FINANCIAL GUIDE

A GUIDE TO SAVING TAX IN 2013/14

WHEN YOU'RE NAVIGATING TAXES, YOU NEED TO FIND THE BEST ROUTE

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In more recent years there has been so much focus on personal finances, since the Coalition Government came into power, that it can be easy to forget some of the basics which we can all still benefit from.

Taxation can be a complicated area of personal finance and you can easily miss opportunities to reduce the amount of tax you pay, or save and invest tax-efficiently. Your job, your savings and your family's circumstances can all have an impact on the amount of income tax you pay each year.

Whether investing for capital growth or to produce income, careful planning will not only help you invest in the right assets but will also make sure this is done in a tax-efficient manner.

As taxation rules change it's important to take professional advice to ensure you do not pay more than you have to, so that you can enjoy more money as a family.

INDIVIDUAL SAVINGS ACCOUNTS (ISAS)

This 2013/14 tax year you can invest up to £11,520 in Cash and Stocks & Shares ISAs (the tax year runs from 6 April 2013 to 5 April 2014). You can invest the full amount (up to £11,520) in a Stocks & Shares ISA or up to £5,760 in a Cash ISA with the balance (within your overall limit) in a Stocks & Shares ISA.

There is no capital gains tax and no further income tax to pay within an ISA. If you are married (or in a registered civil partnership), ensure that you both consider using your ISA allowances. Even if one of you is a non-taxpayer it still often makes sense to make use of this spouse's ISA.

JUNIOR ISA

For eligible children, this tax year you can invest up to £3,720 in a Cash or Stocks & Shares Junior ISA (the tax year runs from 6 April 2013 to 5 April 2014). Those children with a Child Trust Fund (born 1 September 2002 to 2 January 2011) are not eligible for a Junior ISA and these accounts can also be topped up to £3,720 a year (a Child Trust Fund year runs from the child's birthday, not the tax year).

BONDS

You have to pay tax on any profits you make on an investment bond, but some bonds let you control when you pay this tax. These bonds are ideal for a range of needs including estate and retirement planning, tax-efficient saving or even if you're planning to move abroad.

PENSIONS

There has been a considerable simplification of the contribution rules in recent years. The Annual Allowance, the upper cap on total contributions that can be made to your pensions in one year and benefit from tax relief, is £50,000 for 2013/14 and will reduce to £40,000 from April 2014.

Personal contributions also have to be within 100 per cent of your relevant UK earnings (broadly, earnings from employment or self-employment) to obtain tax relief. Non-earners can still contribute and benefit from tax relief up to a maximum limit of £3,600 gross per annum. Tax relief on personal contributions is available at the basic rate (20 per cent) for all investors and at the highest marginal rate for higher rate and additional rate taxpayers.

It's important to make the full use of your pension allowance. This is still one of the most tax-efficient ways to save for retirement and the new Annual Allowance and Carry Forward rules are potentially highly beneficial. The ability to Carry Forward the unused Annual Allowance from the last three years potentially enables a significant increase or substantial catch-up of contributions.

Even if you have no earnings or you don't pay tax, anyone under 75 can still invest £2,880 in a pension and the taxman will top up their contribution to £3,600. Building up income in both names may be one of the most tax-efficient ways of generating income in retirement. If you maximise the current personal allowance, the amount of taxable income you're allowed to receive each year tax free is £9,440.

This could mean that married couples can still receive income from pensions, savings and investments of £18,880 a year tax free. Contributions made on behalf of a child also benefit from tax relief. ■

Careful planning will ensure that you save or invest in a tax-efficient manner. We look at your overall position and can recommend the most appropriate solutions to minimise the impact of tax. If you'd like advice about tax-efficient wealth creation, please contact us.

Any tax reliefs referred to are those currently applying, but levels and the bases of, as well as reliefs from, taxation are subject to change. Their value depends on the individual circumstances of the investor. Within an ISA all gains will be free of capital gains tax and a tax credit will be reclaimed on income from fixed interest investments.

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Contact us today

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