

Financial Planning for a new tax year

ABOUT EBCAM

EBCam Ltd is a specialist Employee Benefits and Independent Financial Advisory firm focusing on providing comprehensive, engaging and rewarding benefits to companies and their employees, and tailored financial advice to individuals.

We work with employers to design, manage, and support a range of employee benefits to aid in the attraction of new, and retention of existing employees.

We work with individuals to understand their objectives and create a plan to help them meet these.

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EBCam Ltd is authorised and regulated by the Financial Conduct Authority (FCA registration number 921376).

We are at the start of another tax year (2022/23) and all dials are set back to zero in terms of your earnings and annual allowances.

It's a great time to review your finances. With the UK taking tentative steps out of the worldwide pandemic, rising oil and energy prices, a National Insurance increase and inflation expected to exceed 7% this Spring, planning is even more important.

In this article, we've put together some ideas of how you can start the new tax year positively.

Review your finances

Small changes can make a big difference; reviewing your outgoings (for example your home energy bills or phone contract) to see if there are better deals available from alternative providers will likely reduce your outgoings. If you have debts that are charging interest (for example credit cards), look to see if these can be transferred to a 0% interest deal. With the cost of living increasing, what better place to start than looking to see if there are savings to be made.

Revisit your goals

When looking at a financial plan, the first step is to establish what your goals are; what would you like to achieve? Reviewing them each year is key to see whether you are on track to meet these goals or whether they have changed. From there, a plan can be made.

- Have you already achieved some of your goals?
- Has your family situation changed – have you welcomed a new member to your family or, are you now needing to support elderly relatives more financially?
- You may have changed employment which brings with it different financial benefits

Your situation will be constantly evolving and it's important that any financial plans you have in place are able to keep up with this.

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Complete your tax return

If you need to complete a self-assessment tax return, get this done as early as you can. Not only does this mean you don't have to worry about it towards the deadline for completion (31 January 2023 for online tax returns for the 2021/22 tax year), if you are due a refund of tax, the earlier you complete your return, the earlier this refund will be paid (either by a lump sum refund or by a change to your tax code).

If you are a higher- or additional-rate taxpayer whose pension contributions are not paid via salary sacrifice, you must complete a tax return to claim any additional income tax relief due on your contributions, or write to your local tax office to inform them. Basic-rate relief is automatically added to your pension for any personal contributions you make (not via salary sacrifice), so for every £80 you contribute, HMRC will automatically top this up by £20, but if you are due any further relief, this will need to be re-claimed.

Pension contributions

Adding money to your pension helps you save for retirement and can also reduce the amount of income tax you have to pay. If you are making pension contributions via salary sacrifice, this can also help reduce the burden of the National Insurance increase.

If you are a UK resident, under the age of 75, the general rule is you can contribute as much as you earn to pensions each tax year and receive tax relief. This is usually capped at £40,000 however, you may be able to take advantage of unused allowances from previous tax years to contribute more than this (known as the carry forward rule). For high earners, where total income from all sources is above £200,000, a calculation will need to be completed to determine whether you are subject to a Tapered Annual Allowance, a restriction on the amount that could be paid into a pension scheme with tax relief. The minimum that the annual allowance can taper down is £4,000.

ISA allowances

ISAs are a good addition to any financial plan; whilst there is no tax relief up front, once invested, there is no UK income tax or capital gains tax, and you don't need to complete a tax return to declare your investment. Junior ISAs, available to those aged under 18, are a great way to help give children a financial head start. The ISA and Junior ISA allowances remain unchanged at £20,000 and £9,000 respectively.

Cash ISA rates continue to provide low interest rates and, whilst the current volatility in markets can be off-putting, investing into stocks and shares is likely to remain the best option for longer-term savings.

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It makes sense to use your ISA allowance as soon as possible in the tax year; the sooner money is invested into an ISA, the more quickly it gains the tax advantages described above. It also means it has more time to grow tax-efficiently.

Capital Gains Tax

The annual capital gains tax (CGT) allowance will remain at £12,300 for individuals until 2026. Effective and repeated use of your CGT annual exempt amount is a great way to transfer assets into ISAs or pensions to provide a shelter from any future tax liability on income or gains.

You do not normally have to pay CGT on gifts or transfers to a spouse or civil partner which means that couples can have a combined CGT allowance of £24,600 and share assets between them without triggering a CGT bill, further increasing the tax-efficiency of your overall assets.

Inheritance Tax

The Inheritance Tax (IHT) nil-rate band for 2022/23 is unchanged at £325,000. This will be frozen until 2026. The residence nil-rate band remains at £175,000.

A review of the IHT regime remains on the Government's agenda so now may be a good time to review making substantial gifts before the rules are 'simplified' into something less generous. You also have annual gift exemptions to use which can be a very efficient way of moving money away from your estate. It is important to have a good understanding of the IHT gifting rules and potential tax implications before making any gifts.

Please note, all of the above is based on English Law; there have been some changes in relation to Scottish taxpayers which can be found on HMRC's website. Nothing we have written here constitutes financial advice.

- To discuss your financial planning requirements in more detail, get in touch to arrange a meeting with EBCam.

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Past performance is not a reliable guide to future returns. The value of investments can fall as well as rise, and you may get back less than originally invested. EBCam Ltd is authorised and regulated by the Financial Conduct Authority.