DON'T LOSE YOUR END-OF-YEAR TAX ALLOWANCES

THE END OF THE TAX YEAR IS LOOMING AND IT'S HIGH TIME TO START SERIOUSLY THINKING ABOUT HOW YOU CAN MAKE THE MOST OF THE ALLOWANCES YOU ARE ENTITLED TO CLAIM. THESE GENEROUS RELIEFS CAN KNOCK THOUSANDS OF POUNDS OFF YOUR TAX BILL IF YOU TAKE ADVANTAGE OF THEM BEFORE THE 5 APRIL FISCAL YEAR-END. WHILE SOME ARE SIMPLE AND EASY TO UNDERSTAND OTHERS ARE COMPLEX AND TAKE TIME TO GET IN PLACE. BY GETTING ADVICE AND TAKING ACTION NOW YOU CAN ENSURE YOU BENEFIT FROM AS MANY OF THESE ALLOWANCES AS POSSIBLE.

BOOST YOUR PENSION CONTRIBUTIONS

For higher earners this could be a critical time as their ability to claim tax relief is under threat. In April, the Annual Allowance of £40,000 will be tapered for those with an income of over £150,000. The allowance will drop to £10,000 for income levels of £210,000 or more. The result being that the amount of tax relief available on pension contributions will be restricted.

The Government is considering even more drastic reforms, including scrapping tax relief altogether or further limitations on the amount higher earners can claim. It will not be clear what the Government plans until the spring Budget, but if you want to maximise your pension contributions it makes sense to pump money into your pension before then just in case tax relief goes.

A quirk in the rules means that some people can double up on this year's allowance, increasing their maximum Annual Allowance to £80,000, but this will be based on an individual's specific situation and the rules are quite complex so you should seek advice soon if you do not want to lose out.

Also, it is possible to 'carry forward' any unused annual allowance from the previous three years. Last year, the maximum annual contribution was £40,000, while in 2013-14 and 2012-13 it was £50,000. Working out how much you can pay into a pension and benefit from tax relief is not as simple as you might have thought. Richard Harwood, Divisional Director for Financial Planning at Brewin Dolphin, says: "You can claim the lesser of your annual earned income or your annual allowance. Earned income is your salary and bonus plus benefits in kind or, in simple terms, what appears on your P60 and P11d. It does not include dividend or rental income. So if you have earned income of £30,000 this year, that is the most you can contribute and get tax relief.

"Self-employed people in particular need to do their homework before putting more money into their pensions as they often do not establish their profits until the end of the tax year so an accurate prediction is essential. With the forthcoming limits to Annual Allowance, this becomes even more important.

But take care: the Lifetime Allowance, the maximum amount you can hold in your pension pot over your entire lifetime, will be reduced to £1m from £1.25m in April. This means that you need to consider your existing benefits before making contributions. Protection will be available which could limit future contributions so, for some, the next two months provide the final opportunity to make a large contribution and retain the existing Lifetime Allowance.

USE YOUR ISA ALLOWANCE

You can put up to £15,240 this tax year into an individual savings account or ISA and pay no Income Tax or Capital Gains Tax as your nest egg grows. Couples can jointly invest up to £30,480 and you can also put £4,080 in a Junior ISA meaning a family of four could use an ISA wrapper to shelter a substantial £38,640 from tax. Our investment managers can make sure that any new ISA funds are a suitable addition to your existing portfolio.

REJIGGLE YOUR DIVIDENDS

On 6 April a new allowance will be introduced that will mean you will not pay tax on the first £5,000 of your dividend income. Above £5,000 the tax on dividends is rising to 7.5% for basic-rate taxpayers, 32.5% at the higher rate and 38.1% for top-rate payers.
Harwood says: "Husbands and wives and civil partners will each have their own individual dividend allowance so it may be worth re-distributing how you own dividend-paying assets. The previous principle where all shares are often owned by the individual paying the lowest tax will no longer necessarily apply."

VCTs and EISs

The government provides tax breaks to investors willing to chance their money backing small and growing unquoted businesses.