

TAX ALLOWANCES

There are many different tax concessions and allowances which we try and maximise as part of our service. Not every client can benefit from all allowances however in our review reports for clients we do advise of any missed opportunities. The following allowances are available this tax year.

We publish allowances, benefits and tax rates on our website in two documents, search our website for:

- Tax Tables 2021-2022
- Benefit Tables 2021-2022

1. INCOME TAX

No tax is paid unless you earn more than £12,570 in a tax year. If you earn less than this sum you may be able to transfer part of your unused allowance to your spouse.

The basic tax bands are as follows:

From	To	Tax Rate
<£12,570		-
>£12,571	<£50,270	20.00%
>£50,271	<£150,000	40.00%
>£150,000		45.00%

When your income rises above a band there are opportunities to save higher rates of tax. This is achieved by judicious moving of income and / or pension savings. For those of a generous disposition charitable gifts will work as well.

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2. SAVINGS ALLOWANCES

2.1 Tax Free Dividend Exemption

Under current rules each tax year you can receive £2,000 in dividends without further tax being payable. This **is not** an allowance; the income is added to your other income for personal allowance purposes, however, the actual income is tax free.

2.2 Personal Savings Allowance (PSA)

This refers to cash interest. Under current rules each tax year you can receive £1,000 in interest (£500 if you are a 40% tax payer and none if you are a 45% tax payer) without further tax. Current interest rates make this a very little used benefit!

2.3 Annual ISA Allowances

The ISA allowance this tax year (2021/2022) is £20,000 per person. **In addition** to this allowance you are also allowed to replace any withdrawals in the same tax year using the “Replacement ISA Subscription”. This means that if you are withdrawing dividends, you can replace this tax-free income with further taxed cash and make a huge difference to your tax-free funds.

2.4 Pension Allowance

The recent changes to pensions legislation now make pension savings one of the very best financial choices. The minimum allowance is £3,600 gross (£2,880 net of basic rate tax). The taxation of pension contributions is now very complex and we recommend a consultation if you are considering paying more than the minimum payment.

3. CAPITAL GAINS TAX (CGT)

This allowance can only be used on taxable investments (i.e. the Transact General Investment Account or GIA).

You can receive capital gains of £12,300 a year (2021/2022 rates) without paying any tax on the money. Any gains you receive above this sum will be taxed as follows:

Income Tax Rate	Basic Rate or Nil Rate	Higher Rate	Additional Rate
Capital Gains Tax (Property)	18.00%	28.00%	28.00%
Capital Gains Tax (Other Assets)	10.00%	20.00%	20.00%

You are entitled to use your annual allowance for gains in this tax year before you dip into your carry forward losses.

If you generate losses in any tax year you have 4 years to notify HMRC of the losses otherwise they will be lost.

We believe the current rates of CGT are very generous and urge clients to use the 10% (and even 20%) tax band wherever possible to re base their investment portfolios ready for a high tax regime we expect to see in the next few years.

4. INHERITANCE TAX (IHT)

Each year you can gift £3,000 per donor to your nearest and dearest and this will immediately come out of your estate. If you wish to be more generous and you did not make any gifts in the preceding tax year you can gift up to £6,000 each. If you have children getting married, then you can each gift £5,000 or smaller amounts if you are a grandparent or indeed an acquaintance.

If you do not spend all your annual income you can regularly gift a higher sum than £3,000.

You can gift significant sums and avoid Inheritance Tax (IHT) if you live for 7+ years.

Please note that whilst every effort is made to ensure that the information contained within this explanation is correct, these notes are by necessity brief and of a generalised nature. Clients should seek specific personalised advice prior to undertaking any arrangement. These notes are named [05.2021 Tax Allowances](#) and was last updated in May 2020. Whilst we have done our best to ensure facts are current to this date laws and options are changing constantly so always check before action.

Investments are subject to market risk, including the possible loss of the money you invest. Bond funds are subject to the risk that an issuer will fail to make payments on time, and that bond prices will decline because of rising interest rates or negative perceptions of an issuer's ability to make payments. Diversification does not ensure a profit or protect against a loss in a declining market. Performance data shown represent past performance, which is not a guarantee of future results. Note that hypothetical illustrations are not exact representations of any particular investment, as you cannot invest directly in an index or fund-group average.

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