important information.

changes to capital gains tax.

What has changed for Capital Gains Tax?

After rumours over the past few years of changes to Capital Gains Tax (CGT), the Chancellor announced in the 2022 Autumn Statement that the CGT annual exempt amount, otherwise known as the 'CGT allowance', was to be more than halved from £12,300 to £6,000 from April 2023, and then halved yet again the following year to just £3,000. Fortunately, there was no indication that CGT rates will be aligned with income tax - although this is still a distinct possibility in the future. But, for now, CGT rates remain at just 10% for basic rate taxpayers and 20% for higher rate taxpayers on most assets (including shares/investment funds). Residential property gains are taxed at 18% and 28% respectively.

Tax bracket	Income range	CGT rate on assets	CGT rate on residential property
Basic rate taxpayer	£12,571 to £50,270	10%	18%
Higher rate taxpayer	£50,271 to £125,140	20%	28%
Additional rate taxpayer	over £125,140	20%	28%

What is the impact of the reduced CGT allowance from April 2024?

In monetary terms, if you have income over the higher rate threshold and gains above the new allowance, you could be paying up to an extra £600 in 2024/25. For basic rate taxpayers, this could be up to £300. And, of course, these amounts may be higher still if the capital gain is from the disposal of residential property.

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make the most of your isa allowance to pay less cgt.

One of the best ways for investors to reduce their CGT liability is to hold your investments within a tax-efficient 'wrapper' such as an ISA.

Investments (or 'assets') within an ISA wrapper are not subject to CGT tax, meaning any increase in value is tax free.

The present ISA allowance is £20,000 and we believe it should be the mainstay of any individual's investment planning strategy for the following reasons:

- Income (interest and dividends) and gains are free of tax.
- There is no need to report ISA returns to HMRC.
- Tax rates, savings and capital gains allowances available today are not guaranteed and may be amended or removed completely in the future.
- Although rates of tax and allowances could change, because ISAs have been so popular, it is unlikely any Government would retrospectively make them taxable.
- Everyone has an ISA allowance, it is not a product, it is simply a tax wrapper.
- Like CGT allowances, if you don't use it, you lose it.

ISAs are very flexible and allow you to hold tax-free; cash, fixed-interest securities (bonds) and shares (UK and globally) i.e. all of the building blocks required to create a truly diversified investment portfolio. So, if you can shelter your savings from the taxman, why not take advantage?

If you hold investments which would potentially be subject to capital gains tax and wish to consider your options, as well as how to use this and/or next tax year's ISA allowance, please contact us immediately to discuss your circumstances and requirements.

here to help.

Make the most of your 2023/24 ISA ALLOWANCE!

As mentioned, the capital gains and dividends tax allowances are changing from April 2024:

- The capital gains tax allowance will reduce from £6,000 to £3,000 from April 2024.
- The annual allowance for dividends will halve from £1,000 to £500 from April 2024.

This is why making use of your ISA allowance becomes more important than ever, as these cuts will drag more people into paying tax on their investment returns.

The 2023/24 Tax Year ends on 5th April 2024, therefore utilising your annual ISA allowance and/or CGT allowance needs to be completed by then. Even if you have utilised your 2023/24 ISA allowance it may be worth checking your CGT position to see if it is appropriate to makes sales this year and then fund your 2024/25 ISA allowance after 6th April.

Disposals for CGT purposes are complex (some technical information is provided below) but we are here to help! Therefore, before you take any action, please contact our Wealth Services team on **0800 028 3200** who will make arrangements for an Adviser to provide you with advice appropriate for your situation.

KEY DATES
Deadlines for ISA applications are:
Contributions via new money:
Thursday 21 March 2024
Contributions via internal redirection:
Monday 11 March 2024

When making disposals, there are some factors to consider:

Previous disposals
Gains (or losses) may have already been made when rebalancing your portfolio or making disposals for other reasons, and these must be considered before making further disposals.

Losses
Where losses have been made in the current tax year, these must be set against any gains before applying the CGT allowance. For example, if you have gains of £10,000 and losses of £7,000 in the same tax year, £3,000 of the CGT allowance will be used (£6,000 - £3,000).

Example

£10,000 (Gains) - £7,000 (Losses) = £3,000 (Net gains)

£6,000 (CGT allowance) - £3,000 (Net gains) = £3,000 (Remaining CGT allowance)

Further gains of £3,000 would therefore have to be crystallised to use the full allowance.

If, however, you have losses from previous years, not all of those losses have to be used in the current year. In the example below, had £15,000 of losses been made in earlier years, only £14,000 would need to be used in conjunction with the £6,000 allowance, allowing the remaining £1,000 of losses to be used to offset gains in future years together with the lower allowance.

Example

£15,000 (Available losses) - £7,700 (Losses used) = £7,300 (Remaining available losses)

£20,000 (Total gains) - £7,700 (Losses offset) = £12,300 (Net gains)

- £12,300 (CGT allowance)

= £0 (Chargable gain)

Share matching rules
If the gains are held in a shareholding you wish to retain, although selling them will crystallise the gain, you need to be careful about repurchasing the shares. You will need to wait at least 30 days. If you buy them back within this period, the gain will be recalculated by substituting the original cost with the repurchase cost, probably resulting in a smaller gain which doesn't fully utilise the CGT allowance.

30 days may also not be an acceptable time for you to be 'out of the market' but there are some options to counter this.

You could repurchase the shares via an ISA or a SIPP – this is commonly referred to as a 'Bed and ISA' or a 'Bed and SIPP' exercise. Both of these are disposals for CGT purposes, but repurchasing within the ISA or SIPP wrapper does not trigger the share matching rules.

Using a partner's allowance
Where a spouse or civil partner has an unused CGT allowance, assets can be transferred between partners to potentially double tax-free gains realised i.e. up to £12,000 this tax year and £6,000 from April 2024.

Transfers between married/civil partners are technically regarded as disposals, but without a gain occurring at the time of transfer (referred to as a 'no gain, no loss' basis). This means that the partner receives the funds at the original acquisition cost and a gain can be realised on the subsequent sale.

interest on cash balances.

For clients who hold investments with **my wealth*** you will no doubt be aware, we experienced a long period of very low interest rates which came to an end following the recent inflationary period.

Higher inflation has meant that interest rates have increased and this has resulted in the custodian, Winterflood Securities Ltd, in accordance with our terms of business, being able to credit our client accounts with an amount which represents interest earned during 2023. Going forward, any interest earned will be credited to your account on a quarterly basis.

Whilst our terms allow us to keep a proportion of any interest earned, we have decided that we will credit all interest earned to clients' accounts.

***my wealth** is a trading name of Wealth at Work Limited, which is authorised and regulated by the Financial Conduct Authority and is part of the Wealth at Work group.

download the 'my wealth invest' app.

- View your investments and transaction history
- Get the latest updates from the Investment Management team

LOOK OUT FOR YOUR EMAIL CONTAINING YOUR UNIQUE LOGIN DETAILS

GET IT ON Google Play

Download on the App Store

The 'my wealth invest' app will be available to clients who hold investments with **my wealth**, which is a trading name of Wealth at Work Limited, part of the Wealth at Work group.

time for a review?

We understand that many household finances are currently coming under pressure due to the increased cost of living. Inflation can also have an enormous impact on how long retirement savings will last. It is important to review your financial situation and check whether your personal financial plans are on track for the future. This is especially important for anyone thinking of retiring in the next few years.

If you would like to start making plans, please contact us to discuss or ask any questions you may have. **Call us on 0800 028 3200.**

Call us on 01423 501 401 or email info@mzltd.co.uk

Visit our website at www.marshallzoing.co.uk

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