<u>You could generate up to £28,800 tax-free this year from your savings and investments if you are a basic-rate tax payer, utilising all your allowances :</u>

- You have your Personal Allowance of £11,500;
- The Personal Savings Allowance of £1,000;
- Income from Shares and Equity funds benefit from a dividend allowance of £5,000 this year.
- You can make gains on your investments of £11,300 before being hit by Capital Gains Tax.

Whether you are an ISA investor, a pension saver, a buy-to-let landlord, or a humble tax payer, we will run through the changes which took effect from April 6th 2017.

- **Income tax and National Insurance**

  The Personal Allowance – the amount you can earn before paying income tax – has increased from £11,000 to £11,500. The threshold at which you start to pay higher-rate tax rises from £43,000 to £45,000 in most of the UK, although in Scotland it remains at £43,000.

  The point at which National Insurance (NI) contributions fall from 12% to 2% goes up to £45,000 across the UK. So, people earning between £43,000 and £45,000 each year, in Scotland, will face an effective tax rate (including NI contributions) of 52%. It is calculated that almost 29 million people will benefit from the changes, while 1.6 million will lose out, according to HM Revenue & Customs.

- **Capital Gains Tax**

  The annual Capital Gains Tax exemption rises from £11,100 last year to £11,300.

- **ISA Limits**

  The amount you can save each year rises from £15,240 to £20,000. You can invest the money in Cash ISA, a Stocks & Shares ISA, or a combination of both. The investment limit for the Junior ISA has increased from £4,080 to £4,128.

- **The Lifetime ISA**

  The Lifetime ISA or LISA has also been launched.

  Your money can build up within an ISA, free of tax or Capital Gains Tax and there is no tax to pay when you withdrawal the money. An extra bonus is that you do not have to declare your ISA holding on your Tax Return. The Lifetime ISA is open to those aged 18 to 39 and is designed to help young people seeking to build a deposit for their first home, or save for retirement. You can save up to £4,000 each year and gain an annual bonus of 25% from the Government. The investment options are the same as with other ISAs – your money can go into a Cash ISA, a Stocks & Shares ISA, or combination of both. The money invested rolls up free of any income tax or Capital Gains Tax.
  Contributions and bonus payments continue until you reach the age of 50, and then the accumulated sum is allowed to continue growing, without further contributions, until age 60, when it can be withdrawn to boost retirement income. The penalty for withdrawal before that age is 25% of the

amount you withdraw. The exception is if you withdraw money to buy a first home, worth up to £450,000.

- **Inheritance Tax**
  The additional Inheritance Tax (IHT) allowance, known as the "Residential Nil Rate Band" (RNRB) commenced in April 2017. This tax year anyone who leaves the family home to a direct descendant, such as a child or grandchild will have up to an additional £100,000 added to their standard nil- rate band.

  This will be increased to £175,000 per person over the next 4 years. When added to the nil- rate band of £325,000, this will represent an IHT-free allowance of £500,000, or £1 million for married couples or civil partners. Any unused allowance on the death of the first spouse or civil partner can be transferred to the surviving partner. The RNRB is tapered at a rate of £1 for every £2 that an estate exceeds a value of £2 million.

- **Money Purchase Annual Allowance**
  If you have started to take some element of income from your pension pot, but are still continuing to contribute to a money purchase pension, the maximum amount that you can contribute each year is being cut from £10,000 to £4,000.

  The aim is to deter people from taking money they have withdrawn from their pension pot - which has already benefited from tax relief – and recycling it back into a pension, thus gaining a second helping of tax relief.

- **Curbs on Buy-to-Let Mortgage tax relief**
  The Government is cracking down on the amount of tax relief that landlords can obtain on mortgages to purchase to buy-to-let properties. From April 2017 the amount of higher-rate tax relief available will be tapered progressively to zero by the year 2020/2021, leaving only basic rate relief available.

- **Corporate Bond Funds**
  Interest on Bank and Savings accounts is already paid gross to coincide with the introduction last year of the Personal Savings Allowance (PSA). From April interest payments from Bond funds will also be paid without the deduction of any tax. This will happen automatically and investors should declare any income received over and above their personal allowance savings allowance if they have not sheltered these investments by placing them in an ISA or a Self-Invested Personal Pension.

  The PSA is £1,000 for basic rate tax payers and £500 for higher rate tax payers. Top rate tax payers receive no allowance.

  Need Advice? As always, please do not hesitate to contact us.

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