



## Let's Talk Tax: Maximising your allowances before April 5<sup>th</sup> 2025

We are fast approaching the end of the 2024/25 tax year. It is important to use the available allowances and exemptions to optimise your financial strategy.

In this article I have summarised the key options available, so you don't have to search google, and then waste time reviewing hundreds of different websites:

### ISAs

- **Allowance:** £20,000 per person, per tax year. This is a "use it or lose it" arrangement, i.e. you cannot carry forward unused allowances.
- **Options:** You can spread your £20,000 allowance across cash, stocks and shares, Lifetime ISAs (LISAs), and Innovative ISAs.
- **Junior ISAs:** Under 18's have their own allowance. £9,000 per child, per tax year.
- **Benefits:**
  - Tax-free income and gains.
  - No age restrictions on withdrawals\*.
  - Eligible for a government bonus of up to £1,000 per tax year for LISA contributions.

## Pensions

- **Allowance:** Up to £60,000 per person per year, reduced when you earn over £260,000.
- **Pension 'Carry Forward':** You may be able to use unused allowances from the previous three years if you have already maximised this year's allowance and have the ability to contribute more.

Research yourself or seek advice if you are considering contributing over £60,000.

- **Benefits:**
  - Tax-free income and gains within the pension "wrapper."
  - Tax relief on contributions.
  - Building wealth for your future self.

## Capital Gains Tax (CGT) Exemption

- **Exemption:** £3,000 per person, per tax year.
- **Benefits:** Although modest, using this exemption annually for your non-ISA and pension (did someone say crypto...) investments will help reduce your tax bill over time.

## Gifting

Inheritance tax planning often gets overlooked, but leveraging your annual gifting allowances can make a significant difference:

- **Annual Allowance:** £3,000 per year, per person, with the option to use any unused allowance from the previous tax year.
- **Small Gifts:** Up to £250 per person to as many people as want.
- **Regular Gifts:** Gifts made from *surplus income* are immediately exempt from inheritance tax if done correctly.
- **Wedding Gifts:** Parents can give £5,000 each, grandparents £2,500 each, and others £1,000.
- **Benefits:**
  - Supports family members financially.
  - Reduces potential inheritance tax liability.

## **Venture Capital Trusts (VCTs), Enterprise Investment Schemes (EIS), and Seed Enterprise Investment Schemes (SEIS)**

These high-risk investments, typically for experienced investors, or high earners who have maximized their ISA and pension contributions:

- **Allowances:**
  - VCT: £200,000 per tax year.
  - EIS: £1 million per tax year, potentially up to £2 million in certain circumstances.
  - SEIS: £200,000 per tax year.
- **Benefits:**
  - Income tax relief: 30% for VCT and EIS, 50% for SEIS.
  - Tax-free dividends on VCT investments.
  - Tax-free capital gains: immediate for VCT, after three years for EIS and SEIS.
  - CGT deferral for EIS: reinvest gains to defer tax.
  - CGT reduction for SEIS: 50% exemption on reinvested gains.
  - Inheritance tax planning: EIS and SEIS can be used for IHT mitigation if held for two years.

**Important Note:** EIS, SEIS, and VCT investments carry significant risk and are best suited for those with a high-risk tolerance or who have already maximised other tax-efficient options.

Do not let the tax advantages blur whether the investments are suitable, and sensible. It is advisable to seek professional advice before considering investing.

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This is not personal advice based upon your circumstances

The tax treatment is dependent on individual circumstances and may be subject to change in future.

The value of units can fall as well as rise, and you may not get back all your original investment.

Tax planning is not regulated by the Financial Conduct Authority