Planning for the 2016/17 Tax Year end

There is not long left until the end of 2016/17 tax year, have you ensured that you are not paying unnecessary tax? It is not too late to do some last-minute tax planning to ensure that you legally minimise your tax bill for 2016/17 tax year. Below are some key areas to consider that are applicable to most UK tax payers.

Personal Allowance

The tax-free allowance for the tax year is £11,000, you and your spouse should ensure that were possible this allowance is used in its entirety.
If you are a higher rate tax payer your personal allowance reduces by £1 for every £2 your net income is above £100,000. Therefore by £122,000 your personal allowance is £0. Depending on your own tax circumstances your net income could be reduced by charitable donations that qualify for gift aid or pension contributions.

Company Dividends

Effective from 6th April 2016 the first £5,000 of dividends are taxed at 0% no matter which tax band you fall into. Dividends at basic rate will be taxed at 7.5% (£0 to £32,000), 32.5% at the higher rate (£32,001 to £150,000) and 38.1% at the additional rate (£150,000+).

Pension Contributions

The annual allowance for 2016/17 tax year to make tax-relievable pension contributions is £40,000. If possible you should be using this allowance to the maximum, if you have not fully utilised the allowance in previous periods then it is possible to use the previous 3 years unused allowance in the current tax year.

For higher earners the pension allowance is a little more complicated, potentially the pension annual allowance can be reduced to as little as £10,000 for 2016/17. A reduction will happen if both your adjusted income for the year is in excess of £150,000 and your threshold income is more than £150,000 less the standard allowance for the year, £110,000 (£150,000 less £40,000). The £40,000 allowance is reduced by £1 for every £2 above adjusted income, this can result in the minimum allowance for 2016/17 being £10,000 if your adjusted income is £210,000.

Pension Lifetime Allowance

The total amount of UK pension savings is currently £1 million, any excess of this allowance is subject to a 55% tax charge.

ISAs

For the 2016/17 tax year each person can invest £15,240 into an ISA.

These key areas are not applicable to everyone and are subject to change depending on each tax payer's circumstances.

Alex Reynolds ACA specialises in working with SMEs. If you would like more information, please download our mobile app, contact us directly on 0115 938 8824 or visit our website at www.reynoldsandco.net**.**