



# Personal allowances and reliefs

Generally the personal allowance is £11,000. Non-savings income above the personal allowance is taxed at rates from 20% to 45%.

A higher marginal tax rate may be payable between £100,000 and £122,000 when the personal allowance is gradually withdrawn giving an effective marginal rate of 60% in this band for non-savings and also potentially savings income.

In some cases, you can transfer £1,100 of your personal allowance to your spouse or civil partner.

## Taxation of savings

On 6 April 2016 a tax-free personal savings allowance (PSA) was introduced for savings income (such as interest) paid to individuals.

This means that a basic rate taxpayer is able to receive up to £1,000 of savings income, and higher rate taxpayers can receive up to £500 of savings income, without any tax being due. Tax rates from 20% to 45% apply to savings income above the available PSA. The PSA is not available to any saver with additional rate income.

## Planning

- Is everyone in your family taking full advantage of their personal allowance?
- Are there opportunities to utilise any unused allowances this tax year?
- What can you do to take advantage of marginal tax rates and reduce the slice taxable at a higher rate?
- Would it be possible to consider the advantage of tax-free alternatives instead of a bonus or a salary increase?
- Is your dividend strategy as tax-efficient as it could be?
- Could you take advantage of the rent a room relief which, for individuals, is £7,500?



## ISAs

Individuals who are 18 or over can invest up to £15,240 in an ISA. Growth, income and withdrawals from an ISA are free of income tax and capital gains tax, but the value of an ISA will form part of your estate for inheritance tax purposes.

A Junior ISA of up to £4,080 is available for those who are 17 or under.

ISAs are normally readily accessible (subject to scheme rules).

Help to Buy ISAs allow individuals over the age of 16 who are buying their first home to save up to £200 into an account per month. Buyers can also deposit a lump sum of up to £1,000 when they set up their account.

The money will earn interest and will also qualify for a 25% bonus (up to £3,000) from the government provided the funds are used to buy a first home.

## Planning

- If you don't already have an ISA, should you start one this tax year?
- Should you use the maximum tax-free investment allowance (£15,240 per individual)?



**Contact us to discuss your personal tax planning.**