T.H. MARCH
CHARTERED FINANCIAL PLANNERS

IT'S A TAX TRAP AND YOU'VE BEEN CAUGHT

It's two or three years ago since Sir Bob was speaking at a conference I attended. I should have got an autograph for my brother, he was a Boomtown Rats fan, but it only occurred to me when I got home. Being close in age to my brother I remember a few of their songs!

Good Financial Planning can help you get out of some of the tax traps. You might need to consider maximising pension contributions now, before the end of the tax year, to reduce your income or to make the most of the opportunities that are available to you.

PENSION TAX TRAP ONE- LIFE TIME ALLOWANCE

The maximum you can have in your pension pots is reducing from the current £1.25M to £1M on the 6th April 2016. You can retain the £1.25M allowance but you'll need to quickly decide if you are going to use **'Fixed Protection'** as you will need to stop all your pension contributions before the start of the new tax year.

Valuing your benefits might not be as easy as you think as you'll have to find out what your current benefit level is under any Final Salary pensions and get fund values for all your Money Purchase pensions. You may also want to negotiate your benefit package with your employer as well as take Accountancy advice in addition to Financial Planning advice.

PENSION TAX TRAP TWO- ANNUAL ALLOWANCE REDUCTION FOR HIGH EARNERS

The Annual Allowance is the amount you can put into a pension each year without paying a tax penalty (to offset the tax relief you get). The allowance is £40,000, but if you have an income over £150,000 it will be reduced by £1 for every £2 of income you earn above the £150,000 until the allowance tapers down to £10,000. That means if your income is £210,000 or above you will have a £10,000 Annual Allowance.

PENSION TAX TRAP THREE- MONEY PURCHASE ANNUAL ALLOWANCE REDUCTION FOR TAKING A PENSION

Over 55 and decide to take one of your pensions, you need to be careful. If you take a pension that isn't covered by the triviality rules or the small (stranded) pots rules and you could reduce your money purchase annual allowance to £10,000.

CHILD BENEFIT TAX TRAP

If either you or your partner have an income over £50,000 (and that does include P11D benefits) and one of you claims Child Benefit then the 'High Earner' will pay a tax charge called the **'High Income Child Benefit Charge'**. The tax charge is 1% of the Child Benefit received for every £100 that the High Earner's individual income is over £50,000. That means with an income of £60,000 or more you will pay a tax charge equal to what you get in Child Benefit.

HMRC Calculator available here https://www.gov.uk/child-benefit-tax-calculator

PERSONAL ALLOWANCE TAX TRAP

Your Personal Allowance reduces by £1 for every £2 that your income is above £100,000. That means that if your income is £121,000 or above your personal allowance is zero.

DO YOU NEED TO FILL IN A TAX RETURN?
You'll need to send a tax return if, in the last tax year:-

- you were self-employed
- you got £2,500 or more in untaxed income, eg from renting out a property or savings and investments - contact the HMRC helpline if it was less than £2,500
- your savings or investment income was £10,000 or more before tax
- you made profits from selling things like shares, a second home or other chargeable assets and need to pay Capital Gains Tax
- you were a company director - unless it was for a non-profit organisation (eg a charity) and you didn't get any pay or benefits, like a company car
- your income (or your partner's) was over £50,000 and one of you claimed Child Benefit
- you had income from abroad that you needed to pay tax on
- you lived abroad and had a UK income
- you got dividends from shares and you're a higher or additional rate taxpayer - but if you don't need to send a return for any other reason, you can contact the helpline instead
- your income was over £100,000
- you were a trustee of a trust or registered pension scheme

Certain other people may need to send a return (eg religious ministers or Lloyd's underwriters) - you can check whether you need to. You usually won't need to send a return if your only income is from your wages or pension.

If you get an email or letter from HM Revenue and Customs (HMRC) telling you to send a return, you must send it - even if you don't have any tax to pay.
https://www.gov.uk/topic/personal-tax/income-tax

TRUSTED FINANCIAL PLANNING

If you need help then get in touch and we can discuss the best way to meet your needs.
http://www.thmarchfinancialplanning.co.uk/

Steven Clemence FPFS
Chartered Financial Planner
tel: 01822 855555
fax: 01822 855566
email: financialplanning@thmarch.co.uk