



sense

# A GUIDE TO TAX YEAR END

With every tax year, it is important to make sure you are in the best possible financial position to protect and grow your future wealth.

Our latest guide to year-end tax planning provides you with the dates you need to be aware of, as well as details of the allowances and reliefs available, to put you in the strongest financial position.

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## DEADLINES/DATES

The UK tax year spans a 12-month period, starting on April 6th each year and ending on April 5th the following year.

The 2021 tax year therefore runs from April 6th 2021 to April 5th 2022. Here are the other important dates you need to know:

5th October 2021	Deadline to register for self-assessment tax return
31st October 2021	Paper self-assessment tax return deadline (2020/21 tax year tax year)
31st October 2021 (paper tax return) 30th December 2021 (online tax return)	Self-assessment tax return deadline if you owe less than £3,000 (2020/21 tax year)
31st January 2022	Digital self-assessment tax return deadline (2020/21 tax year)
31st January 2022	Deadline for paying tax bill (2020/21 tax year)
5th April 2022	Deadline for claiming tax refund (2016/17 tax year)

## PERSONAL ALLOWANCE: £12,570

The tax-free personal allowance for the 2021/22 tax year is £12,570.

This is the amount you are able to earn before you have to pay any tax. If you live in England, Northern Ireland or Wales, any amount you earn that exceeds £12,570 will be subject to taxation at the following rates:

- 20% basic-rate: £12,571-£50,270
- 40% higher-rate: £50,271-£150,000
- 45% additional-rate: £150,000+

Once you earn over £100,000 you will start to lose your personal allowance.

For every £2 you earn over £100,000, you'll lose £1 of the personal allowance, meaning that income between £100,001 and £125,000 is taxed at an effective top rate of 60%.

## STARTING RATE FOR SAVINGS: £5,000

The more you earn from your other income (non-wage related income), the less your starting rate for savings will be.

At the point your other income is £17,570 or more you become ineligible for the starting rate for savings. Every £1 of other income above your Personal Allowance reduces your starting rate for savings by £1.

## A GUIDE TO TAX YEAR END

### PERSONAL SAVINGS ALLOWANCE: £1,000

Depending on which Income Tax band you are in, you may also get up to £1,000 of interest that you don't need to pay tax on. The £1,000 is 20% of the limit of the interest received from savings, which is £5,000.

You can earn up to £17,570 a year in 2021-22 (as long as your personal allowance is the standard £12,570) and usually still be eligible for the starting rate for savings.

Income Tax band	Personal Savings Allowance
Basic rate	£1,000
Higher rate	£500
Additional rate	£0

### DIVIDEND ALLOWANCE: £2,000

If you earn dividends as part of your income, you will only be taxed when those you draw exceed £2,000 in the same tax year. Dividends beyond this amount will be taxed at the following rates:

- Basic rate taxpayers: 7.5%
- Higher-rate taxpayers: 32.5%
- Additional rate taxpayers: 38.1%

### CAPITAL GAINS ALLOWANCE: £12,300

This is the amount of profit you can earn from selling high-value personal goods before having to pay tax. Assets jointly owned with a spouse can use the allowances of both individuals, so you can essentially pool your allowances for a total of £24,600 tax free capital gains.

CGT only taxes gains on investments, not the total value of your holding. It applies to most investments held, but not ISAs or SIPPs.

### GENERAL INVESTMENT ACCOUNT (GIA)

These accounts attract no tax relief, meaning they're exposed to capital gains tax and you'll incur tax on any gain or dividend over your total allowance.

If you do go over the dividend or CGT allowance in a GIA account, you'll have to sort out the tax yourself through an annual self-assessment return.

### STOCKS & SHARES ISA

You can only add a certain amount of money into an ISA each tax year (£20,000 in the 2021/22 tax year). There are also some limits on what assets you can invest in with them, but you can own the vast majority of popular stocks and funds.

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Nearly all the returns you make on ISA investments are tax exempt and don't use up any of your total CGT allowance.

There are a couple of caveats though. Dividends on non-UK stocks are often subject to local taxes. Those are usually taken at source and you won't be able to recoup them, even if you bought the stocks in an ISA.

ISAs also don't exempt you from paying stamp duty on UK stocks, so be aware of the cost that tax incurs on any purchases you make.

**ISA ALLOWANCE :**  
£ 20,000

You can put up to £20,000 in ISAs in 2020-21 whether that is in cash or stocks and shares (or both).

**MARRIAGE ALLOWANCE**  
£ 1,260 :

Married couples may qualify for a £1,260 tax break if one of them earns less than the personal allowance and the other is a basic-rate taxpayer.

This essentially means that the lower-earning party is able to transfer 10% of their personal allowance to the partner that earns more, increasing their personal allowance to £13,830.

**TRADING ALLOWANCE :**  
£ 1,000

Lower value goods, such as those you sell on eBay will not be subject to tax until they reach over £1,000. Sales higher than this need to be declared on your tax return.

**FINALLY...**

It is important that your planning remains up to date and appropriate to both your needs and current allowances/legislation.

Whether you are seeking growth, income or a combination of both, it is important that you seek advice an expert that can review your current position against your objectives and offer advice on anything that may require attention.



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To arrange a no-obligation initial review from one of our financial planners, please contact us at:

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