



Everything you ever wanted to know about tax year end (and haven't been afraid to ask)

The information that follows is based on our understanding of current taxation, legislation and HM Revenue & Customs practice all of which are liable to change without notice.

This is just for UK advisers – it's not for use with clients

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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.

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Learning Objectives

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

Explain the operation of pension tax relief

Describe the interaction of annual allowance with pension tax relief

Identify clients who could benefit from better than marginal rate tax relief

Describe the operation of the key Capital Gains Tax and IHT allowances

Taxing Times

FISCAL
DRAG



INCREASED
TAX RATES



REDUCED
ALLOWANCES

3.2 million new taxpayers

2.6 million new higher rate taxpayers

232,000 new additional rate taxpayers

c1.5m to 3m new dividend taxpayers

260,000 new Capital Gains Taxpayers

Ever increasing IHT receipts

30% of companies will pay increased corporation tax





Inheritance Tax

Annual Exemption

5 things *you need* to know

1

£3,000
(or less)

2

Can be offset
against larger gifts

3

Can apply to
multiple gifts

4

Unused can be
carried forward

5

Chronological

Small Gift Exemption

5 things *you need* to know

1

£250
(or less)

2

£251 exemption
doesn't apply

3

Use it or lose it

4

Unlimited number
of people

5

Can't be combined
with other exemptions

Exemption usage

Example:

Four grandchildren all received £1,000 on the 10th June.

Exemption apportioned ($£3,000 / 4 = £750$) - Each receive a £250 PET

Example:

Four grandchildren all received £1,000 in May, June, July and August.

The first 3 gifts are exempt the last is a PET

Example:

Ben receives £10,000 in May, Rachel received £3,000 in July

Ben got a £7,000 PET (exemption used) Rachel Got a £3,000 PET

Example:

Georgia got £250 in May, Caroline got £500 in August and Roy got £5,000 in October

Georgia exempt (small gift) Caroline exempt (annual) Ben got a £2,500 PET (£500 of annual amount used)

Exemption planning



Gifts



Loan write offs



Pensions
for others



Life policy
premiums



JISA / ISA
for others

Annual Exemption Planning

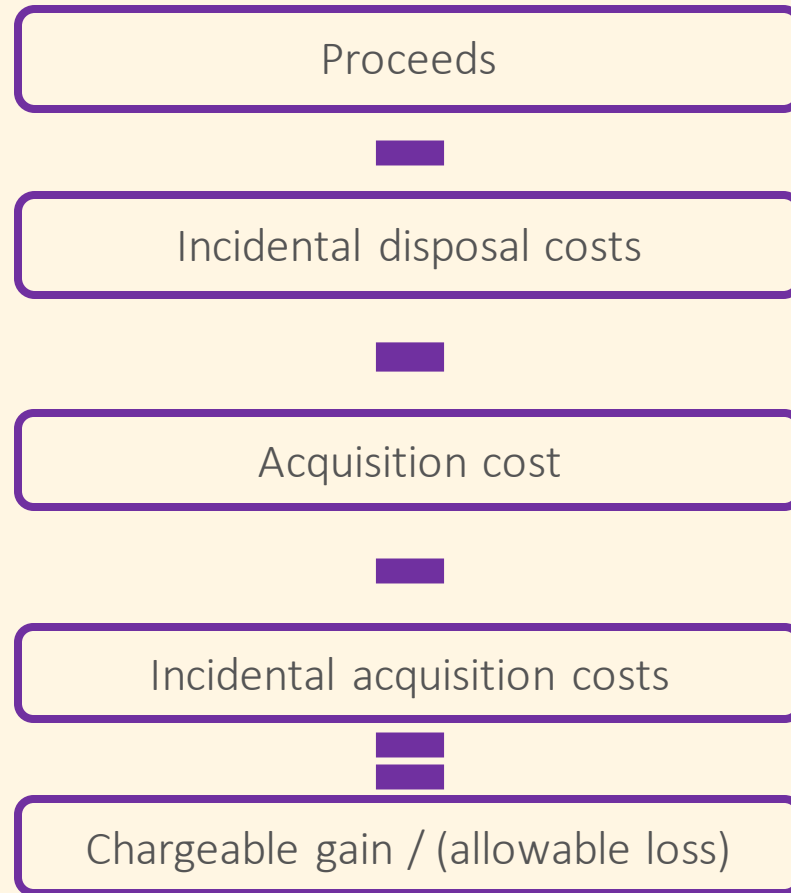
£3,000 × 10 yrs = 40% = £18,000

£3,000 × 10 yrs = 0% = £30,000

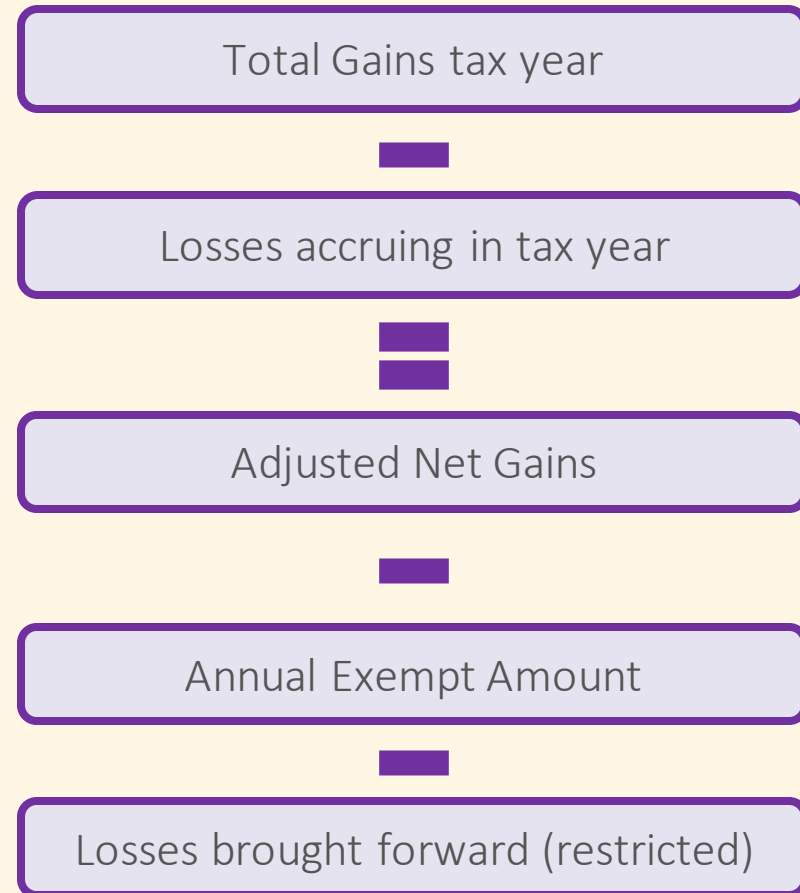


Capital Gains

CGT Calcs



Gain / Loss



Taxable Gain

CGT Case Study – part 1

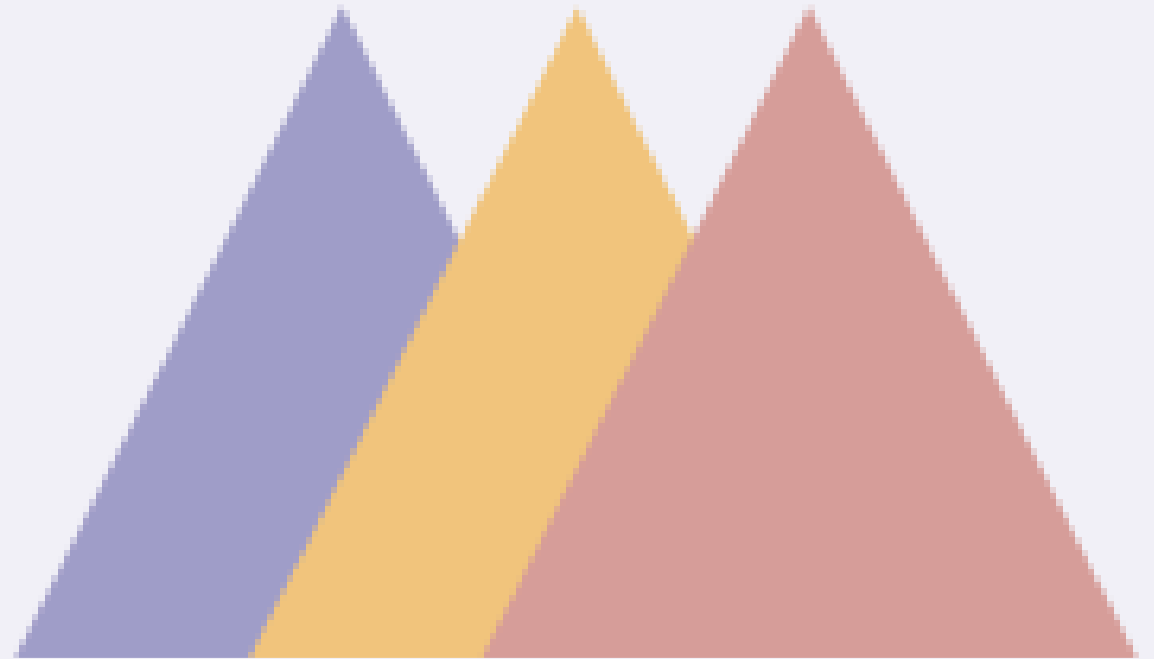
In 2006, Sarah purchased 10,000 shares @ £2.50 each in an OEIC fund.

In 2012, she purchased a further 5,000 shares in the same fund @ £4 each.

Current share price is now £4.60

She wants to realise a £6,000 gain

How many shares should she sell?



Sarah's acquisition cost per share

Date	Number	Cost £	Total £
2006	10,000	2.50	25,000
2012	5,000	4.00	20,000
6 April 2022	15,000	3.00	45,000

All 15,000 shares in the pool have an average cost of £3 per share

Current share value £4.60

Gain per share £1.60

Shares to sell to use AEA = $\text{£}6,000 / \text{£}1.60 = 3,750$

CGT Case Study – part 2

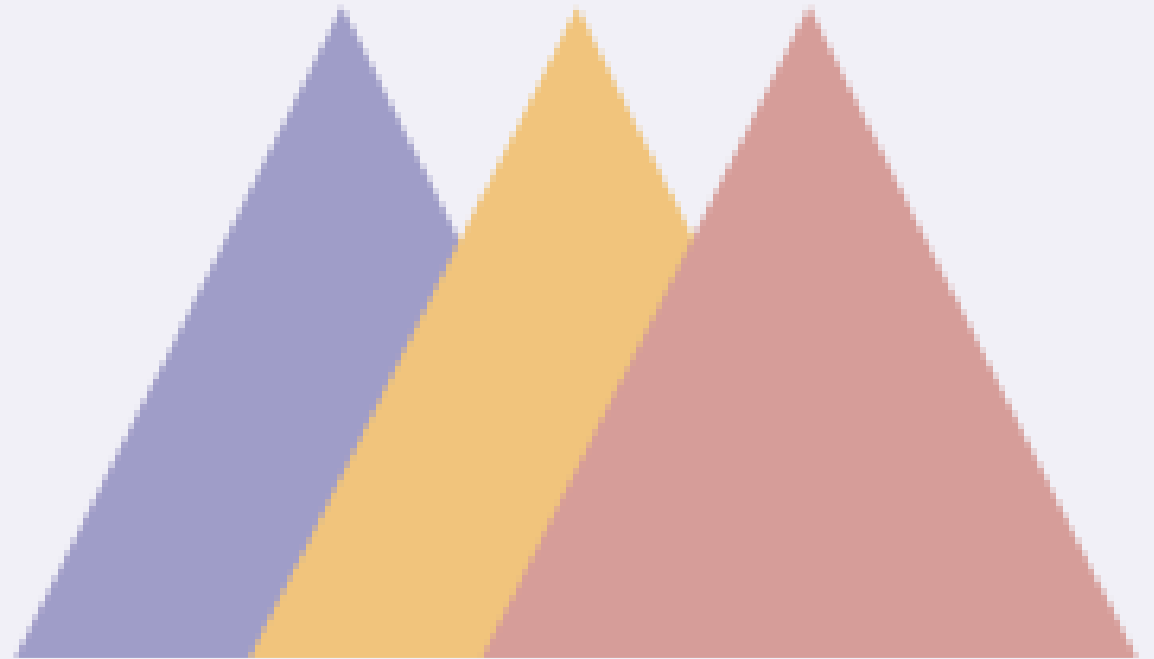
You have identified that selling 3,750 shares from her OEIC will trigger a gain of £6,000 and the trade has been made.

Sarah then mentions that she had inherited £30,000 of shares in an oil company from her late father.

She's environmentally aware so sold the shares last month.

She received £25,000 as they had lost £5,000.

How much AEA is used?



Calculating Sarah's Capital Gain

Total Gains tax year	£6,000
Losses accruing in tax year	£5,000
Adjusted Net Gains	£1,000
Annual Exempt Amount	£1,000
Losses brought forward (restricted)	N/A

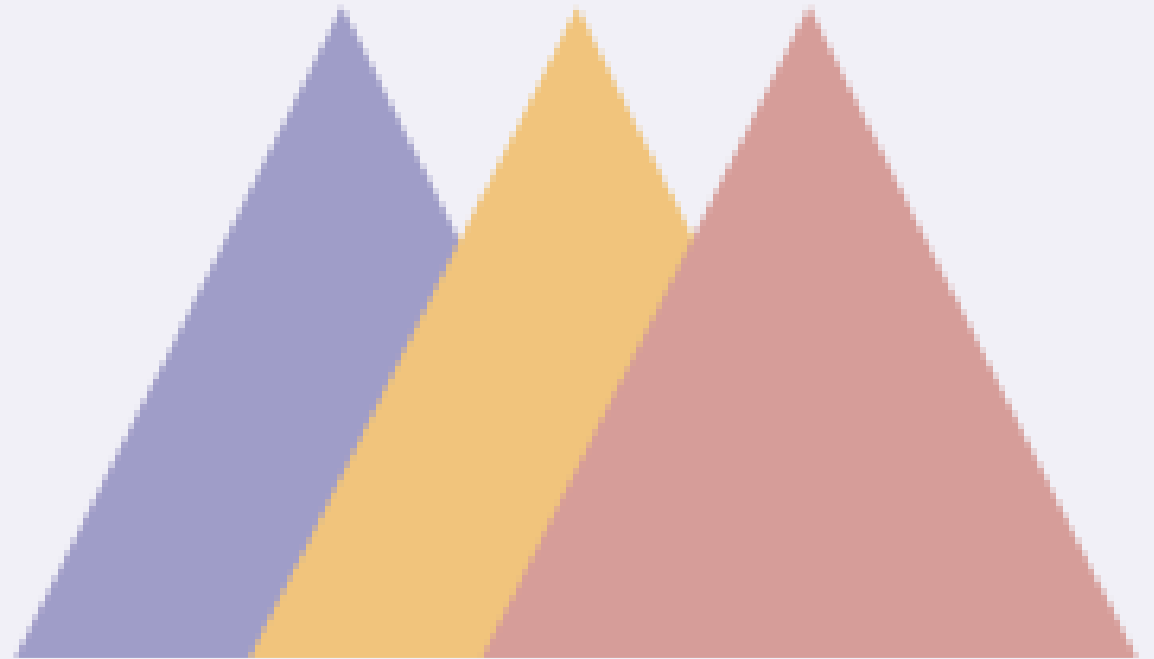
← Answer

CGT Case Study – part 3

Sarah now has £42,250 cash:

- £17,250 from the OEIC encashment
- £25,000 from the share sale

What next?



If Sarah wants to invest the £42,250

1

After 30 days
repurchase
identical
shares

2

Immediate
purchase of
shares in a
different
fund

3

Purchase
identical
shares
through
spouse/civil
partner

4

Repurchase
within a tax
wrapper

Capital Gains

5 things *you need* to know

1

£6,000
AEA

2

They die with you

3

Use it or lose it








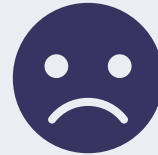







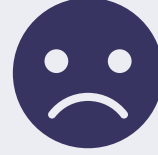
4

Losses can be
carried forward
indefinitely

5

They need managed
(more than ever)

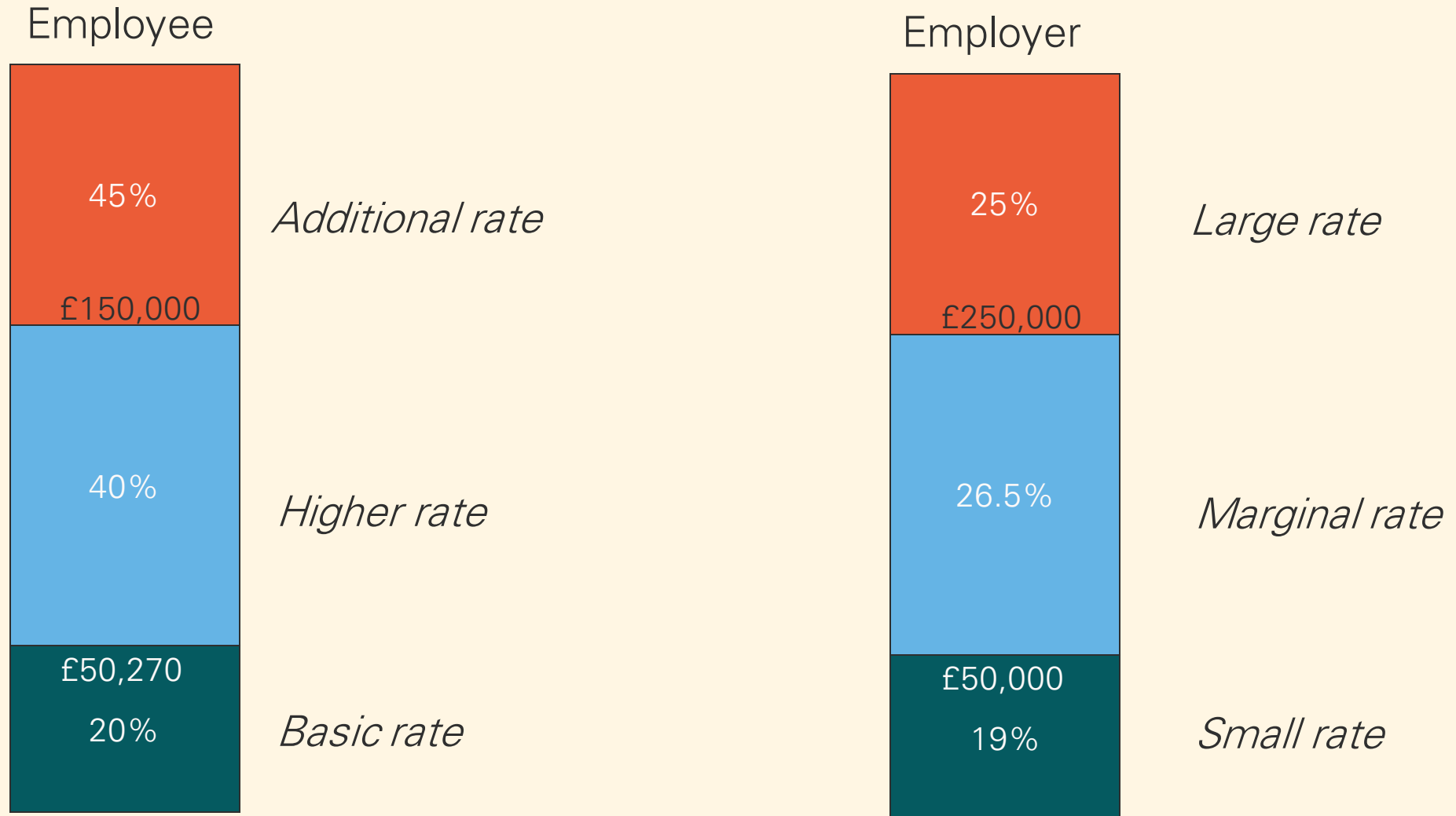
Bed and...

	Tax Relief	Income Tax	CGT	Trusts & IHT
PENSION				
OEIC				
BOND				
ISA				

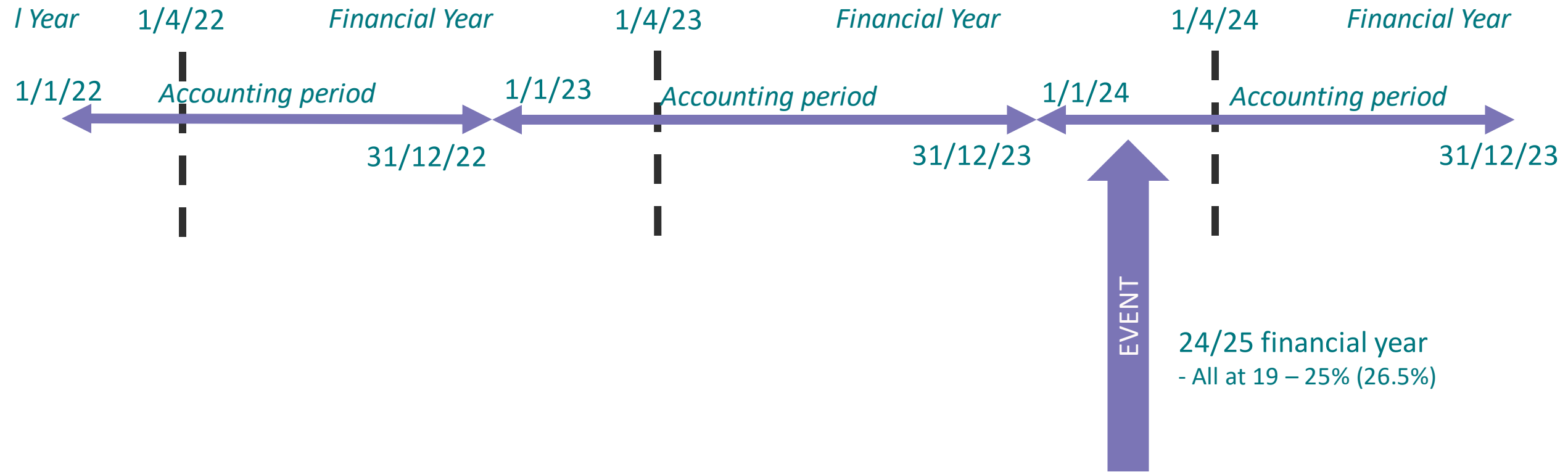


Pensions

Tax Relief



The "years"



Wholly and Exclusively

Will tax relief be granted for an employer contribution?

.....the same rules apply as for any other expense In particular, any contribution must be paid wholly and exclusively for the purposes of the trade for it to be deductible (ICTA88/S74 (1) (a) for corporation tax and ITTOIA05/S34 for income tax).....

.....it is important to emphasise that as part of the cost of employing staff pension, contributions will, prima facie, be allowable.....,

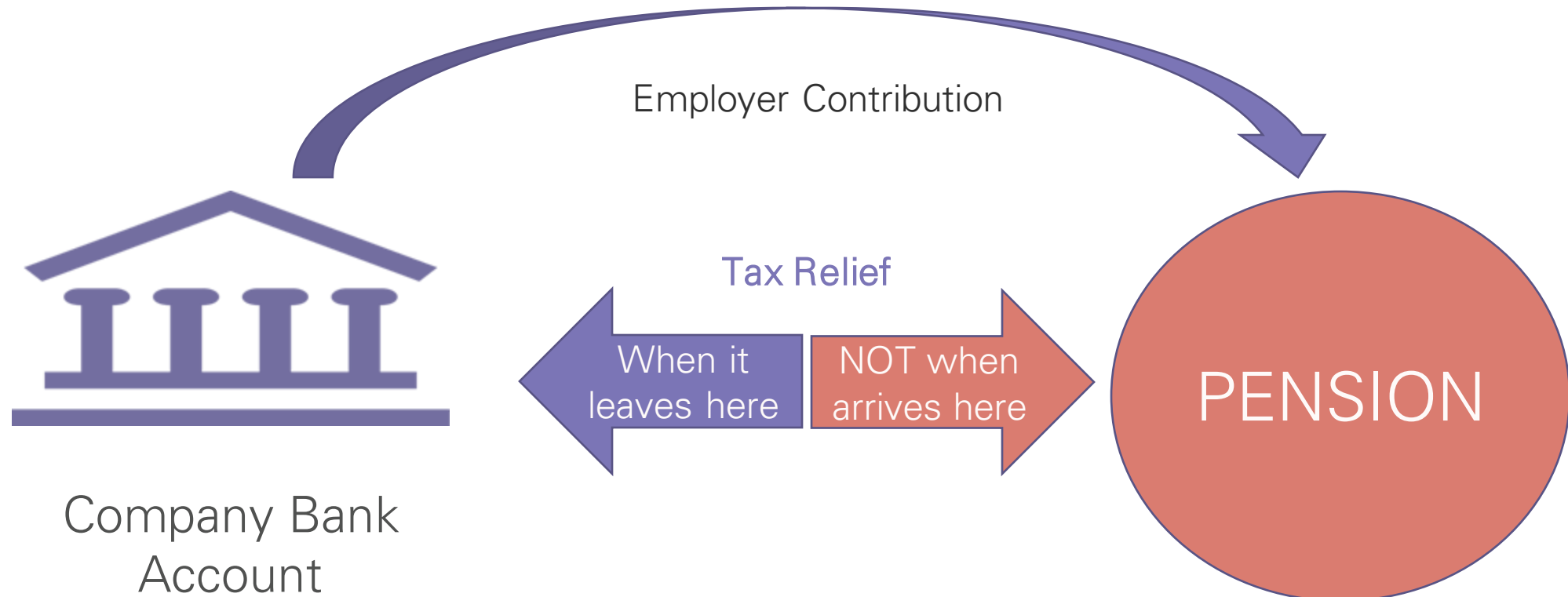
..... Whether there was a non-trade purpose for the payment will depend upon the facts of the individual case.

.....One situation is where the level of the remuneration package is excessive for the value of the work undertaken

..... accept that the contributions are paid wholly & exclusively where the remuneration package paid in respect of a director of a close company, or an employee who is a close relative or friend of the director or proprietor (where the business is unincorporated) is comparable with that paid to unconnected employees performing duties of similar value.....

Answer - Probably! Sort it out with the accountant.

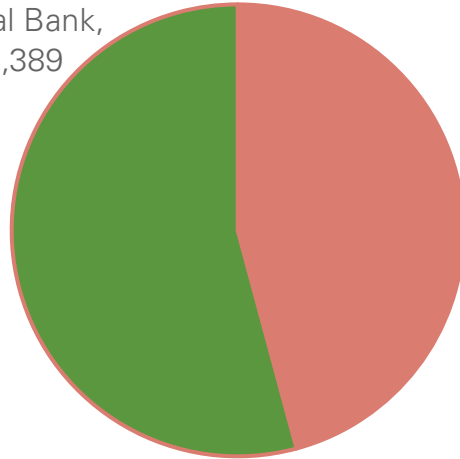
Corporation Tax Relief



£200,000 - Decisions, decisions...

SALARY
£9,100
DIVIDENDS
£144,062
PENSION
£0
CO BANK AC
£0

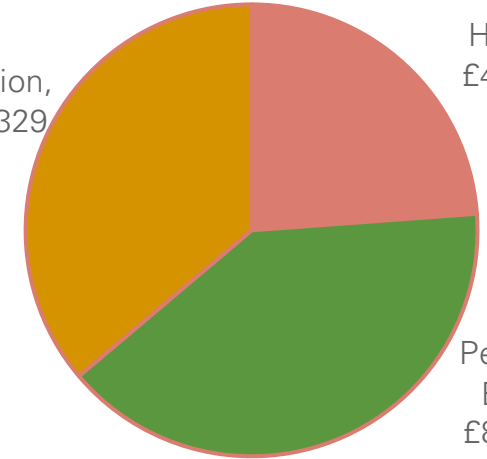
Personal Bank,
£108,389



HMRC,
£91,611

SALARY
£9,100
DIVIDENDS
£90,900
PENSION
£72,329
CO BANK AC
£0

Pension,
£72,329



HMRC,
£47,666

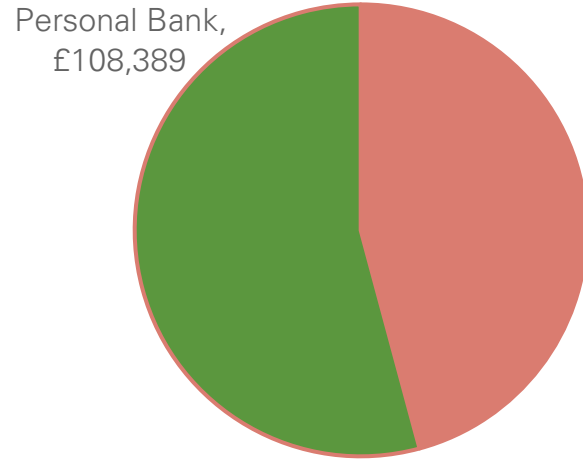
Personal
Bank,
£80,005

- Tax inefficient extraction – high tax (c46%)
- Significant cash for living expenses.
- No funds retained – future dividend source
- Additional rate tax liability
- Lost personal allowance
- Child benefit charge to pay?
- Annual Allowance lost?
- No pension provision

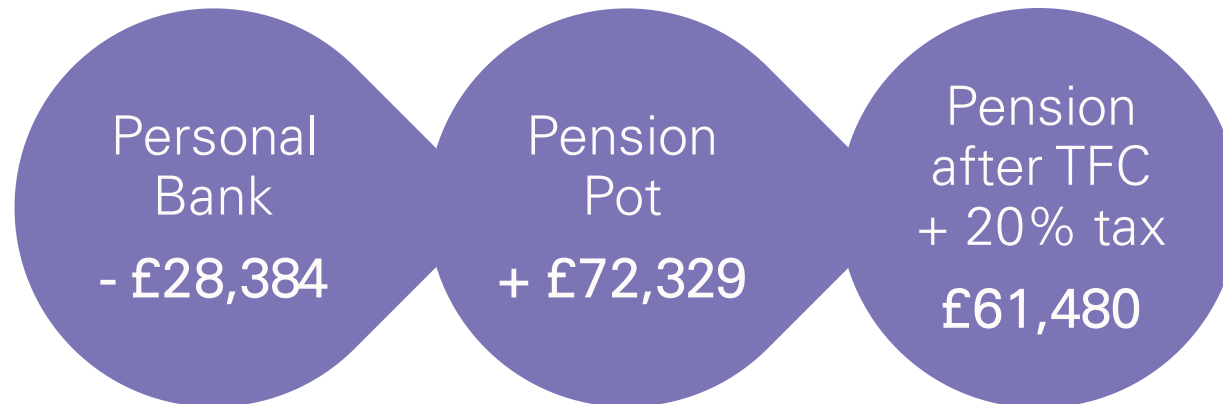
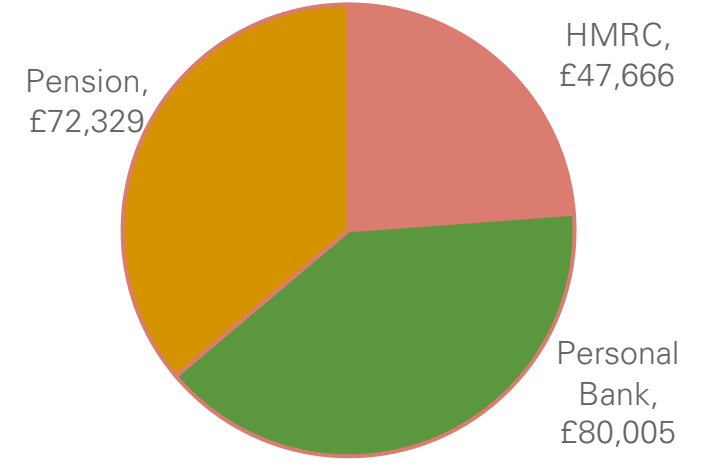
- Reduced taxation (c24%)
- Less cash for living expenses
- No funds retained – future dividend source
- No additional rate tax liability
- Personal allowance retained
- Child benefit charge to pay?
- Some Annual Allowance used?
- Pension provision made

£200,000 - Decisions, decisions...

SALARY
£9,100
DIVIDENDS
£144,062
PENSION
£0
CO BANK AC
£0



SALARY
£9,100
DIVIDENDS
£90,900
PENSION
£72,329
CO BANK AC
£0



**116%
return!**

Pre change position

Scottish Tax Payer	No
Available Profits	£200,000
Salary Paid	£9,100
Dividends Paid	£144,062

Gross value of individuals pension contributions

Paid gross <small>ⓂⓂⓂ OPS, PACS, AVCs</small>	£0
Relief at Source <small>ⓂⓂⓂ PP, GP</small>	£0
Employer Contributions	£0

Short Summary

	Pre Change	After change	Difference
Individual Bank Account	£108,389	£80,005	-£28,384 -28%
Company Bank Account	£0	£0	£0 Infinite Increase
Pension Contributions	£0	£72,329	£72,329 Infinite Increase
HMRC total take	£91,611	£47,666	-£43,945 -48%

Change (use a - for reductions)

Salary Paid	£0
Dividends Paid	-£53,162

Paid gross <small>ⓂⓂⓂ OPS, PACS, AVCs</small>	£0
Relief at Source <small>ⓂⓂⓂ PP, GP</small>	£0
Employer Contributions	£72,329

Detailed View

	Pre Change	After change	Difference
Individual			
Salary	£9,100	£9,100	£0 No change
Plus Dividend received	£144,062	£90,900	-£53,162 -37%
Less Income Tax	£44,772	£19,995	-£24,778 -55%
Less National Insurance	£0	£0	£0 No change
Less Contributions gross	£0	£0	£0 No change
Net Income	£108,389	£80,005	-£28,384 -26%
Less Contributions paid net	£0	£0	£0 No change
Cash remaining	£108,389	£80,005	-£28,384 -26%

Employer

Available Profits	£200,000	£200,000	£0 No change
Less Dividend Paid	£144,062	£90,900	-£53,162 -37%
Less Employer Pension Contributio	£0	£72,329	£72,329 Infinite Increase
Less Corporation Tax	£46,839	£27,671	-£19,167 -41%
Less Salary Paid	£9,100	£9,100	£0 No change
Less Employers National Insurance	£0	£0	£0 No change
Profit remaining	£0	£0	£0 Infinite Increase

After change

Salary	£9,100
Dividends	£90,900

Paid gross <small>ⓂⓂⓂ OPS, PACS, AVCs</small>	£0
Relief at Source <small>ⓂⓂⓂ PP, GP</small>	£0
Employer Contributions	£72,329

Assumed rate of tax on pension income

Reduction in individuals bank account	£28,384
Increase in pension provision	£72,329
Amount after PCLS and tax	£61,480
"Return" on bank account reduction	116.60%

Pension Contributions	£0	£72,329	£72,329 Infinite Increase
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This tool will enable you to sit with a client and discuss the different options that they have for extracting profits from their business. You can input a client's current remuneration structure and highlight the difference adjusting this structure can benefit them and possibly mitigate the tax and national insurance payable to HMRC.

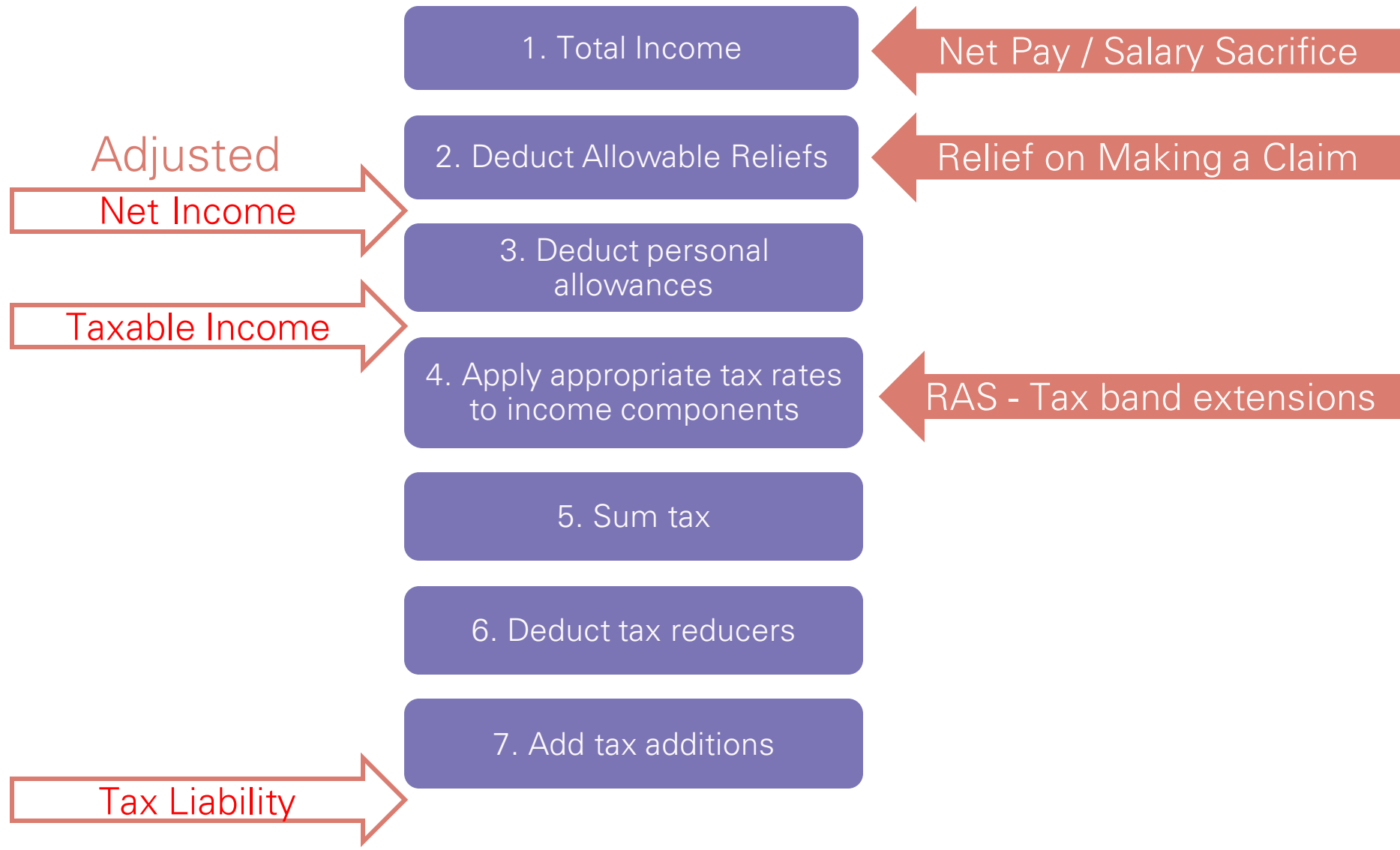
The above is based on our understanding of current taxation, legislation and HM Revenue & Customs practice all of which is subject to change without notice. Every care has been taken as to its accuracy, but it must be appreciated that neither M&G nor its representatives can accept any responsibility for loss, however caused, suffered by any person who has acted or refrained from acting as a result of material contained in this calculator.

Please note that the tool uses Category A National Insurance. Any employment allowance which may be available is not taken into account. The employment allowance is not available for sole owner/directors.

If you have any questions on using this tool, please contact your Account Manager.

Tax legislation states that that the personal allowance may be deducted in the way which will result in the greatest reduction in the taxpayer's liability to income tax. The calculator however proceeds on the basis that it is offset firstly against non-savings income, then savings income and then dividend income. In particular circumstances, a different order may produce a more beneficial result for the individual.

UK income tax computation



Tax Relief v Annual Allowance

Tax relief

Individual / 3rd party Contributions

Tax Years

100% of relevant earnings or £3,600 if higher

Pension Input Amounts

Pension Input Periods

Various limits!

Annual allowance

Case study - Roy

Rob is in a Defined Benefit scheme offering 1/60ths accrual:

- he'd had 10 years service at the end of last tax year and a salary of £60,000
- his salary this year is £70,000 as he got promoted wef 6th April.
- his scheme is non-contributory but his employer's estimated to pay £10,000 in
- he pays 5%, so £3,500 by the end of this tax year into his employers AVC
- he's only 45 so hasn't taken any benefits

How much can Roy pay in and receive tax relief?

Relevant earnings less individual contributions paid

£70,000 less £3,500

£66,500

What about
annual
allowance?

Case study - Roy

How much annual allowance does Roy have available?

Annual Allowance Usage

Increase in value of defined
benefit scheme



Gross sum of all contributions to
money purchase pension schemes

Defined Benefit Pension input amount tool

built by M&G

Option 1

Where you know the salary, accrual and service details

PIP ending in: CPI: %

Benefit basis:

Duration of service: Year, Months, Days

Option 2

Where you know the pension and cash entitlements

Start of pension input period



Pensionable salary	£ 60000
Pensionable service	10.00
Pension	£ 10000.00
Cash in addition	£ 0.00

End of pension input period

Pensionable salary	£ 70000
Pensionable service	11.00
Pension	£ 12833.33
Cash in addition	£ 0.00

[Reset to defaults](#) [View results](#)

Pension input amount

Closing value	 Pension at end x 16*	£205,333.33 = (£12833.33 x 16) + £0.00
Less Opening value	 Pension at start x 16* x CPI	£176,160.00 = ((£10000.00 x 16) + £0.00) uprated by CPI @ 10.1%
Estimated pension input amount		£29,173.33

*plus any PCLS accrued

Case study - Roy

How much annual allowance does Roy have available?

Annual Allowance Usage

Increase in value of defined
benefit scheme



Gross sum of all contributions to
money purchase pension schemes

£29,173 plus £3,500

£32,673

Available AA 2023/24 £27,327

Case study - Roy

How much can Roy
pay in and receive
tax relief?

£66,500

Excess reclaimable

How much annual
allowance does Roy
have available?

£27,327

Excess NOT reclaimable

Carry Forward

5 things *you need* to know

1

Eligibility
based ONLY
on scheme
membership

2

Must use current
years first then go
back 3 years and
work forward

3

Use it or lose it

4

Can't use with
MPAA

5

It's pointless without
contributions
capability!

Annual Allowance Calculator

built by M&G

Tax Year 2023/24

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

2013/14

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

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	£	32,637.00

Tapered Annual Allowance Details

£	-
£	-
£	-
£	-
£	-
£	-
£	-
£	-
£	-

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

Summary Information for 2023 / 24

	Existing Inputs
Annual Allowance	£60,000
Total Inputs	£32,637
Unused allowance from this year	£27,363

Carry Forward available from:

2020/21	£40,000	
2021/22	£40,000	
2022/23	£40,000	£120,000

Chargeable Amount £0

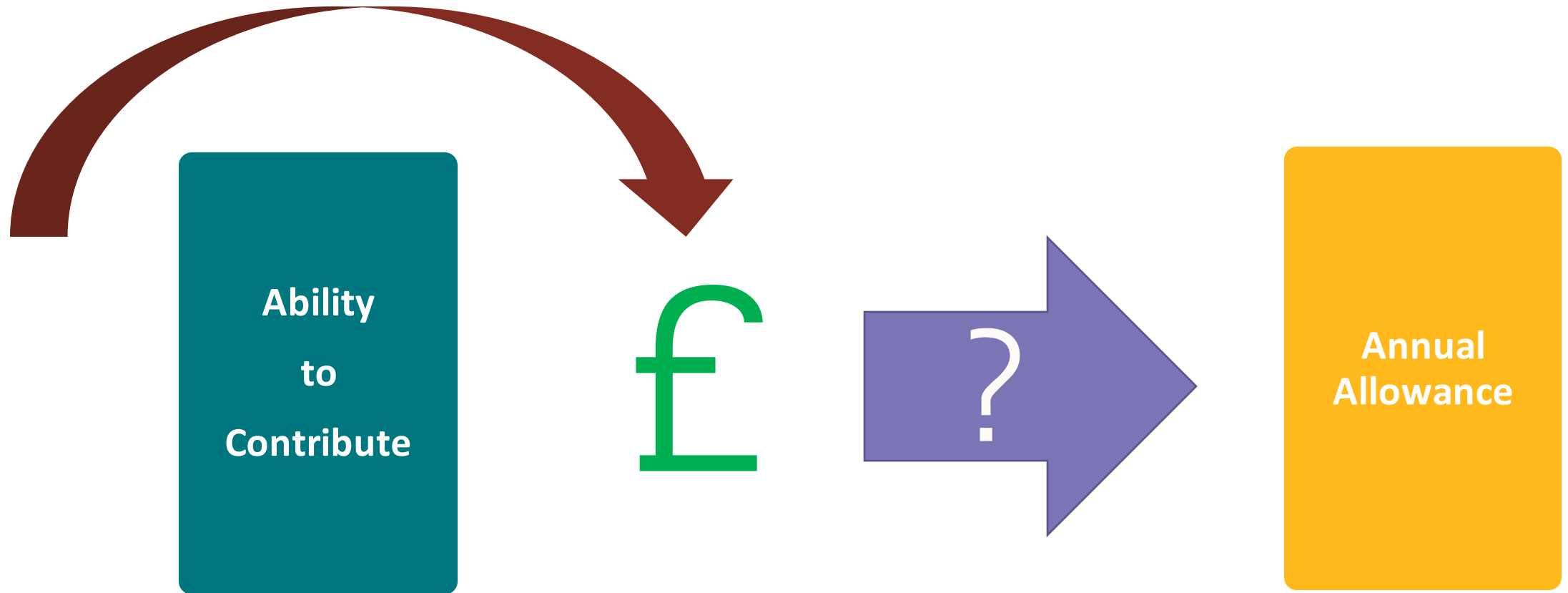
See Carry Forward Workings for full calculations

This calculator is designed to give a general demonstration of how a client's pension contributions can determine any unused Annual Allowance; the client may be able to 'carry forward' unused allowance from the last three years to increase their limit for the current tax year. The Annual Allowance calculator takes in the details of the client's previous and expected contributions to their pension arrangements. It then works out if the client could be subject to an Annual Allowance charge; the amount of unused Annual Allowance including any carry forward opportunities.

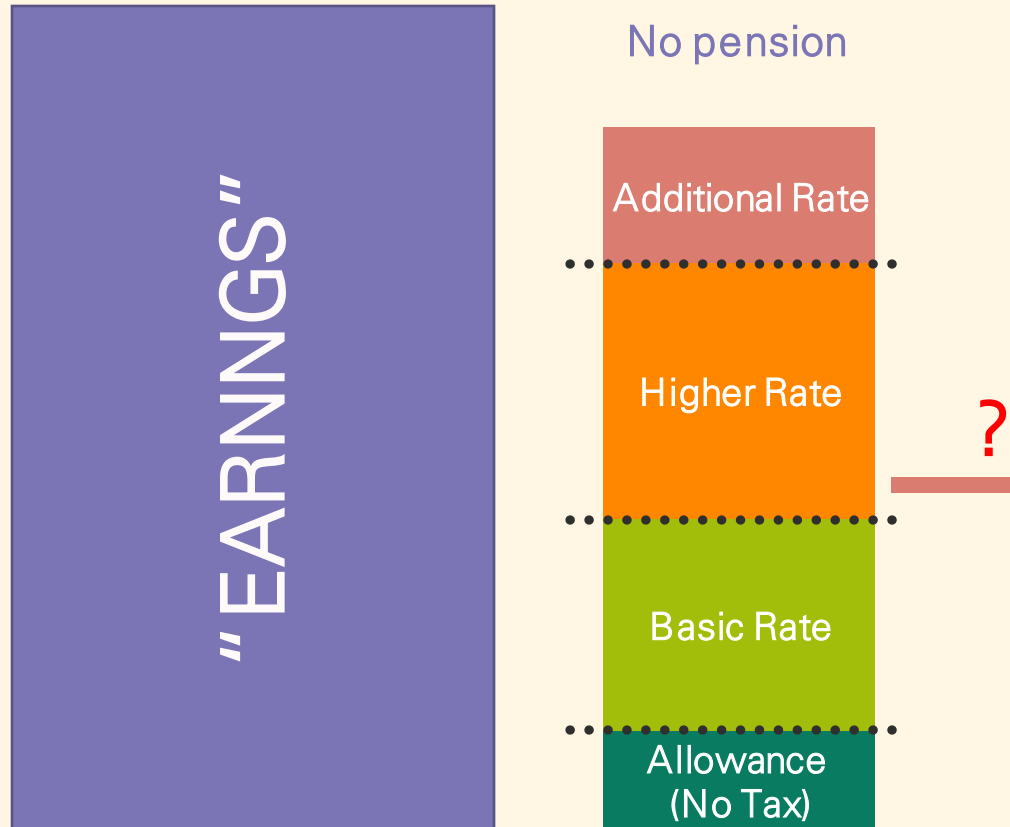
It does not take into account all the possible individual circumstances that may impact on the tax position of the investment. It should not be taken as offering advice or any recommendation.

The default values presented on the tool, do not suggest any recommendation from M&G. The information in this modeller is based on our understanding as at March 2023 of current taxation, legislation and HM Revenue & Customs practice all of which is subject to change without notice.

One before the other



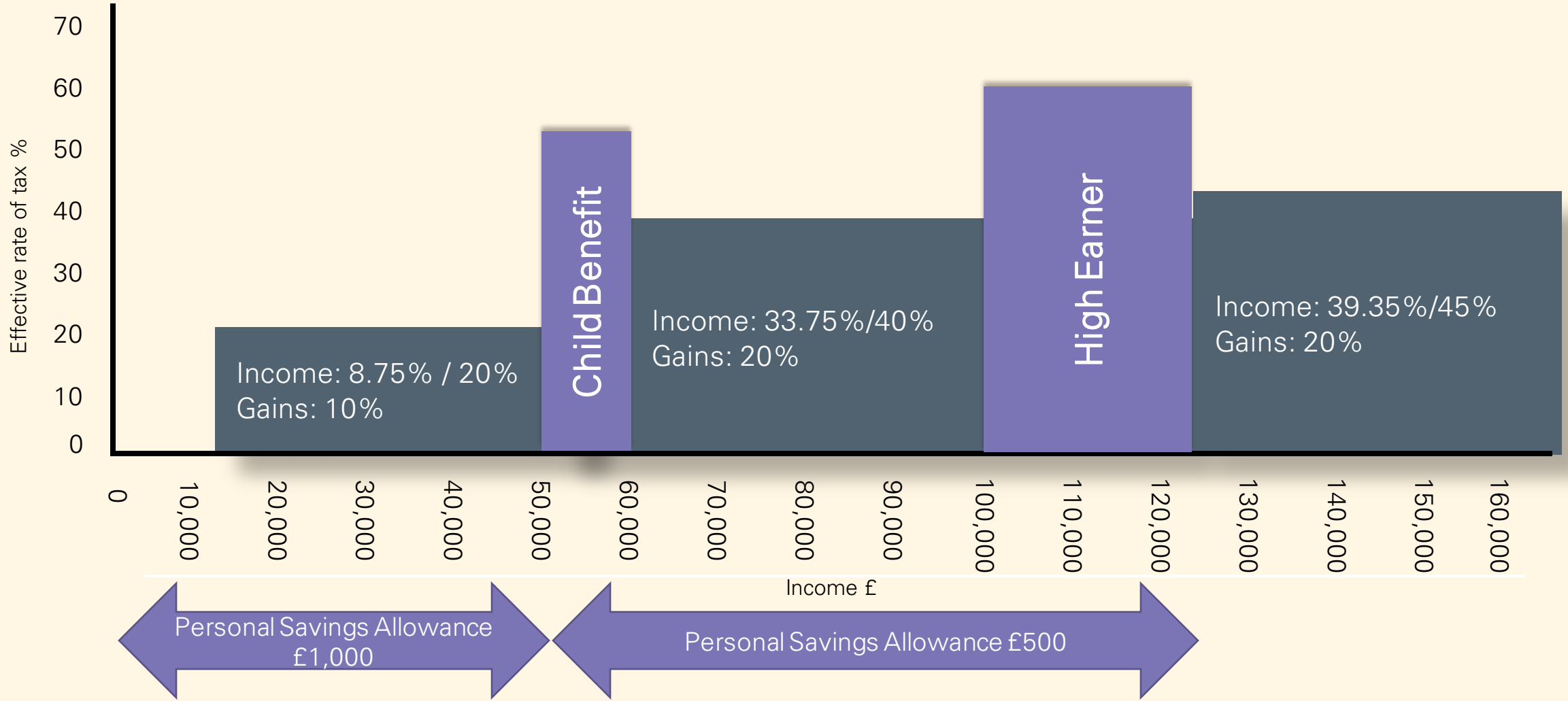
How personal pension tax relief works



“Step 2.5” Adjusted Net Income

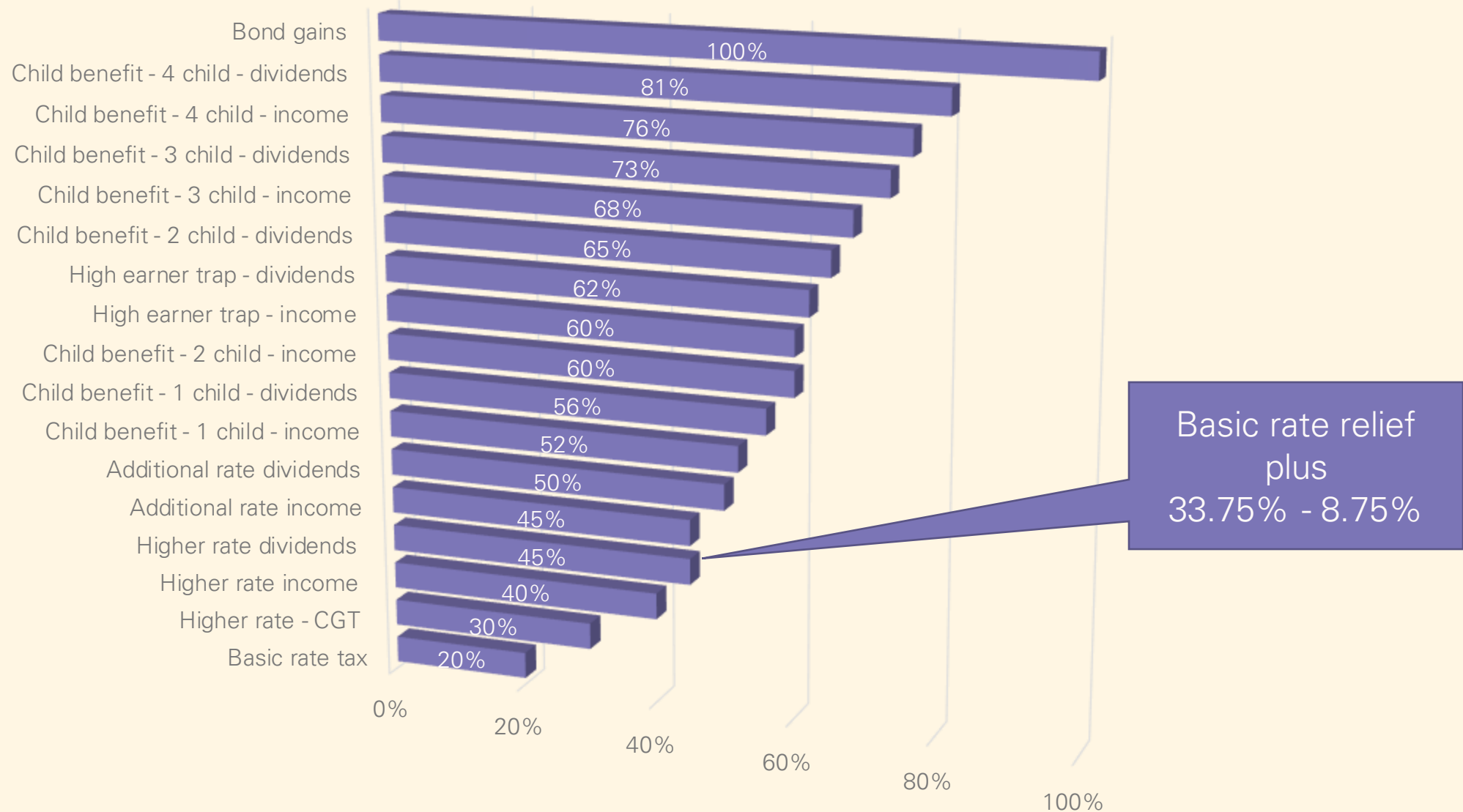
Adjusted Net Income
Net Income
<u>Less</u> Relief at Source
<u>Less</u> Gift Aid Payments
<u>Add</u> Tax relief for certain union payments
<u>Add</u> Tax relief for certain police payments
Adjusted Net Income

UK Income Tax Landscape

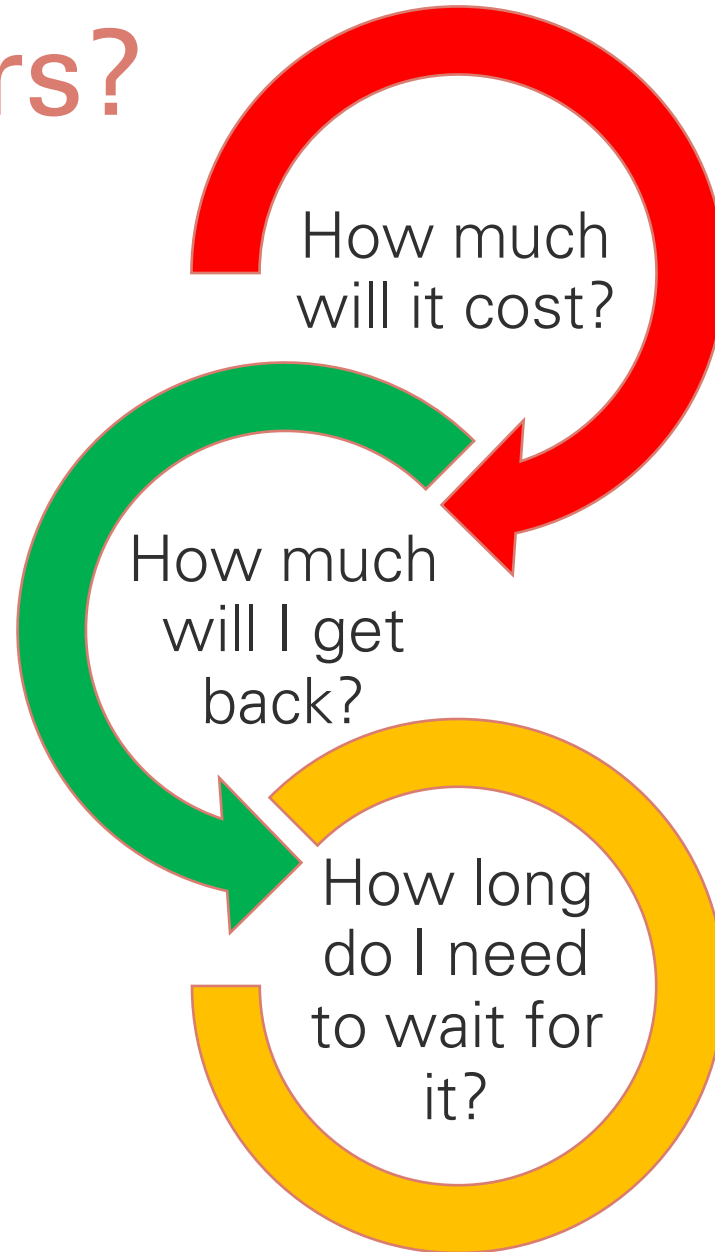


The full amount of bond gains and interest and dividends are included at Step 1 of the UK income tax computation.

Tax Relief – Effective rates



What matters?



Free
return?

Tax Status		Questions			Return Over	
Entry (tax relief)	Exit (tax on balance after PCLS)	How much did i spend?	How much did i get back	What's the return?	5 years	10 years
20%	0%	£80.00	£100.00	25.00%	4.56%	2.26%
20%	20%	£80.00	£85.00	6.25%	1.22%	0.61%
30%	0%	£70.00	£100.00	42.86%	7.39%	3.63%
30%	20%	£70.00	£85.00	21.43%	3.96%	1.96%
40%	0%	£60.00	£100.00	66.67%	10.76%	5.24%
40%	20%	£60.00	£85.00	41.67%	7.21%	3.54%
40%	40%	£60.00	£70.00	16.67%	3.15%	1.55%
45%	20%	£55.00	£85.00	54.55%	9.10%	4.45%
45%	40%	£55.00	£70.00	27.27%	4.94%	2.44%
45%	45%	£55.00	£66.00	20.45%	3.79%	1.88%
60%	20%	£40.00	£85.00	112.50%	16.27%	7.83%
60%	40%	£40.00	£70.00	75.00%	11.84%	5.76%
60%	45%	£40.00	£66.25	65.63%	10.62%	5.18%
70%	20%	£30.00	£85.00	183.33%	23.16%	10.98%
70%	40%	£30.00	£70.00	133.33%	18.47%	8.84%
70%	45%	£30.00	£66.25	120.83%	17.17%	8.24%

Tax Relief Modeller Tool

built by M&G

ABOUT YOUR CLIENT

What is the client's age?	<input type="text" value="Under 75"/>
Scottish Tax Payer?	<input type="text" value="No"/>
Number of Children	<input type="text"/>
Gift Aid (Gross amt)	<input type="text"/>

CHARGEABLE EVENTS - BOND GAINS

Onshore Gain 1	<input type="text" value="250,000"/>	Years Gain 1 (N)	<input type="text" value="37"/>	Slice 1	<input type="text" value="6,757"/>
Onshore Gain 2	<input type="text"/>	Years Gain 2 (N)	<input type="text"/>	Slice 2	<input type="text"/>
Onshore Gain 3	<input type="text"/>	Years Gain 3 (N)	<input type="text"/>	Slice 3	<input type="text"/>
Onshore Gain 4	<input type="text"/>	Years Gain 4 (N)	<input type="text"/>	Slice 4	<input type="text"/>
Offshore Gain 1	<input type="text"/>	Years Gain 1 (N)	<input type="text"/>	Slice 1	<input type="text"/>
Offshore Gain 2	<input type="text"/>	Years Gain 2 (N)	<input type="text"/>	Slice 2	<input type="text"/>
Offshore Gain 3	<input type="text"/>	Years Gain 3 (N)	<input type="text"/>	Slice 3	<input type="text"/>
Offshore Gain 4	<input type="text"/>	Years Gain 4 (N)	<input type="text"/>	Slice 4	<input type="text"/>

INCOME SOURCES

Employment Income	<input type="text"/>
Benefits in Kind	<input type="text"/>
Taxable Self Employed Profits	<input type="text"/>
UFPLS (taxable element)	<input type="text"/>
Drawdown / Annuity Income	<input type="text"/>
State Pension Income	<input type="text" value="8,000"/>
Purchased Life Annuity Income	<input type="text"/>

Gross Savings Interest	<input type="text"/>
Dividends	<input type="text"/>
Taxable Capital Gains (10%/20%)	<input type="text"/>
Taxable Capital Gains (18%/28%)	<input type="text"/>
Taxable Redundancy Payment	<input type="text"/>
Rental Income - Relevant	<input type="text"/>
Rental Income - Not relevant	<input type="text" value="38,000"/>

EXISTING PENSION CONTRIBUTIONS

Relief at Source (Net Amount)	<input type="text"/>
Contributions paid gross	<input type="text"/>

NEW PENSION CONTRIBUTIONS

Relief at Source (Net Amount)	<input type="text" value="2,880"/>
Contributions paid gross	<input type="text"/>

R
E
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T

BEFORE NEW CONTRIBUTIONS

"Total Income"	£296,000
Adjusted Net Income	£296,000
Personal Allowance	£0
Personal Savings Allowance	£0
Child Benefit Charge	£0
Capital Gains Tax	£0
Tax Liability	£29,262
Bond Gains Summary	
Tax on gains	£107,300
Onshore Tax Credit	£50,000
Top slicing relief	£38,898
Liability	£18,402
"Bank Balance"	£266,738

AFTER NEW CONTRIBUTIONS

"Total Income"	£296,000
Adjusted Net Income	£292,400
Personal Allowance	£0
Personal Savings Allowance	£0
Child Benefit Charge	£0
Capital Gains Tax	£0
Tax Liability	£10,140
Bond Gains Summary	
Tax on gains	£107,120
Onshore Tax Credit	£50,000
Top slicing relief	£57,120
Liability	£0
"Bank Balance"	£282,980

DIFFERENCE

"Total Income"	£0
Adjusted Net Income	-£3,600
Personal Allowance	£0
Personal Savings Allowance	£0
Child Benefit Charge	£0
Capital Gains Tax	£0
Tax Liability	-£19,122
Bond Gains Summary	
Tax on gains	£180
Onshore Tax Credit	£0
Top slicing relief	£18,222
Liability	-£18,402
"Bank Balance"	£16,242

PENSION SUMMARY

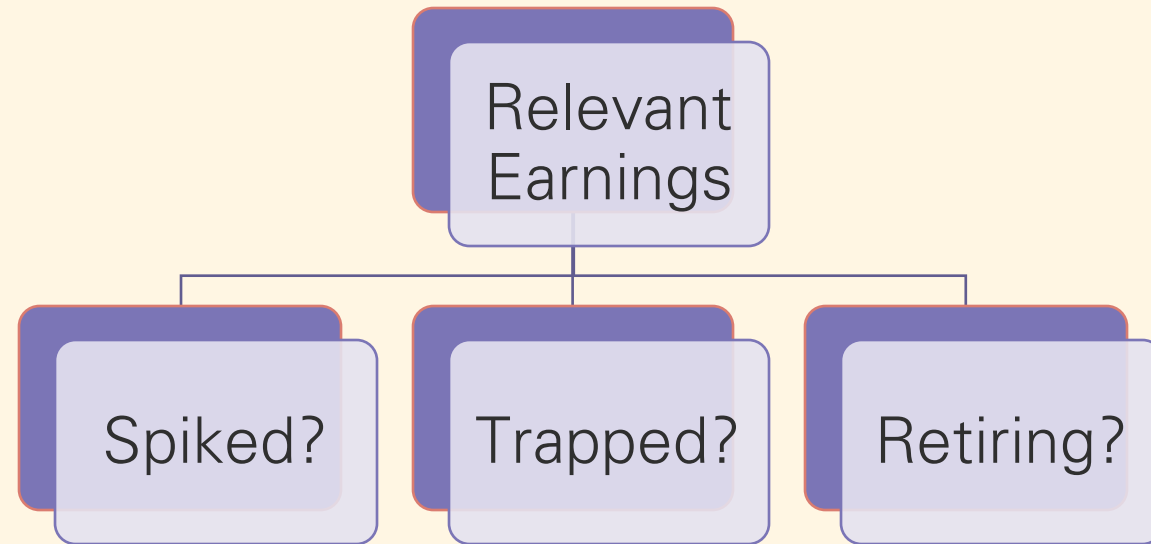
Relevant Earnings	£0
Contributions: Existing	£0
New	£3,600
Total	£3,600

**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.

Relevant Planning



Learning Objectives

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

Explain the operation of pension tax relief

Describe the interaction of annual allowance with pension tax relief

Identify clients who could benefit from better than marginal rate tax relief

Describe the operation of the key Capital Gains Tax and IHT allowances

Support



Articles



Videos



Tools &
Calculators



Ask the Techs

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My View

Thanks for your time

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





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