company secretary for the company or employed by it, you should both qualify for entrepreneurs' relief on any gains made when the company is sold. This relief applies a reduced rate of CGT of 10% to the first £10 million of gains made during each person's lifetime.

7. If your income is more than £60,000, and you or your partner receive child benefit, you will be subject to a tax charge to claw back the full amount of benefit
If your income lies between £50,000 and £60,000, the child benefit tax charge will be equivalent to 1% of the child benefit for every £100 of income over £50,000. The tax charge applies to the higher earner, irrespective of who receives the benefit. To mitigate the tax charge, you can elect to stop receiving the benefit (while maintaining your entitlement), although ceasing to claim if you are not working can affect your state pension entitlement. Or you can reduce your income below £50,000.