

Tips to minimise the tax burden on earnings

The UK paid a whopping £788.8 billion in taxes in 2022 to 2023, an increase of 10.2 per cent from the year before.

As well as income tax, that figure also includes inheritance tax, dividend tax and capital gains tax.

No-one wants to pay more tax than necessary. But with busy lives and hectic schedules, there are rarely enough hours in the day to navigate the complexities of the UK tax system.

Ensuring assets are structured in a tax-efficient manner is the best way to avoid paying more than the fair share of tax.

Some potential moves to consider include:

ISA allowances

There's no UK income tax or capital gains tax on investments inside an ISA so they're one of the most tax-efficient ways to save. Options include Cash ISA, Stocks and Shares ISA and Innovative Finance ISA.

Adults living in the UK can invest up to £20,000 in ISAs in the 2023/24 tax year. Those with children can invest up to £9,000 on their behalf in a Junior ISA (JISA) which has the same tax benefits as an adult ISA.

Consider putting more into a pension

Adding money to a pension is one of the most tax-efficient ways to bolster long-term financial security and can also reduce the amount of income tax paid. This is because personal pension contributions lower 'adjusted net income' which HMRC uses to work out tax bills.

Don't forget though that the money will be locked away in a pension until the age of 55, or 57 from April 2028.

Divide assets

A higher-rate taxpayer may be well-advised to transfer taxable savings and investments into their spouse's name if they earn less.

Tax allowances effectively double for those who are married or in a civil partnership. If both open an ISA, that is a potential combined £40,000 protected from income tax and capital gains tax each year.



Speak to an expert

Remember that tax laws can change and what works best for each individual situation may vary. Regularly reviewing your financial situation with a tax professional can ensure tax savings are tailored to specific circumstances.

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