Quite possibly the most significant tax-year end ever

Change (Photo: Flickr/B Gilmour.)

We have written a lot about the changes coming from 6th April 2016, or brought about this year; we thought it could be useful to bring them into one summary post.

Pensions

- Lump sum death benefits – new rules from 6th April 2015 mean it is easier to leave a pension as a legacy; often free of all taxation
- Lifetime allowance – the most tax-efficient fund that can be accumulated is falling from £1.25m to £1m (£50,000 of final salary equivalent)
- Annual allowance – the most tax-efficient contributions will be falling for higher earners (over £150,000); all individuals will see their allowance of £50,000 for 2012/13 fall away
- Flat rate tax relief – there is a risk that the current higher rates of tax relief (20-60%, plus national insurance in some cases) will fall. 30% is mooted and many individuals could pay in up to £180,000 before the budget on 16th March
- Pension input periods aligned – the hideously complicated pension input periods have now been brought inline with tax-years; transitional rules mean for many individuals contributions made between 6th April 2015 and 8th July 2015 do not count towards the £180,000 above
- Flexible withdrawals – new rules from 6th April 2015 mean more planning opportunities are available for those who want to access their pensions

Savings and investments

- ISA allowances are frozen at £15,240, but remain a ‘use it or lose it’ opportunity for all
- CTFs became redundant for many children with JISAs potentially more flexible, and as an ongoing structure offer more stability
- The introduction of a £5,000 savings band means that up to £16,000 of income can be paid spread between earned and savings income
- All interest from 6th April 2016 will be paid gross, and basic rate tax payers will gain a

- £1,000 tax-free allowance; this may mean ownership of cash balances need to be reviewed
- In a measure to attack personal service companies, dividends are taxed at a potential additional 7.5% from 6th April 2016. Business owners may have little option, but individuals with invested portfolios may be better served with a 'total return' strategy

Buy-to-let

Worthy of its own heading, the current government seems to have it in for landlords.

- From 6th April 2016 an additional 3% will be paid as stamp duty land tax on most new purchases of second homes
- Given the lack of liquidity on property assets, higher rate tax payers may want to think about paying down mortgages and/or selling properties before the removal of higher rate relief on mortgage interest
- As detailed below the budget may see further changes – Capital Gains Tax is expressly not protected, so selling properties sooner rather than later may lead to lower rates of CGT

Inheritance Tax

- Whilst a way off, we know that up to £1m of a couple's estate can be passed without inheritance tax – starting from 2017. As the benefit is withdrawn for those with assets worth more than £2m, it may be wise to start planning now

The budget

Before the tax-year end we have the milestone of the budget. If you're intending to plan, you may wish to think about using the 16th March 2016 as a deadline rather than the tax-year end.