



Gravita's Year End Tax Planner 2023-24

A summary of the main tax reliefs and allowances that are available for the current 2023-24 tax year for individuals.



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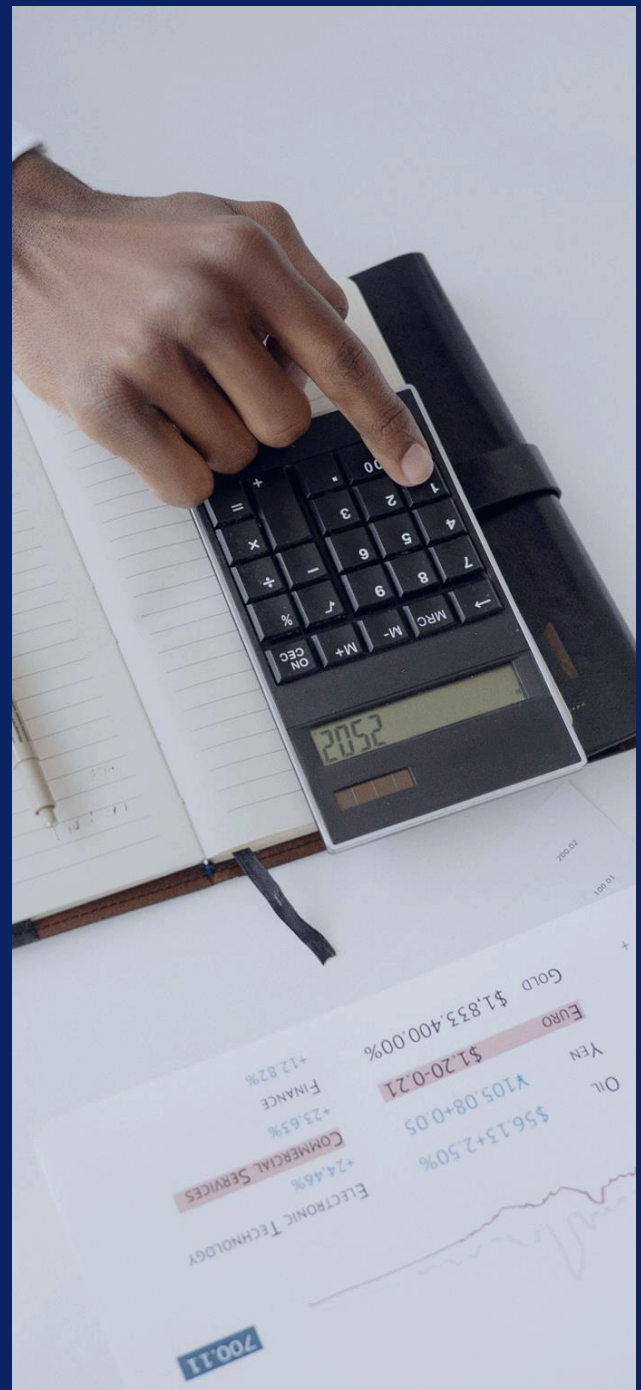
Introduction

Please take a moment to read our Year End Tax Planner for the 2023-24 tax year.

We have included summaries of the main tax reliefs and allowances that are available for the current 2023-24 tax year, together with planning points for you to consider.

Contact us today

If you have any questions, please do not hesitate to get in touch at hello@gravita.com.



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About Gravita

Gravita is a long-established Top 30 accountancy practice with 36 partners and over 400 staff.

Our approach at Gravita is to understand what matters to our clients and to tailor our services so that we can provide you with all the assistance you need, at the right time.

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Personal Income Tax

Allowances

Personal allowance

- £12,570.
- Progressively withdrawn by £1 for every £2 of income above £100,000, which gives an effective 60% rate of tax for income between £100,000 and £125,140.
- Marriage allowance. Where the personal allowance is unutilised, up to £1,260 can be transferred to your spouse or civil partner (provided they are a basic rate taxpayer).
- Forfeited for non-domiciled individuals claiming the remittance basis.

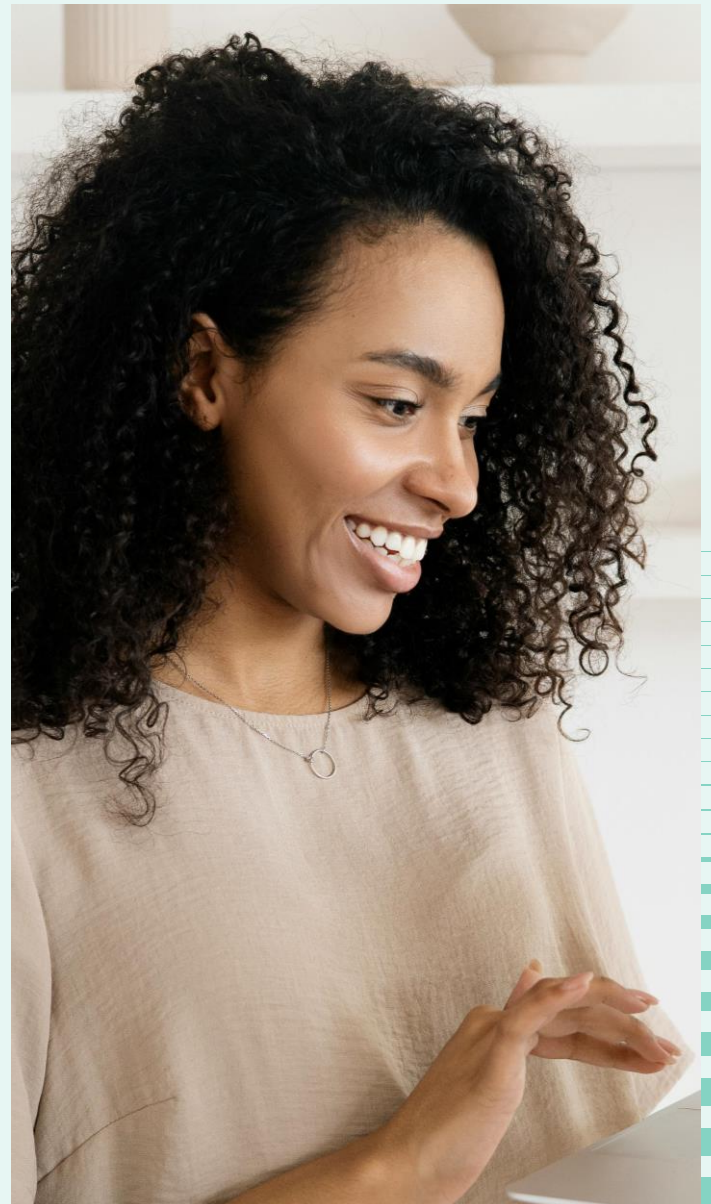
Personal savings allowance

Tax free savings (interest) of up to:

- £1,000 for a basic rate taxpayer.
- £500 for a higher rate taxpayer.
- No relief for additional-rate taxpayers.

Dividend allowance

- The first £1,000 of dividend income is taxed at 0%.



Personal Income Tax

Income tax rates – 2023 – 24

For England, Wales and Northern Ireland			
Tax rate	Savings and non-savings income	Dividends	Income bands after the personal allowance
Personal allowance	0%	0%	£12,570
Basic	20%	8.75%	£12,571 to £50,270
Higher	40%	33.75%	£50,271 to £125,140
Additional	45%	39.35%	Over £125,140

For Scotland		
Tax rate	Savings and non-savings income	Income bands after the personal allowance
Personal allowance	0%	£12,570
Starter	19%	£12,571 to £14,732
Basic	20%	£14,733 to £25,688
Intermediate	21%	£25,689 to £43,662
Higher	42%	£43,663 to £125,140
Top rate	47%	Over £125,140



Personal Income Tax

The new tax year – 2024 – 25

Dividend allowance

- The first £500 of dividend income is taxed at 0%.

Income tax rates – 2024-25

For England, Wales and Northern Ireland

Tax rate	Savings and non-savings income	Dividends	Income bands after the personal allowance
Personal allowance	0%	0%	£12,570
Basic	20%	8.75%	£12,571 to £50,270
Higher	40%	33.75%	£50,271 to £125,140
Additional	45%	39.35%	Over £125,140

For Scotland

Tax rate	Savings and non-savings income	Income bands after the personal allowance
Personal allowance	0%	£12,570
Starter	19%	£12,571 to £14,876
Basic	20%	£14,877 to £26,561
Intermediate	21%	£26,562 to £43,662
Higher	42%	£43,663 to £75,000
Advanced	45%	£75,001 to £125,140
Top rate	48%	Over £125,140



GRAVITA PLANNING POINTS

- If your income is below £12,570, and your spouse or civil partner is a basic rate taxpayer, make use of the marriage allowance.
- From 6 April 2024, the dividend allowance will reduce to £500 (from £1,000), and if possible, income should be brought forward before 6 April 2024.
- If your income is likely to be just above £50,000 (high income child benefit charge), £100,000 (tapering of the personal allowance) or £125,140 (additional rate threshold), thought should be given to increasing pension contributions, gift aid donations, or if possible, passing income to a lower income spouse.
- If you have a room spare in your home, you could let it out and receive up to £7,500 tax free rental income under the rent-a-room relief scheme.

Individual Savings Accounts (ISA)



- £20,000 annual allowance.
- Income and capital growth within the ISA wrapper are tax free.
- The value of the ISA forms part of your estate for Inheritance Tax purposes.
- Junior ISA. Save up to £9,000 per year for your (under 18) children / grandchildren.
- Lifetime ISA (part of the £20,000 ISA allowance). Save up to £4,000 per year and receive a government bonus of up to £1,000. Restricted to investors aged between 18 and 40, and funds must be used for purchase of first home or retirement.
- Help to Buy ISA. Still open for existing members who can save up to £200 per month towards a deposit on first home. 25% government bonus of up to £3,000.



GRAVITA PLANNING POINTS

- Use it or lose it, top up your ISA before 6 April 2024 as any unused allowance cannot be carried forward.
- Make use of your spouse or civil partner's ISA allowance if you've fully utilised your own allowance.

Gift Aid

- Higher and additional rate taxpayers claim tax relief of 20% and 25% respectively on the gross value of their charitable donation.
- The charity claims the basic rate tax back on the gift.
- There is no cap on the amount of the donation under the gift aid scheme.



GRAVITA PLANNING POINTS

- Make sure that you will pay enough UK tax in the year to cover the basic-rate tax that the charity will claim back, as otherwise HMRC will raise an assessment on you to claw it back.
- In addition to cash, shares and property can be donated to charity under the scheme. In addition to the income tax relief, the donation will be exempt from both CGT and Inheritance Tax.
- At the time of the donation, it is important that you request and complete a Gift Aid declaration (keep a copy) so that both you and the charity can claim the tax relief due.
- The donation can be carried back to the previous tax year, which will be beneficial if you were either paying a higher rate of tax in the earlier year, or the donation is substantial, and you want to accelerate the tax relief. The claim must be made in your tax return.
- Non-domiciled individuals who claim the remittance basis can make a qualifying donation from their unremitted foreign income and claim relief against their UK income.



Pension Contributions

- Pension contributions attract tax relief at your top rate of tax.
- Growth within the pension fund is tax free.
- For most, provided that you have sufficient earnings to cover the contribution, there is an annual allowance of £60,000. If your income exceeds £260,000, the £60,000 annual allowance is tapered down by £1 for every £2 of income over £260,000, down to a minimum contribution of £10,000 (i.e. where income exceeds £360,000).
- Provided that you had a pension fund in existence, any unused annual allowances from the previous three tax years can be carried forward and added to your current tax year allowance and receive tax relief.
- The Lifetime Allowance (LTA) will remain at £1,073,100 (this will be abolished from 6 April 2024). However, the Lifetime Allowance Charge (LTAC) which previously arised when the LTA is exceeded has been abolished for the 2023-24 tax year. For lump sum payments that would have been subject to the 55% charge, the charge has been abolished and instead the excess lump sum will be subject to Income Tax on the recipient.
- The pension can be accessed at 55 (rising to 57 from 6 April 2028), and up to 25% can be drawn tax free.

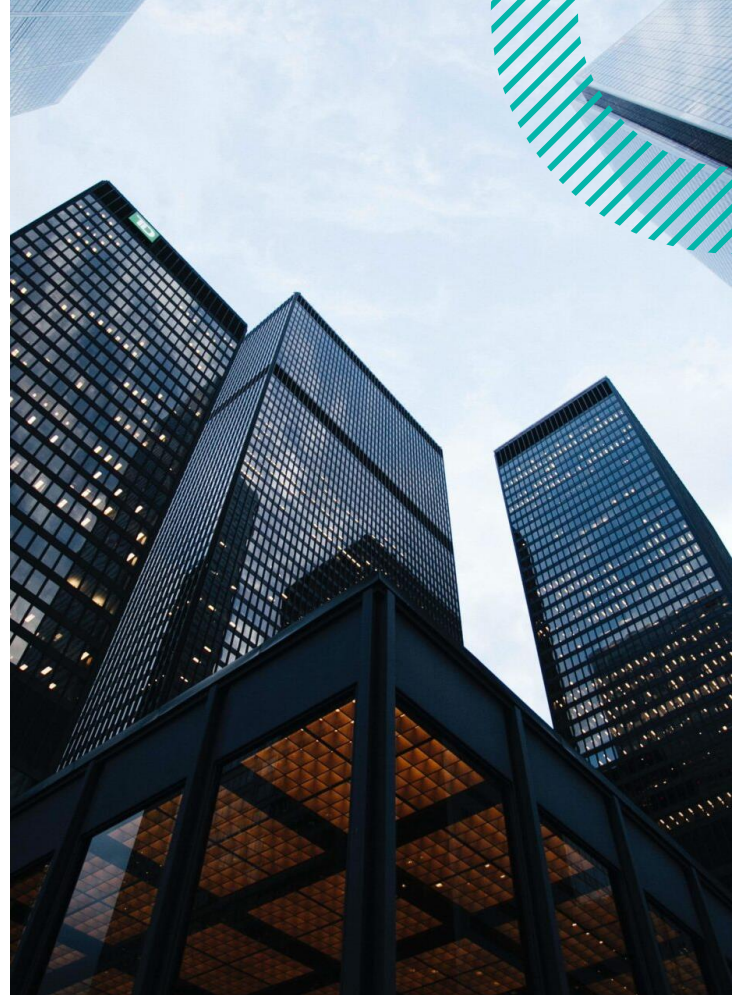


GRAVITA PLANNING POINTS

- Before 5 April, review your pension contributions and top up as necessary. This is especially relevant if your income is likely to be just above £50,000 (high income child benefit charge), £100,000 (tapering of the personal allowance) or £125,140 (additional rate threshold).
- Don't forget any unused annual allowances from the previous three tax years.
- For high earners, be aware of the tapered annual allowance and do not exceed as otherwise HMRC will tax the excess contribution.
- For those with no earnings, but who have savings, consider contributing £2,880 into a pension fund, and receive basic rate tax relief of £720, giving a gross contribution of £3,600.
- A grandparent might want to contribute up to £2,880 into a pension fund for their grandchild. The contribution will be grossed up to £3,600 (i.e. the government will give basic rate tax relief of £720), and if the contributions continue for a number of years, by the time the child reaches retirement age they may have a substantial pension fund.
- Although the pension fund can be accessed at 55 (rising to 57 from 6 April 2028), consider your long-term financial requirements and the tax implications of drawing down the funds. Always take financial advice.
- Make sure the trustees of the pension fund are aware of your wishes should you pass.
- Your pension fund isn't normally part of your taxable estate for IHT purposes, and if you have enough savings to support your lifestyle, then consider not drawing from your pension and passing it on upon your death IHT free.

Capital Gains Tax (CGT)

- CGT annual exemption is £6,000 (for individuals) and £3,000 (for trusts).
- The CGT annual exemption (along with the personal allowance) is forfeited by those claiming the remittance basis.
- Spouses and civil partners can transfer assets between themselves free of CGT.
- Disposals of UK residential property must be reported to HMRC, and CGT paid, within 60 days of completion of contracts.
- Non-resident landlords (both individual and corporate) should be aware that disposals of UK property will be liable to CGT.
- UK resident but non-domiciled individuals should be aware that offshore capital losses will not be allowable unless they make an election when they first claim the remittance basis.
- Business Asset Disposal Relief (BADR) can reduce the rate of CGT due on disposal of qualifying assets and all or part of your business from 20% to 10%. The trading business must have been owned, either as a sole trader or in a business partnership, for the last two years. An employee's shares or securities in a trading company may also qualify. The shares must have been held for two years, with at least 5% of the share capital, voting rights, and assets on winding up, being held.
- BADR is also available for Enterprise Management Incentive (EMI) shares acquired on the exercise of an EMI option. The company should not be the individual's personal company and there is no need for the 5% test to be met. There is no need for the individual to have owned the shares for two years, just that the option was granted at least two years before the disposal.
- There is a BADR lifetime limit of £1,000,000.



Capital Gains Tax (CGT)

CGT rates

Detail	Rate	Notes
Non-residential property or carried interest gains	10%	For gains within the unused basic rate band
Non-residential property or carried interest gains	20%	For gains above the basic rate band
Gains from residential property or carried interest	18%	For gains within the unused basic rate band
Gains from residential property or carried interest	28%	For gains above the basic rate band
Where Business Asset Disposal Relief applies	10%	Subject to a lifetime limit of £1,000,000
Where Investors' Relief applies	10%	Subject to a lifetime limit of £10,000,000

The new tax year

The CGT Annual Exemption will be reduced to £3,000 (for individuals) and £1,500 (for trusts).



GRAVITA PLANNING POINTS

- If you are planning on selling an asset, think about putting it into joint names with your spouse / civil partner and utilise their CGT annual exemption / any capital losses.
- If possible, take advantage of the higher CGT annual exemption of £6,000 for the current tax year as it will reduce to £3,000 on 6 April 2024.
- Are any of your shares currently of negligible value? If so, a claim can be made to crystallise the capital loss which can then be set against any capital gains.
- If you have sold a business asset, then it may be possible to roll over the gain into a replacement business asset.
- If you are planning on selling your business, or shares in your business, make sure that you have considered the BADR rules, especially if you intend to transfer shares or part of the business to your spouse / civil partner to utilise their BADR entitlement.



Inheritance Tax (IHT)



- IHT is normally due at 40% on the balance of the individual's estate, together with any gifts made in the seven previous years, that exceeds the nil rate band (NRB) of £325,00.
- An additional exempt amount, the residence nil rate band (RNRB) of £175,000, is available if the family home (or share thereof) is left to the deceased's direct descendants.
- The NRB and RNRB will remain at their current levels until 6 April 2028.
- The RNRB is tapered down by £1 for every £2 of value by which the estate exceeds £2,000,000 (i.e. estates worth more than £2,350,000 lose the benefit of the RNRB).
- The percentage of the unused NRB and RNRB can be transferred from the first spouse / civil partner to die to the surviving spouse / civil partner.
- A UK domiciled (or deemed UK domiciled) individual will be subject to IHT on their worldwide assets, whereas someone who is non-UK domiciled will only be subject to their UK situs assets.
- Transfers of assets between UK domiciled spouses or civil partners and from non-UK domiciled individuals to a spouse or civil partner (regardless of domicile), are made free of IHT.
- Where the donor is UK domiciled and the recipient spouse or civil partner is non-UK domiciled, the spousal exemption is capped at the nil rate band (currently £325,000) and any gifts in excess of this amount may be subject to IHT.



GRAVITA PLANNING POINTS

- Make sure that your Will reflects your wishes (especially if you have recently separated / divorced).
- Think about making lifetime gifts. Provided that you survive seven years from the date of the gift then the value will fall out of your estate for IHT purposes. Don't overlook CGT though which may be due on the gift.
- If there are strings attached to a gift (i.e. you give away your house to your children whilst continuing to live in it) then the value of the asset concerned will continue to be included in your estate for IHT purposes.
- Take advantage of the annual gift exemption of £3,000 (can be carried forward one year to give £6,000), and small gifts allowance of £250 (to any number of recipients).
- If an IHT liability is anticipated, then think about taking out a life insurance written under trust policy to cover the tax. The annual premium could be funded from income if you have surplus income to your requirements.
- If more than 10% of your net estate is left to charity, then the IHT rate will reduce to 36%.
- Business property relief (BPR) exempts or partially exempts certain business assets from IHT.



Self-Assessment Calendar

31 January 2024

- Deadline for filing the online 2022-23 personal, partner and partnership tax returns.
- £100 late filing penalty will be levied even if no tax is due.
- Payment due date for 2022-23 balancing payment and 2023-24 first payment on account.

3 March 2024

- 5% late payment penalty for any outstanding 2022-23 tax.

5 April 2024

- Overpayment relief time limit expires for the 2019-20 tax year.

30 April 2024

- 3-month late filing penalty for outstanding 2022-23 online tax returns (£10 daily penalties for up to 90 days).
- 6-month late filing penalty for outstanding 2022-23 paper tax returns (5% of tax due or £300 if greater).

31 July 2024

- Payment due date for 2023-24 second payment on account.

1 August 2024

- Further 5% late payment penalty for any outstanding 2022-23 tax.

5 October 2024

- Deadline to notify HMRC if you have an Income Tax or CGT liability for 2023-24 and have not been issued with a notice to file a return.

31 October 2024

- Deadline for filing the paper 2023-24 tax returns.
- HMRC will:
 - Calculate the tax due on 31 January 2025.
 - Where the tax due is less than £3,000, collect it through your tax code.
- £100 late filing penalty will be levied even if no tax is due.
- 12-month late filing penalty for outstanding 2022-23 paper tax returns (5% of tax due or £300 if greater).

30 December 2024

- Filing deadline for online 2023-24 tax return if tax of less than £3,000 is to be collected through your tax code.

31 January 2025

- Deadline for filing the online 2023-24 personal, partner and partnership tax returns.
- £100 late filing penalty will be levied even if no tax is due.
- Payment due date for 2023-24 balancing payment and 2024-25 first payment on account.

1 February 2025

- Further 5% late payment penalty for any outstanding 2022-23 tax.



Get in touch

Our team of UK-based experts are here to help with any query, regardless of how complex it may be.

ALDGATE TOWER, LONDON
/ 020 7330 0000
/ hello@gravita.com
/ 2 Leman Street, London E1 8FA

→ www.gravita.com

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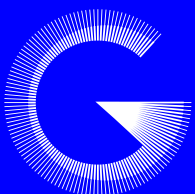
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