Tax year 2024/25

# Find your tax relief

**Invaluable advice** to maximise your allowances

This guide contains 20 pages and will take less than 15 minutes to read

# Helping you reach life`s biggest goals

Making the best use of your tax reliefs and allowances can help you get closer to achieving your financial goals. That could include anything from laying a foundation and helping to secure your – and your family's – financial future, to retiring in style or planning how to pass on your wealth. **Find out more on the following pages:**

## Contents

# The advantages of using your tax reliefs and allowances today

## Nothing quite beats that feeling of knowing you're on course to reach your financial goals

**We can show you how to benefit from your available tax allowances and reliefs, now and in the future.**

It might be to take the first step onto the property ladder, save for your child to go through university debt free, or upgrade to a bigger home. Or it could be to enjoy the financial freedom in later life to follow your passions, or to ensure you'll pass on as much of your wealth as possible to loved ones.

Whatever your ambitions, smart tax planning can play an important role in helping you achieve them. And a key element of that is ensuring you take advantage of the tax reliefs and allowances that are available to you every year.

So, are you ready for tax year-end?

**We can help you create a coherent plan**
Aiming to achieve your long-term goals while meeting the demands of today requires an effective tax and financial plan.

That means using the right tools for you at the right time and ensuring you find the right balance of savings and investments, to make your money work harder for you. This is even more important in a time of continuing financial uncertainty. The freezing of many tax allowances is also placing a greater burden on many taxpayers, so it's essential to consider the decisions and actions you can take this tax year to mitigate any impacts.

Expert advice is invaluable here. Whether it's opening or topping up an ISA, maximising your Capital Gains Tax allowance or adding to your pension, we're here to help.



The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are generally dependent on individual circumstances.

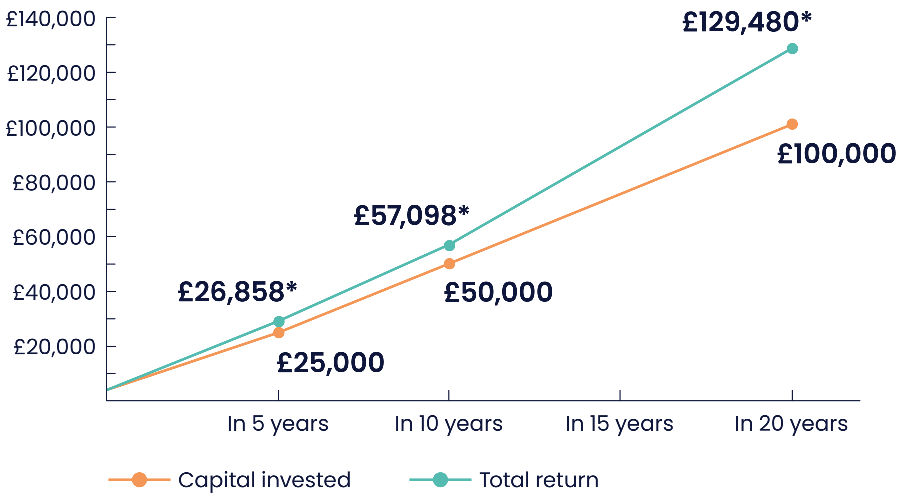
# ISAs

## What is an ISA and why should you consider one?

An ISA is a great way of making your money work harder for you. Everything you earn from it is currently free of Income Tax and Capital Gains Tax, making it extremely tax efficient. ISAs are also a flexible option if you want to start investing in stocks and shares. You can't carry forward any ISA allowance you don't use in a single tax year – so make sure you use as much of this year's £20,000 allowance as you can.

### Adding a little each year goes a long way

The power of compounding means that even adding relatively small amounts to your Stocks & Shares ISA each year can make a big difference in the long run. If you started an ISA with £5,000 in year one and then topped it up by £5,000 at the same time every year – thanks to the fact the returns on your investments will be reinvested and are so tax efficient – **here's how your money could grow**:




*Figures based on growth after charges of 2.4% per year. The figures are examples only and not guaranteed. They are not minimum or maximum amounts. What you get back depends on how your investment grows and the tax treatment of the investment. You could get back more or less than this.

## Finding the right balance of ISAs

Even with higher interest rates, high inflation means that if you keep your savings in a Cash ISA, the money could lose its value in real terms. If you're able to invest in a Stocks & Shares ISA over the long term (we always recommend that this should be at least five to ten years), it has the potential to beat inflation over time, despite the short-term ups and downs of the stock markets.

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The value of an ISA with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested. An investment in a Stocks & Shares ISA will not provide the same security of capital associated with a Cash ISA.

The favourable tax treatment of ISAs may not be maintained in the future and is subject to changes in legislation.

Please note that St. James's Place does not offer Cash ISAs.

## Use a Junior ISA to help give the children in your life a good start

Although they must be opened and managed by a parent or guardian, Junior ISAs (JISAs) allow you to save money for any child up to the age of 18. As with other ISAs, any returns are currently free of any further liability to Income Tax and Capital Gains Tax. Another benefit is that by gifting money to children, you're removing it from your own estate, which could help mitigate Inheritance Tax or reduce the amount payable when you die (see page 14 for more details).

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The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested. An investment in a Stocks & Shares ISA or JISA will not provide the same security of capital associated with a Cash ISA.

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Please note that St. James's Place does not offer Cash ISAs.

## Our approach to lifelong investing

When it comes to investing, our goal is to help you create the future you want. We always think in decades – not days – to help smooth out the ups and downs of the markets and help your investments stand the test of time.

Whether your investments with us are through a Stocks & Shares ISA or a pension (see page 10), we'll find the right mix of assets to balance risk against reward.

And we know that everyone's circumstances are different, so you can rely on us to advise you on solutions that are right for you, your own financial goals and your family.

## Your ISA allowances for 2024/25

Each tax year, you can contribute **£20,000** per person into an ISA (so **£40,000** for a couple who each hold an ISA), and **£9,000** per child into a Junior ISA. This can be either a Stocks & Shares ISA, a Cash ISA, or a mix of both.

When it comes to making the most of ISAs, it's a case of 'use it or lose it' – you can't roll your allowance over into another year. So think about starting an ISA, or topping up your existing ones, before 5 April.

**With our invaluable advice we can help you maximise your allowances – and create the future you want. Contact us now for a no-obligation consultation to discuss starting an ISA or topping up your existing one.**

# Personal Savings Allowance

## Find the right balance between cash and investments

What should you do if you've been keeping your savings in cash accounts? With interest rates higher than they have been for many years, it's more likely some of the interest on your savings will be subject to tax, particularly if you're a higher-rate taxpayer.

You do have a few options, though. It's still important to have an 'emergency fund' that you can access quickly. You should hold this in cash, as stocks and shares can lose value. But for longer-term goals, a Stocks & Shares ISA is worth considering, as there's more potential for long-term growth (see page 4).

### Your Personal Savings Allowance for 2024/25

The Personal Savings Allowance (PSA) means you don't have to pay tax on some of the interest you receive from your cash savings accounts. Your annual allowance is based on the rate at which you pay Income Tax, as follows:

**£1,000**

Basic-rate taxpayers can earn up to **£1,000** a year in interest tax free

**£500**

For higher-rate taxpayers, it's **£500** a year

**£0**

For additional-rate taxpayers, it's **£0**, meaning all interest is subject to tax.

**Here's how much you could hold in a cash account (paying 5% annual interest) before you'd be liable for tax on the interest:**

**Basic-rate taxpayer**
**£20,000**

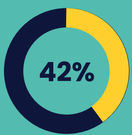
**Higher-rate taxpayer**
**£10,000**

## Watch out for the 63% tax trap!

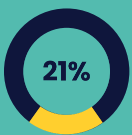
If you earn less than £100,000 per year, the first £12,570 of that is free of Income Tax for most people. However, if you earn £100,000 or more, that tax-free personal allowance is reduced by £1 for every £2 you earn over £100,000.

That means you could be taxed at a rate of 63% on income between £100,000 and £125,140.

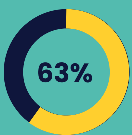
**Here's how that might work in practice:**
Assume your income is: **£100,000**
But you get a bonus or pay rise of: **£10,000**




Amount paid in Income Tax on the £10,000 (at 42%): **£4,200**




Additional Income Tax (as your personal allowance is reduced by £5,000): **£2,100**




Total extra Income Tax paid: **£6,300**
That's 63% of your additional income

One way of avoiding this trap is to pay earnings over £100,000 into your pension, which will take your income below the threshold and allow you to keep your full personal allowance. You'll also benefit from the 40% higher-rate tax relief on that contribution, subject to certain limitations. Anything over the 20% basic rate of tax must be reclaimed via your tax return.

**It could be you**
An increasing number of people will be affected by the 63% tax trap, as earnings are rising on average but Income Tax thresholds are frozen.

Check you're making the most of your tax allowances so you don't have to pay more tax than you need to.

**Contact us to talk through the tax reliefs and allowances available to you.**

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested.

An investment in equities does not provide the security of capital associated with a deposit account with a bank or building society.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are dependent on individual circumstances.

# Pensions

## Why investing in a pension is a vital ingredient for a happy retirement

Because of the Income Tax relief you get on the money you pay into your pot, a pension – used as part of a balanced investment portfolio – is one of the best ways to save for your retirement. This tax year, subject to certain allowances, you can contribute up to £60,000 or 100% of your earnings, whichever is lower, and receive tax relief.

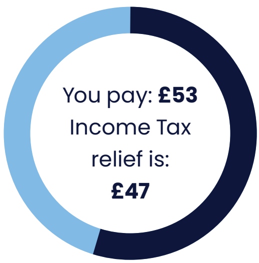
Bear in mind that the freezing of the Income Tax personal allowance and tax bands – and the reduction of the additional-rate Income Tax threshold to £125,140 – means you could end up paying more tax. Maximising your pension contributions is one way to reduce the effects of this.

## How tax relief on pension contributions works

**When you pay into your pension pot (up to £60,000 per year, or 100% of earnings, if less), you will receive tax relief on the contributions. So, to make a total contribution of, for example, £100:**


**Starter or Basic-rate Income Tax**


**Higher-rate Income Tax**




**Top-rate Income Tax**

You will need to claim any tax relief over the basic rate via your annual tax return.

## Pay what you can into a pension now

It's worth topping up your pension as much as you can before the end of the tax year. That's because, over the long term, this money can benefit from compounding and could add a significant amount to your retirement fund. Therefore, the earlier in life you start contributing to a pension, the better.

**Let's say you're planning to retire when you're 67 and you make a contribution towards your pension of £200 a month.**

| If you start saving at age | Your estimated pension fund at retirement might be |
|---|---|
| 20 | £349,000 |
| 30 | £215,000 |
| 40 | £123,000 |

This calculation is based on monthly contributions invested each month, increasing by 2.5% a year, with growth after charges of 2.4% a year. These figures are examples only and are not guaranteed. All monetary values shown have not been adjusted for future inflation. They are not minimum or maximum amounts. What you get back depends on how your investment grows and the tax treatment of the investment. You could get back more or less than this.

**But whatever age you are, it's never too late to start saving for your retirement.**

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## How much do you need for a comfortable retirement?

**Here's an idea of what various levels of income in retirement will cover for a single person:**

| | Minimum | Moderate | Comfortable |
|---|---|---|---|
| | **Income required** £14,400 per year | **Income required** £31,300 per year | **Income required** £43,100 per year |
| | **What could I do?** | **What could I do?** | **What could I do?** |
| | DIY maintenance and decorating one room a year | Some help with maintenance and decorating each year | Replace kitchen and bathroom every 10-15 years |
| | £64 a week on food (including food away from the home) | £95 a week on food (including food away from the home) | £130 a week on food (including food away from the home) |
| | No car | Three-year-old car replaced every seven years | Three-year-old car replaced every five years |
| | A week long UK holiday | A fortnight 3* all inclusive holiday in the Med and a long weekend break in the UK | A fortnight 4* holiday in the Med with spending money and 3 long weekend breaks in the UK |
| | Up to £630 for clothing and footwear each year | Up to £1,500 for clothing and footwear each year | Up to £1,500 for clothing and footwear each year |

**Source** The Pensions and Lifetime Savings Association/Loughborough University, 'Retirement Living Standards', 2023. All figures are for illustration only and based on people living outside London

## Your pension allowances for 2024/25

You can personally get Income Tax relief on **100% of your earnings, or £3,600 if earnings are lower**, but the total amount that can be paid into your pension, including from your employer is limited to an annual allowance of **£60,000**.

You can 'carry forward' your annual allowance if you haven't used it all in previous years. You use this year's one first, then you can go back up to three tax years (ie 2021/22) and use the unused allowance, then the next, and the next. The total amount you pay personally would still be limited to 100% of your earnings or £3,600.

From age 55 (set to rise to 57 in 2028), you can take out up to 25% of your pension pot tax free. The rest is charged at your usual Income Tax rate.

**It's essential to take proactive steps early in the tax year to optimise these benefits. Get in touch today for a no-obligation consultation.**

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# Inheritance Tax

## How to protect your family wealth

The high rate at which Inheritance Tax (IHT) is charged gives many families a shock, so it's well worth doing what you can to take advantage of the relevant tax reliefs and allowances available to you.

Although the tax-free threshold of £325,000 per person may seem generous, the 40% rate at which IHT is paid on the rest of your estate is not, subject to other allowances being available.

**Here's an example of what could be charged when you die:**

**Total estate value**

£1.5 million

First
**£325,000**
tax free

Taxable sum
**£1.175 million**

**Inheritance Tax bill at 40%**
**£470,000**

This example does not take into account the residence nil-rate band threshold of up to £175,000 if you leave your residence to your direct descendants (see opposite page).

## Make the most of your tax-free gifting allowances

A good way of reducing IHT bills is to make the most of your gifting allowances. You can give cash gifts to your loved ones every year that won't be counted as part of your estate for tax purposes. This is an effective way of passing on as much of your wealth as possible.

### Here's how gifting works

**£3,000**
**The amount you can gift tax free per year**

**£6,000**
**The total amount you and your partner can gift if you combine your allowances**

**£12,000**
**The amount you and your partner can gift this year if you haven't used last year's allowance, as it can be carried forward for one year although the previous year's allowance has to be used first**

***Contributing to a Junior ISA (see page 6) or a pension (see page 10) for your children or grandchildren are also effective ways of passing on your wealth tax efficiently.***

## Your Inheritance Tax allowances for 2024/25

If you leave all of your estate to your spouse or civil partner, there is no tax to pay. The first **£325,000** of your estate that you leave to anyone else is also tax free.

If your home is included in your estate and you pass it onto your children, grandchildren or other lineal descendants, the tax-free threshold increases to **£500,000** per person, as long as the estate is worth less than £2 million.

When your partner dies, your thresholds can be combined – meaning up to **£1 million** can ultimately be passed on tax free. The annual exemption will reduce the value of any gift at the time it is made.

You can also make larger gifts but they generally take seven years to be exempt from IHT.

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# Capital Gains Tax

## How to steer clear of the CGT trap

Capital Gains Tax (CGT) can be one of the most complex taxes, so it's no wonder people fall into the trap of paying unnecessarily, or end up being fined for not paying when they should.
**Here's how you might fall liable for CGT without even realising:**

- You were given some free shares in a company as a bonus, which are worth **£5,000**
- Their value rises considerably and they're now worth **£25,000**
- Your 'taxable gain' (ie the profit you have made) if you sell them all at once is **£20,000**
- Until 5 April, the first **£6,000** of the tax rate is tax free, but you must pay tax on the remaining **£14,000**
- If you're a higher-rate taxpayer, the tax charge is **20%** – therefore the tax bill would be **£2,800**

**There are several ways of reducing this bill – potentially to zero – including:**

1 Holding the shares in an ISA, which makes them exempt from CGT (see page 4).

2 Finalising £3000 of the gains from shares over this tax year which is the 2024/25 tax-free threshold.

3 Transferring your assets to your spouse or civil partner so you can both make use of your individual allowances.

## Times are changing

This tax year, the CGT allowance has reduced from **£6,000** to **£3,000**.

So if you've not yet used your CGT exemption, you don't have much time before the change comes in. Making sure you're using losses and realising gains at the most appropriate time can make a big difference to the amount of tax you have to pay. This could mean moving assets into different wrappers – pensions and ISAs, for example – to make sure you're not creating gains, or splitting the sale of assets over several tax years.

**With our invaluable advice we can help you maximise your allowances - and create the future you want. Get in touch today for a free consultation to discuss this and ensure you don't end up paying too much or too little.**

# Dividends

## Consider holding your shares in an ISA

You usually receive payments from stocks and shares in the form of dividends. If they're not held in an ISA, it can mean you're liable to pay Dividend Tax. The first **£1,000** you receive in dividends is tax free, but after that you'll have to pay tax according to your Income Tax band: **8.75%** if you pay tax at the basic rate, **33.75%** if you pay at the higher rate and **39.35%** if you pay at the additional rate.

**Here's how much you'd be taxed if you're a higher-rate taxpayer:**

You receive annual dividends to a total value of

**£5,000**

The amount that is taxable is

**£4,000**

The amount you'll be taxed this year (at 33.75%) is

**£1,350**

If you'd held your shares in an ISA, you'd be taxed

**£0**

### Mind your allowances

This tax year, the Dividend Tax allowance has been reduced. The Dividend Tax allowance will reduce to **£500** – which makes it even more worth your while to ensure your stocks and shares are held in a tax-efficient wrapper, such as an ISA (see page 4) or a pension (see page 10).

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# Your tax year-end checklist

Ensure you've made the most of your available tax reliefs and allowances to create the financial future you want.

**ISAs**
Put as much money as possible into your ISAs. Your ISA allowance remains at £20,000 in this tax year or £9,000 Junior ISA allowance.

**Personal Savings Allowance**
Have you got the balance between keeping a cash fund and making the most of this year's ISA allowance?

**Pensions**
Consider paying as much as you can into your pension. If you are at the point in your life when you could increase your pension contributions, then do it.

**Inheritance Tax**
Are you looking to reduce a potential IHT bill? You can gift up to £3,000 in this 2024/25 tax year and it will reduce the taxable value of your estate.

**Capital Gains Tax**
Make sure you pay what you owe this year, but don't end up paying when you don't need to. Are you thinking about how the reduction of the tax-free threshold will affect you?

**Dividends**
Are you receiving your dividends tax free in an ISA? Are you thinking about how the cut to allowances will affect you?

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***Helping your children onto the property ladder and paying for their wedding, upgrading your home, securing a worry-free future, passing on an inheritance... Whatever your dreams, careful tax planning can help***

# Create the financial future you want

We can help you make the most of your available tax reliefs and allowances to put you on track to help achieve your ambitions.

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With our **invaluable advice** we can help you maximise your allowances - and create the future you want.



**SJP Approved 26/03/24**

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