Les Cameron's.....

...Big Fat Quiz of the Year.

This content is based on our understanding of current taxation, legislation and HM Revenue & Customs practice all of which are liable to change without notice. The impact of any taxation (and any tax reliefs) depends on individual circumstances.

Where content includes case studies or examples these are for illustration purposes and are not recommending a specific course of action.

Past performance is not a reliable indicator of future performance. The value of an investment can go down as well as up and your client may get back less than they've paid in.

Learning Objectives

By the end of this session, you will be able to:

Describe the key elements of tax planning in 2024

Question 1

Finn:

A member of a defined benefit scheme.
His expected annual allowance usage for this year is £30,000.
He has no carry forward available.
His contribution to the scheme is £10,000
His employers deemed contribution is £20,000
He has relevant earnings of £120,000

How much can Finn pay into a pension and get tax relief?

a) £60,000
b) £110,000
c) £30,000
d) £50,000

Tax Relief v Annual Allowance

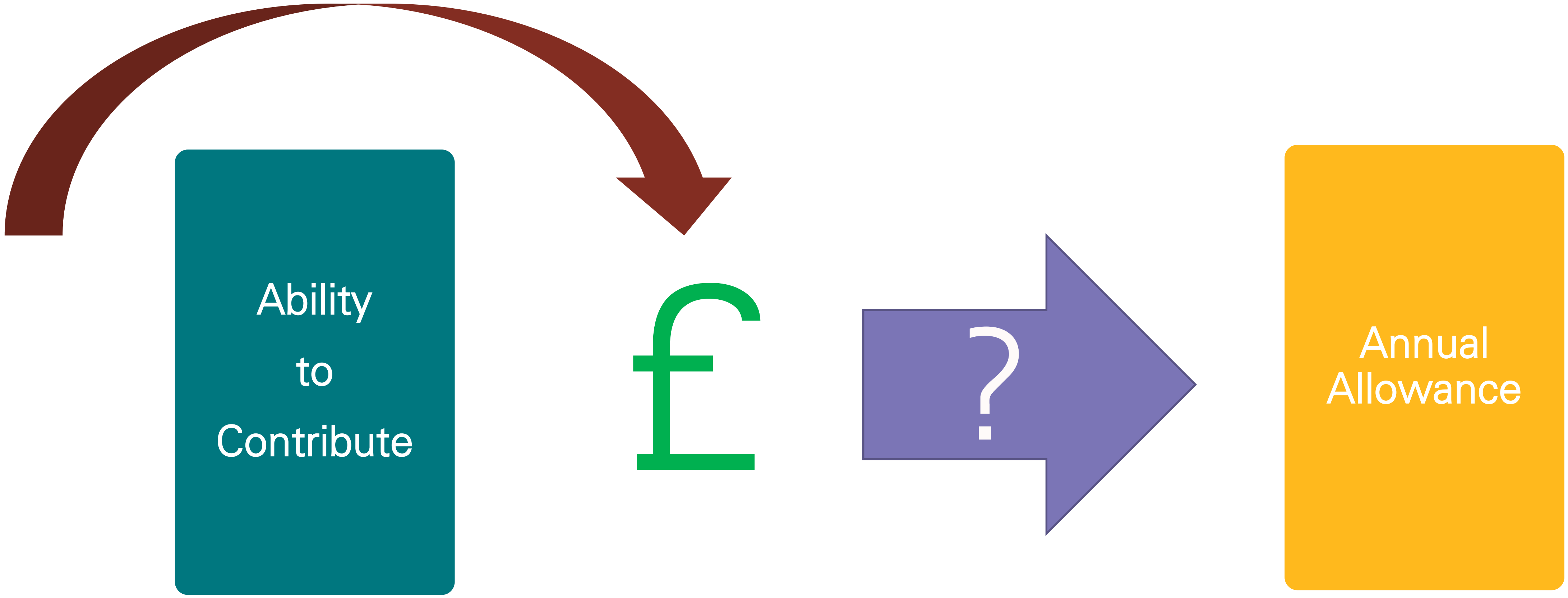
Individual / 3rd party Contributions
Tax Years
100% of relevant earnings or £3,600 if higher

Tax relief

Pension Input Amounts
Pension Input Periods
Various limits!

Annual allowance

One before the other



Annual Allowance Calculator

built by M&G

Tax Year 2024/25

What tax year did individual first join a pension?
(If a member prior to 2008/09 tax year select 2008/09). 2008/09

Instructions for use
Step1: Input tax year first joined a pension scheme.
Step2: Calculate tapered AA if applicable using grey button on right hand side.
Step3: Input existing pension input amounts in white boxes. Inputs are required until there is 3 clear years with no AA excess

Total inputs for PIPs ending in Tax Year:	Existing Inputs	Tapered Annual Allowance Details
2008/09	£ -	
2009/10	£ -	
2010/11	£ -	
2011/12		
Inputs prior to 14/10/2010	£ -	
Inputs on or after 14/10/2010	£ -	
2012/13	£ -	
2013/14	£ -	
2014/15	£ -	
2015/16		
Inputs prior to 09/07/15	£ -	
Inputs on or after 09/07/15	£ -	
2016/17	£ -	£ -
2017/18	£ -	£ -
2018/19	£ -	£ -
2019/20	£ -	£ -
2020/21	£ -	£ -
2021/22	£ -	£ -
2022/23	£ -	£ -
2023/24	£ -	£ -
2024/25	£ -	£ -

2008/09 to 2010/11 - Inputs are capped at £50,000 for Carry Forward calculations

Straddling PIPs - if total inputs are less than or equal to £50,000 then put all in as post 14/10/2010. If total inputs are over £50,000 then you need to enter the pre and post 14/10/10 split of inputs.

Input the taper figures here if known - or select relevant tab(s) to calculate.

Reset Summary

Summary Information

		Existing Inputs
Annual Allowance		£60,000
Total Inputs		£0
Unused allowance from this year		£60,000
Carry Forward available from:		
2021/22	£40,000	
2022/23	£40,000	
2023/24	£60,000	£140,000
Maximum Allowance Remaining This Year		£200,000
Chargeable Amount		£0

See Carry Forward Workings for summary or full calculations

Tax Relief Modeller Tool

built by M&G

Tax Year 2022/23

ABOUT YOUR CLIENT

What is the client's age?	Under 75
Scottish Tax Payer?	No
Number of Children	
Gift Aid (Gross amt)	

CHARGEABLE EVENTS - BOND GAINS

Onshore Gain 1	250,000	Years Gain 1 (N)	37	Slice 1	6,757
Onshore Gain 2		Years Gain 2 (N)		Slice 2	
Onshore Gain 3		Years Gain 3 (N)		Slice 3	
Onshore Gain 4		Years Gain 4 (N)		Slice 4	
Offshore Gain 1		Years Gain 1 (N)		Slice 1	
Offshore Gain 2		Years Gain 2 (N)		Slice 2	
Offshore Gain 3		Years Gain 3 (N)		Slice 3	
Offshore Gain 4		Years Gain 4 (N)		Slice 4	

INCOME SOURCES

Employment Income		Gross Savings Interest	
Benefits in Kind		Dividends	
Taxable Self Employed Profits		Taxable Capital Gains (10%/20%)	
UFPLS (taxable element)		Taxable Capital Gains (18%/28%)	
Drawdown / Annuity Income		Taxable Redundancy Payment	
State Pension Income	8,000	Rental Income - Relevant	
Purchased Life Annuity Income		Rental Income - Not relevant	38,000

EXISTING PENSION CONTRIBUTIONS

Relief at Source (Net Amount)	
Contributions paid gross	

NEW PENSION CONTRIBUTIONS

Relief at Source (Net Amount)	2,880
Contributions paid gross	

R E S E T

	BEFORE NEW CONTRIBUTIONS		AFTER NEW CONTRIBUTIONS	DIFFERENCE
"Total Income"	£296,000	**"Total Income"**	£296,000	£0
Adjusted Net Income	£296,000	Adjusted Net Income	£292,400	-£3,600
Personal Allowance	£0	Personal Allowance	£0	£0
Personal Savings Allowance	£0	Personal Savings Allowance	£0	£0
Child Benefit Charge	£0	Child Benefit Charge	£0	£0
Capital Gains Tax	£0	Capital Gains Tax	£0	£0
Tax Liability	£29,262	**Tax Liability**	£10,140	-£19,122
Bond Gains Summary		**Bond Gains Summary**		
Tax on gains	£107,300	Tax on gains	£107,120	£180
Onshore Tax Credit	£50,000	Onshore Tax Credit	£50,000	£0
Top slicing relief	£38,898	Top slicing relief	£57,120	£18,222
Liability	£18,402	Liability	£0	-£18,402
"Bank Balance"	£266,738	**"Bank Balance"**	£282,980	£16,242

PENSION SUMMARY

Relevant Earnings	£0
Contributions: Existing	£0
New	£3,600
Total	£3,600

Effective Rate of Tax Relief (on new contributions) 551.17%

Please navigate between workings and inputs using the tabs at the bottom of the sheet.

PENSIONS

Interaction of tax relief and annual allowance

Last Updated: 6 Apr 24 | 20 min read

Contents

Tax relief rules and annual allowance rules work separately. Both sets of rules must be correctly considered to ensure pension savings are tax efficient.

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Ask an expert

Submit your details and your question and one of your Account Managers will be in touch.

Submit a question

Key Points

Question 1

Finn:

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d) £50,000

Question 2

Mel has a personal pension worth £800,000. She has full LSA and LSDBA available.

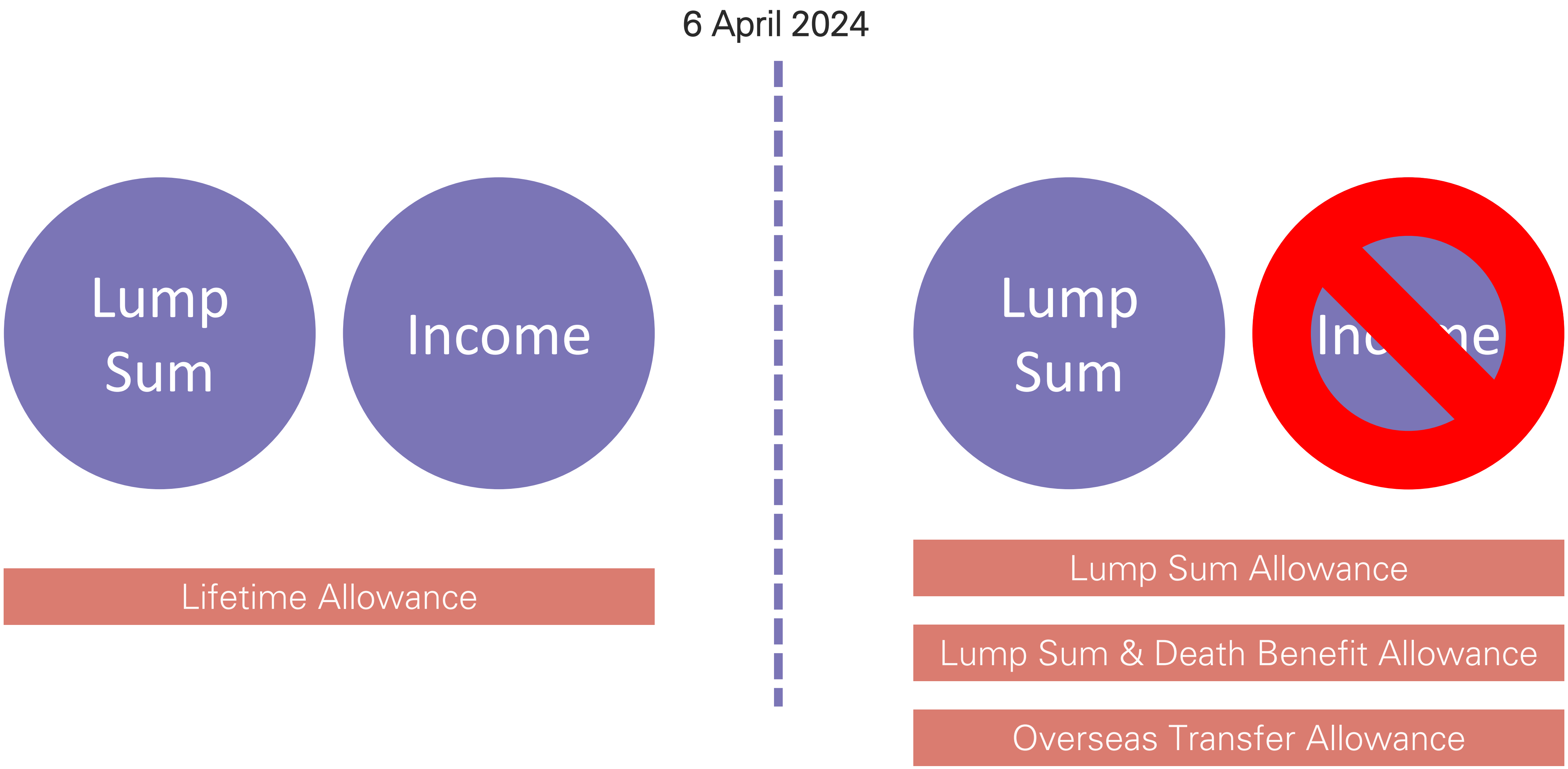
Victoria has a personal pension worth £1,000,000. She has £100,000 of LSA remaining and £200,000 LSDBA

Emma's personal pension is worth £400,000 but has protected tax free cash of £300,000. She has £200,000 of LSA and has £800,000 of LSDBA remaining.

Who can get the highest tax free cash payment?

a) Mel
b) Victoria
c) Emma
d) Mel and Emma equally

The new approach



PCLS from 6 April 2024

Lower of

Applicable Amount

Available Lump Sum Allowance

Available Lump Sum & Death Benefit Allowance

…must have at least some LSA and LSDBA available….

And there's more….

SSPTFC rule change

…must have at least some ~~LSA and~~ LSDBA available….

Amount over LSDBA Taxable

Girls Aloud are better I think

	Mel	Victoria	Emma
Applicable Amount	£800,000 x 25% £200,000	£1,000,000 x 25% £250,000	SSPTFC £300,000
LSA available	£268,275	£100,000	£200,000
LSDBA available	£1,073,100	£200,000	£800,000
Tax Free amount payable	£200,000	£100,000	£300,000

	Mel	Victoria	Emma
	25% of fund lower than LSA/LSDBA	25% of fund higher than allowances Capped at lower of LSA and LSDBA	LSA not relevant Capped at LSDBA

Consider order of benefits where any scheme can pay > 25% cash

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a) Mel
b) Victoria
c) Emma
d) Mel and Emma equally

Question 3

John, Paul and Ringo all used 66.66% of the LTA. They all took 25% of the amount crystallising at that time

The LTA when they used it was:

- John - £1,800,000
- Paul - £1,073,100
- Ringo - £1,000,000

Who would benefit from a TTFAC?

a) John
b) Ringo
c) Paul
d) Noone would benefit

Individuals Starting Allowances

LSA and LSDBA

LESS

DEFAULT TRANSITIONAL AMOUNT

OR

TRANSITIONAL TAX FREE AMOUNT

LSA used

DEFAULT	TRANSITIONAL
LTA % Used X LTA at 5th April 24 X 25%	PCLS amount paid + Standalone Lump Sum (tax free) + UFPLS (Non-Taxable) + 25% x LTA used by Pre 2006 Pension

Yes, the Beatles

	John	Paul	Ringo
Default Used	66.66% x £1,073,100 x 25% £178,832		
Transitional Used	66.66% x £1.8m x 25% £299,970	66.66% x £1.0731m x 25% £178,832	66.66% x £1m X 25% £166,650
Higher usage	Default	Equal	Transitional

Ensure your retirement processes have a "TTFAC step"

PENSIONS

Transitional Tax Free Amount Certificates (TTFAC)

Last Updated: 6 Apr 24 | 10 min read

The Lifetime Allowance was replaced with three new allowances from 6th April 2024. Benefits taken under the LTA regime use up the new allowances. A Transitional Tax Free Amount Certificate allows a bespoke client deduction from the LSA and LSDBA instead of the standard transitional deduction.

Contents

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Last Updated: 6 Apr 24 | 10 min read

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LTA Transitional Tax Free Amount Tool →

Ask an expert

Submit your details and your question and one of your Account Managers will be in touch.

Submit a question

LTA Transitional Tax Free Amount Tool

Important information

This tool is designed to calculate the available Lump Sum Allowance and Lump Sum and Death Benefit Allowance as at 6th April 2024 for those who have crystallised benefits against the Lifetime Allowance between 6th April 2006 and 5th April 2024.

It compares the allowances available under the standard default transitional rules and if a Transitional Tax Free Amount Certificate was attained.

The tool does not deal with those who have Primary Protection, Enhanced Protection, Lifetime Allowance Enhancement Factors or who are dec

The amount of tax free cash payable will be subject to individual client's circumstances and HMRC rules all of which may change.

Responsibility for the use of any information derived from this tool rests solely with the user.

RESET

A	LTA (must be £1,073,100 to £1,800,000)	£1,073,100		
		LTA used		Actual/Deemed tax free amounts paid
B	Deemed BCE on pre 2006 pension income	0.00%		£0
	LTA at Deemed BCE	£0		
C	Serious Ill Health Lump Sums	0.00%	E	£0
D	Other BCEs	66.66%	F	£299,970
G		66.66%	H	£299,970
I	LTA previously used amount (A x G)	£715,328.46		
		LSA		LSDBA
J	Standard Transitional deduction	£178,832.12	K	£178,832.12
L	LSA (A x 25%)	£268,275.00		

Permitted Maximum as at 6th April 2024

Lump Sum Allowance Available		***Value to support LSA***
Standard Default (L-J)	£89,442.89	£357,771.54
With Transitional Tax Free Amount Certificate (L-C)	£0.00	£0.00

Lump Sum and Death Benefit Allowance Available	
Standard Default (£0 where G is 100% +, or A - K)	£894,267.89
With Transitional Tax Free Amount Certificate (A-H)	£773,130.00

Instructions for use

A - enter individuals personal LTA e.g. if no protection then £1,073,100, if FP12 then £1,800,000 etc

B - enter deemed BCE percentage and relevant LTA at time of BCE

C,D - enter percentage of **personal** LTA used for each category

E - enter actual **tax free** amount of SIHLS paid

F - enter actual **tax free** amounts paid through PCLS or UFPLS

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- Paul - £1,073,100
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Who would benefit from a TTFAC?

a) John
b) Ringo
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d) Noone would benefit

Question 4

Roy, Tom and Bob all have state pension and DB pension income of £15,000.

They also withdraw from their SIPPs:

- Roy £10,000 PCLS
- Tom £10,000 UFPLS
- Bob £10,000 drawdown income payment

Who has the highest income for the purposes of the normal expenditure out of income exemption?

a) Roy
b) Tom
c) Bob
d) It’s equal.

Normal Expenditure Out of Income

5 things you need to know

- NORMAL
- TIME SPAN
- GIFTS CLOSE TO DEATH
- SIZE
- OUT OF NET INCOME

Drawdown Income, PCLS and UFPLS are income

Question 4

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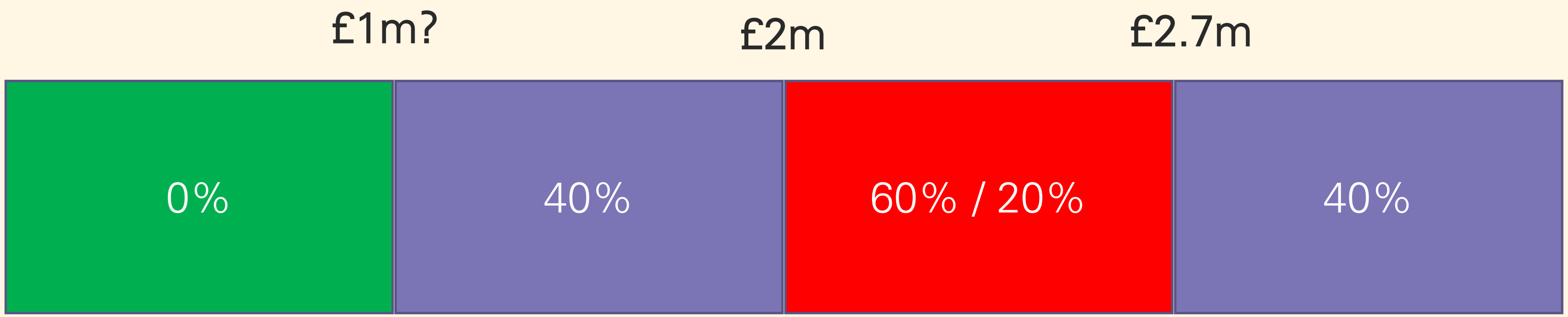
Question 5

In respect of IHT which of the following is the odd one out?

a) 60%
b) 40%
c) 0%
d) 36%

The £2m threshold



Do not deduct reliefs

(e.g. BPR)

Do not deduct exemptions

e.g. spouse

Do not add back lifetime gifts

A simple study…

Single client, never married
House valued at £175k to direct descendant

Original estate £2,350,000 – RNRB £0, NRB £325,000

IHT of £2,350,000 - £325,000 x 40% – £810,000

“Deathbed” gift of £350,000 – RNRB reinstated

IHT of £2,350,000 - £500,000 x 40% – £740,000 (£810,00 without gift)

£810,000 - £740,000 = £70,000 IHT saving - £350,000 gift = 20% tax relief

Client survives 7 years

	£	Lifetime gift more than 7 years before death £	£	Taxed at 40%
Value of estate	2,350,000	(350,000)	2,000,000	
Less RNRB			(175,000)	
			1,825,000	
Less NRB			(325,000)	
			£1,500,000	**£600,000**

60% effective rate of relief £210,000/£350,000

Question 5

In respect of IHT which of the following is the odd one out?

a) **60%**
b) 40%
c) 0%
d) 36%

Question 6

Sheldon and Leonard both set up trusts to hold their onshore investment bonds.

They both died several years ago. Their trustees have decided to encash their bonds.

Both bonds have a £20,000 gain and had been running for 10 years.

Sheldon's trust was an Interest in Possession Trust

Leonard's trust was a Discretionary Trust.

Which trustees had the highest tax liability?

a) There is no tax to pay
b) Sheldon's (IIP)
c) It's equal
d) Leonard's (Disc)

- There are only **two trust types for chargeable gain** purposes – bare and everything else
- Discretionary Trusts no longer have an **£1,000 basic rate band**
- Interest in Possession Trusts have basic rate liability **on income**
- Bond **gains are treated differently** to interest and dividends

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Question 7

George and Mildred jointly set up a trust that holds an investment bond.

The trust was Discretionary.

There was an expression of wish that the proceeds be split equally between their niece and nephew Terry and June.

Mildred died a few years ago. George passed away last month.

The trustees have surrendered the bond and paid the proceeds equally to Terry and June.

Who is liable for the gain?

a) Trustees and George equally
b) George
c) Terry and June equally
d) Trustees

Not bare - Who is liable?

Is settlor alive and UK resident in tax year of event?

YES

SETTLOR

- Top slicing relief may apply
- Statutory right of recovery

NO

Is the trust UK resident?

NO

BENEFICIARY

- If beneficiary is UK resident they will be assessed on the gain.
- Top slicing DOES NOT apply

YES

TRUSTEES

- Trustee rates apply – 45%
- Top slicing relief does not apply

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b) George
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d) Trustees

Question 8

Dunning Technical Services Ltd own an onshore investment bond.

The policy started with £100,000 and is in its 6th policy year.

Due to the boom in technical support required they have just topped up by another £50,000.

There have never been any withdrawals.

How much tax deferred allowance is available?

a) £0
b) £30,000
c) £32,500
d) £60,000

Company held bonds

… where a company… is a party to an ‘invest[illegible]nsurance contract’, this is treated as a loan relationship of the [illegible] it is taxed as a creditor relationship under the loan [illegible] rules … rather than under the chargeable event [illegible] with any profits or losses arising treated as non-trading credits or [illegible] of the company.

!!!Forget chargeable events!!!

HMRC Insurance Policyholder Taxation Manual: IPTM3900

The $64,000 questions!

COMPANY v PERSONAL

OEIC v BOND

ONSHORE v OFFSHORE

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d) £60,000

Question 9

Simon, John and Andy are all higher rate tax payers.

They each realised non property capital gains this year:

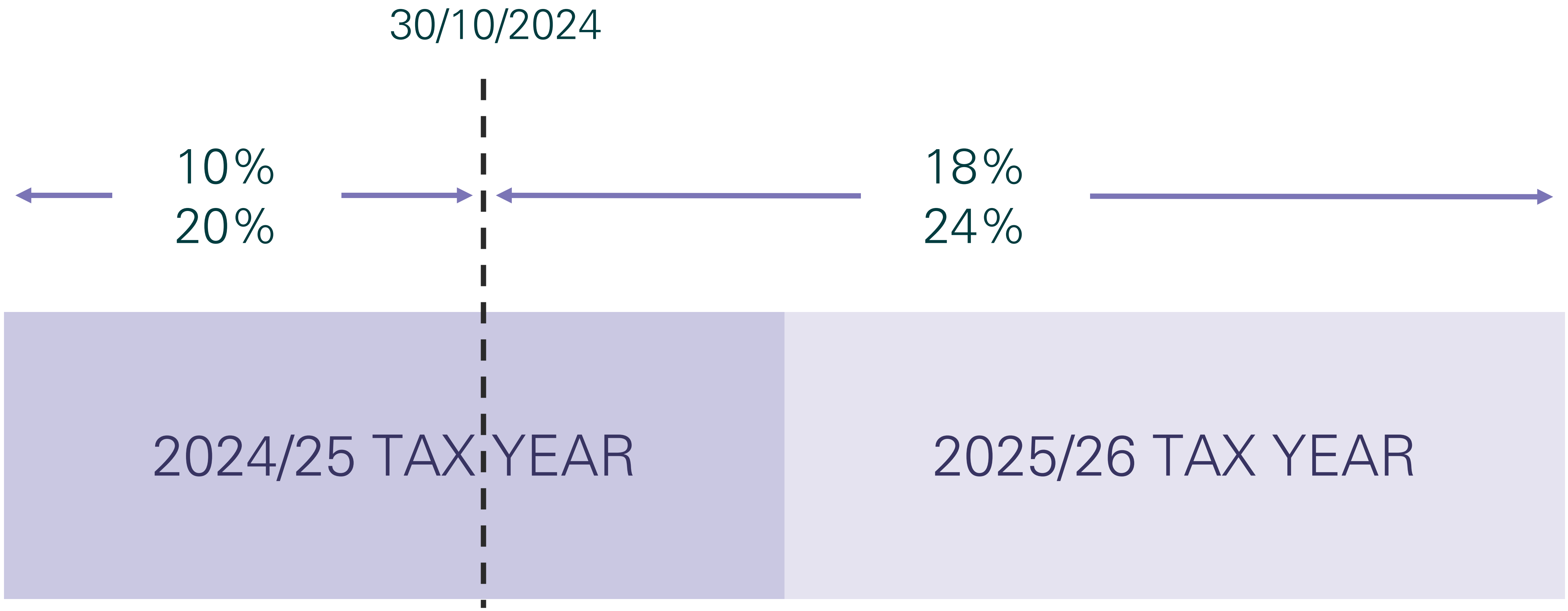
- Simon - £9,000 before the budget.
- John - £6,000 before the budget and £3,000 after.
- Andy - £9,000 after the budget.

They all had full AEA available.

Which of the following statements is true?

a) John has the highest CGT bill
b) Andy has the lowest CGT bill
c) Simon has the lowest CGT bill
d) Simon and John have the same CGT bill

CGT rates aligned!



Beneficially ordering for Annual Exempt Amount and Basic Rate Band usage

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Question 10

Sandi, Cher and Joan have each triggered an £18,000 gain in November rebalancing their portfolio. They have had no other gains this year.

- Sandi held the portfolio directly when she triggered the gain
- Joan held the portfolio in an onshore insurance bond
- Cher held the portfolio in an offshore insurance bond

They are all higher rate taxpayers.

Which gain triggered the most tax?

a) Sandi
b) Joan
c) Sandi and Joan's equally
d) Cher

CGT inside or out

	Wrapped	Unwrapped Higher Rate Taxpayer	Unwrapped Basic Rate Taxpayer
Gain	£18,000	£18,000	£18,000
Annual Exemption	N/A	£3,000	£3,000
Taxable	£18,000	£15,000	£15,000
CGT Rate	20%	24%	18%
Tax	£3,600	£3,600	£2,700

£18,000 = 1.8% of £1,000,000

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- Cher held the portfolio in an offshore insurance bond

They are all higher rate taxpayers.

Which gain triggered the most tax?

a) Sandi
b) Joan
c) Sandi and Joan’s equally
d) Cher

Question 11

Roy Tom and Geoff all earn £60,000 a year. They all invest £100,000 in a portfolio.

It generates:
Gains of £1,000 (1%)
Interest of £2,000 (2%)
Dividends of £3,000 (3%)

Roy invests directly
Tom invests through an onshore bond
Geoff invests through an offshore bond

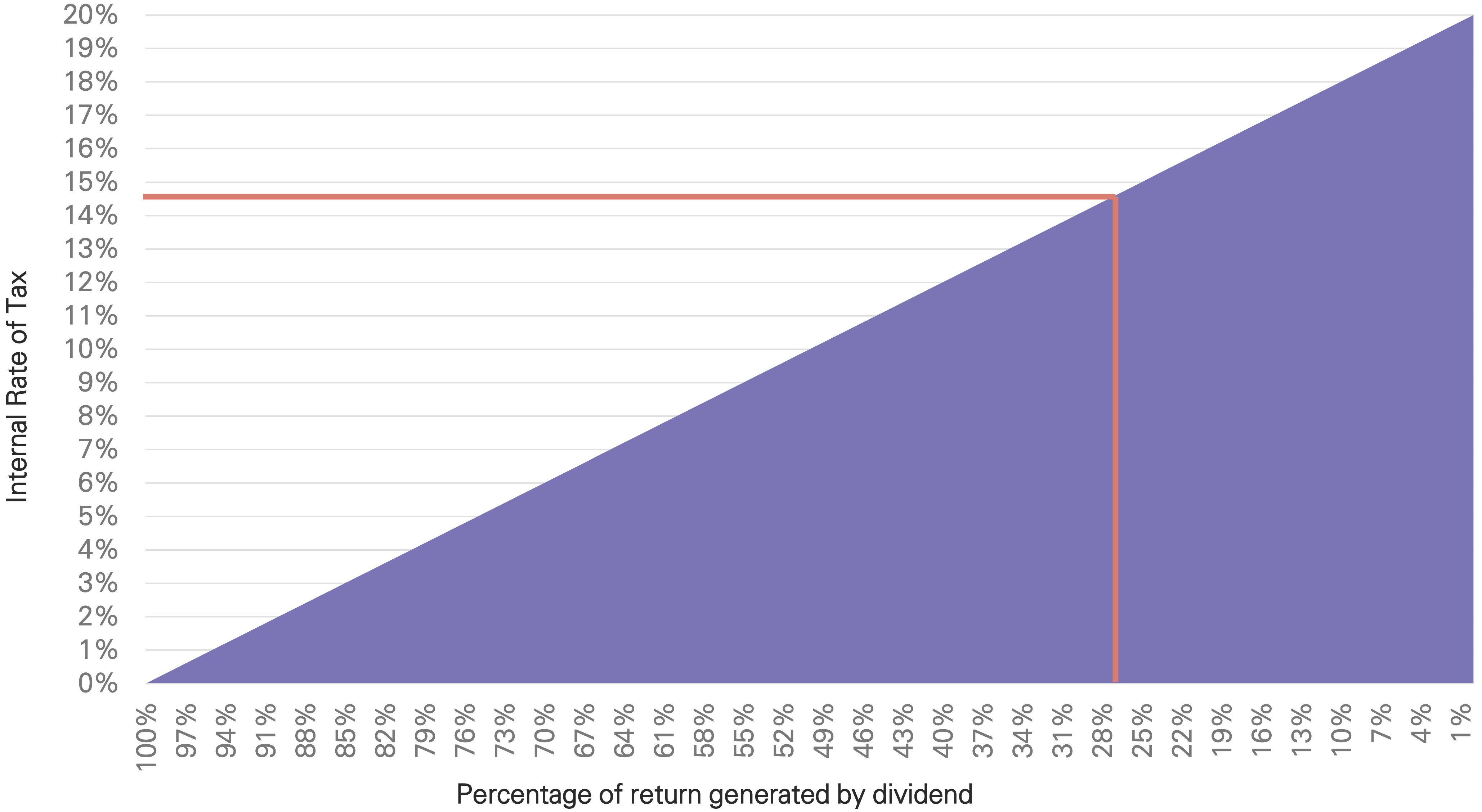
Who is rolling up least tax efficiently?

a) Geoff (offshore)
b) Tom (onshore)
c) Roy (directly)
d) Roy (directly) and Tom (onshore) equally inefficient

Roll up tax

	Direct	Onshore	Offshore
Gain £1,000			
Tax	£0 (£1,000 - £3,000 @ 20%)	£200 (£1,000 @ 20%)	£0
Dividend £3,000			
Tax	£843 (£3,000 - £500 @ 33.75%)	£0	£0
Interest £2,000			
Tax	£600 (£2,000 - £500 @ 40%)	£400 (£2,000 @ 20%)	£0
Overall £6,000			
Tax	£1,443	£600	£0
Roll up rate	24.05%	10%	0%

Onshore Internal Tax Rate (by dividend component)



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b) Tom (onshore)
c) **Roy (directly)**
d) Roy (directly) and Tom (onshore) equally inefficient

Tax Wrapper Comparison Tool

built by M&G

Tax Year 2024/25

Invested Amount	£100,000.00
Year of encashment (5 to 10 only)	10
Use annual exempt amount?	Yes

Reset

Existing income		Increase assumption per annum
Non Savings Non Dividend	£60,000	0.00%
Savings	£0	0.00%
Dividend	£0	0.00%

Investment Yields	
Savings income	2.00%
Dividend Return	3.00%
Capital Gain	1.00%
Additional Cost for Bond Wrapper	0.25%

Onshore Bond Internal Tax Rate 10.00%

Expected Income year of encashment	
Non Savings Non Dividend	£60,000
Savings	£0
Dividend	£0

Taxation over Term

	Collectives	Onshore	Offshore
Savings Income			
Amount	£24,594	£25,317	£26,036
Tax	£7,838	£5,063	£0
Dividend Income			
Amount	£36,891	£37,975	£39,054
Tax	£10,763	£0	£0
Capital Gain			
Amount	£12,297	£12,658	£13,018
Tax	N/A	£2,532	£0

Encashment Values

	Collectives	Onshore	Offshore
Surrender Value	£155,181	£165,019	£174,658
Gain (Cumulative)	£1,486	£65,019	£74,658
Slice	N/A	£6,502	£7,466
Tax payable	£0	£16,008	£32,891
Net return	£155,181	£149,012	£141,767

Key Assumptions

Cells with red tags contain further information

The tool runs in tax years from 6 April to 5 April inclusive.

The CGT annual exempt amount is used each year (bed and breakfast rules avoided).

Net investment income is reinvested.

UK rates of income tax apply.

The rates bands and allowances remain at the same level throughout the term.

Available Bands and Allowances in year of encashment (prior to investments being surrendered)

	Collectives	Onshore	Offshore
Personal Allowance	N/A	£0	£0
Starter Rate for Savings	N/A	£0	£0
Personal Savings Allowance	N/A	£500	£500
Basic Rate	£0	£0	£0
Higher Rate	N/A	£77,710	£77,710
CGT Allowance	£3,000	N/A	N/A

Tax Wrapper Comparison Tool

built by M&G

Tax Year 2024/25

Invested Amount	£100,000.00		
Year of encashment (5 to 10 only)	10		
Use annual exempt amount?	Yes		
	Existing income	Increase assumption per annum	
Non Savings Non Dividend	£60,000	0.00%	
Savings	£0	0.00%	
Dividend	£0	0.00%	

Reset

Investment Yields		Onshore Bond Internal Tax Rate
Savings income	2.00%	10.00%
Dividend Return	3.00%	
Capital Gain	1.00%	
Additional Cost for Bond Wrapper	0.25%	

Expected Income year of encashment	
Non Savings Non Dividend	£60,000
Savings	£0
Dividend	£0

HIGHER RATE ON ENCASHMENT

Encashment Values

	Collectives	Onshore	Offshore
Surrender Value	£155,181	£165,019	£174,658
Gain (Cumulative)	£1,486	£65,019	£74,658
Slice	N/A	£6,502	£7,466
Tax payable	£0	£16,008	£32,891
Net return	£155,181	£149,012	£141,767

Tax	N/A	£2,532	£0

BASIC RATE ON ENCASHMENT

Encashment Values

	Collectives	Onshore	Offshore
Surrender Value	£156,765	£165,019	£174,658
Gain (Cumulative)	£1,486	£65,019	£74,658
Slice	N/A	£6,502	£7,466
Tax payable	£0	£0	£14,932
Net return	£156,765	£165,019	£159,726

Key Assumptions

Cells with red tags contain further information

The tool runs in tax years from 6 April to 5 April inclusive.

The CGT annual exempt amount is used each year (bed and breakfast rules avoided).

Net investment income is reinvested.

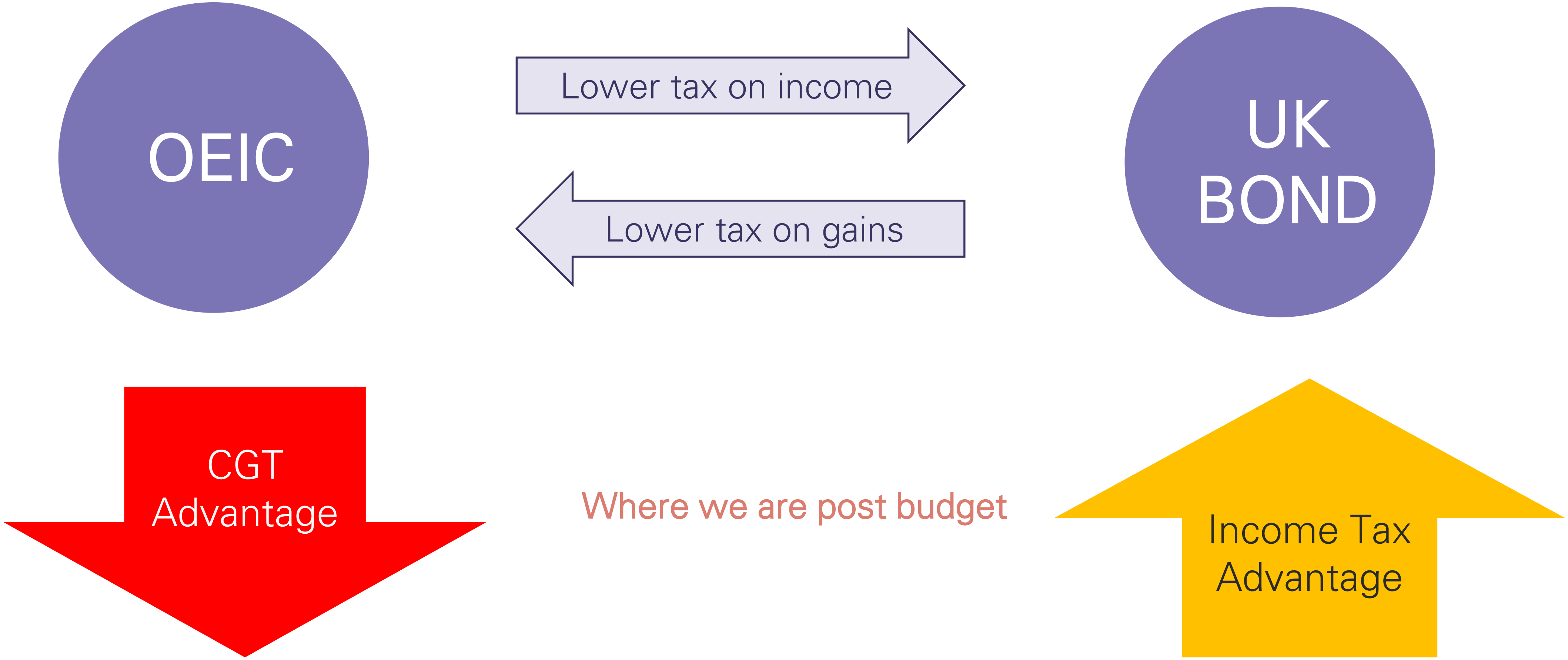
UK rates of income tax apply.

The rates bands and allowances remain at the same level throughout the term.

Available Bands and Allowances in year of encashment (prior to investments being surrendered)

	Collectives	Onshore	Offshore
Personal Allowance	N/A	£0	£0
Starter Rate for Savings	N/A	£0	£0
Personal Savings Allowance	N/A	£500	£500
Basic Rate	£0	£0	£0
Higher Rate	N/A	£77,710	£77,710
CGT Allowance	£3,000	N/A	N/A

The trade off




NOTHING URGENT
+
BAU IN MANY AREAS
+
IHT MOST URGENT / NEED OF ACTION

Learning Objectives

By the end of this session, you will be able to:

Describe the key elements of tax planning in 2024

QUESTION TIME

Thanks for your time

Get in touch with your usual contact if you need further help.