

## **Tax Planning Strategies**

The current tax year will come to an end on 5 April 2021. This means that tax-payers have less than a month to take advantage of any tax planning strategies that may reduce their tax liabilities for 2020-21.

As the pandemic disruption is likely to take most of 2021 to unwind – and may spill over to 2022 – any action you can take to reduce a drain on cash flow by saving tax should be considered. There are a number of the reliefs to consider and the following list is by no means exhaustive:

### **Income tax**

If you and your married partner are basic rate tax payers and one of you has not earned enough to cover their basic Income Tax personal allowance – £12,500 for 2020-21 – it may be possible to transfer part of the unused allowance to their partner via the Marriage Allowance.

If you or your spouse has increased their taxable income to more than £50,000 during 2020-21, and you claim child benefits, you will have to repay all, or part of, the benefits received and file a self-assessment tax return.

### **Inheritance Tax**

Have you utilised the various annual, tax-free gifts exemptions? If your personal circumstances have changed during 2020-21 e.g. marriage, divorce, bereavement - have you changed your Will and/or considered the IHT consequences? Have you made any significant gifts in excess of tax-free limits? What are the IHT consequences?

### **Pension Contributions**

Have you reviewed your pension contributions for 2020-21?

### **Capital Gains Tax**

Have you utilised your £12,300 tax-free allowance for Capital Gains Tax purposes? Could you transfer assets that you are about to sell into joint ownership with your spouse and divide the gains between you?

### **Dividends**

Do you have an opportunity to draw up to £2,000 tax-free from your company in dividends? There is no additional tax to pay on the first £2,000 in dividends you take.



### **Tax band triggers**

If you have significant business interests and/or personal income sources that are approaching or exceeding the higher rate tax band triggers, have you examined opportunities to reduce your liabilities?

This list is the tip of the tax planning iceberg. Every tax payer's circumstances are unique and require individual attention and consideration. If your personal or business tax affairs are complex we would recommend that you speak to your accountant or a tax specialist before the deadline.

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