SPECIAL REPORT

Tax planning tips

Introduction

The March 2021 Budget was inevitably dominated by the prospect of paying for the Covid-19 crisis. The Chancellor has so far adopted the stealth option of freezing most personal tax allowances and bands until 2026, in effect raising taxes over the period. The inheritance tax (IHT) nil-rate band will now remain at £325,000 until April 2026, making more estates liable to IHT, although the introduction of the residence nil-rate band from 6 April 2017 has partially offset this. More tax rises can be expected over the coming years as the government seeks to address the spending deficit.

The Office of Tax Simplification (OTS) has recently carried out reviews of both IHT and capital gains tax (CGT), which could lead to significant changes. The CGT review recommended aligning CGT rates more closely with income tax rates, drastically cutting the annual exempt amount and greatly limiting business reliefs. The IHT review considered areas of complexity, including lifetime gifts, business relief and agricultural relief.

This guide highlights 50 ways in which you can currently use certain tax reliefs to your advantage, and how to avoid some of the tax penalties. It can help you navigate the complexity of certain tax rules and create more tax-efficient plans.

Contents

Tax planning tips

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Personal and family planning

1 Check your PAYE tax code.
HMRC now changes tax codes dynamically when your salary changes, but cannot easily distinguish between a temporary increase, such as a bonus, and a permanent pay change. Your tax code may also include estimated amounts of savings income, based on what you received in an earlier year. You can ask HMRC to remove this estimated income, and correct any other errors, through your online personal tax account.

2 Can you share the transferrable amount of personal allowance?
Married couples and civil partners can share 10% of their personal allowance between them. The unused allowance of one partner can be used by the other, meaning an overall tax saving for the couple. The amount you can transfer is £1,260 for 2021/22, but a transfer is not permitted if the recipient partner pays tax above the basic rate of 20% (higher than the intermediate rate of 21% for Scottish taxpayers). You can backdate a claim for up to four years, so a claim made by 5 April 2022 can include 2017/18.

EXAMPLE

Leila is employed on an annual salary of £45,000, but her husband does not have any income. For 2021/22, they could save tax of £252 (£1,260 at 20%) by transferring 10% of the husband's personal allowance to Leila.

3 Check how much you are paying in national insurance contributions (NICs).
If you have more than one job, you may overpay NICs during the tax year. You can reclaim any overpaid NICs from HMRC after the end of the tax year. However, you can prevent the overpayment occurring in the first place by deferring payment of NICs on one of your jobs by sending HMRC a completed form CA72A (either online or by post) by 14 February in the tax year, but ideally earlier, or 31 January if self-employed.

4 When you buy a second (or even third) home tell HMRC which of your properties should be treated as your main home for tax purposes.
The property that has always been your main home is free of capital gains tax (CGT) on sale or disposal. Any other property where you have lived for part of the time will attract a CGT exemption for the periods you have lived there and have elected for it to be your main home. If a property has been your nominated main home at any time, the gain for the last nine months of ownership is free of tax, even if you do not live there during that final period. You might not be able to nominate a property that is situated overseas.

5 If you and your partner both own homes when you marry or begin a civil partnership, you need to nominate one property as your main home within two years of your marriage or civil partnership.
Once married, you can have only one main home between you for tax purposes. If you both own separate properties which you continue to occupy for some periods, nominate the one that is likely to make the best use of your CGT main residence exemption, otherwise HMRC will designate the home that you occupy for the majority of your time as your main residence.

Tip

If a property has been your nominated main home at any time, the gain for the last nine months of ownership is free of tax.

6 When selling a home, be prepared to pay any CGT due within 30 days of the completion date.

If you sell or give away a UK residential property, you must report, using an online capital gains tax on UK property account, any CGT due to HMRC and pay that tax within 30 calendar days of the completion date. You may be charged a penalty for reporting late. The CGT paid must be your best estimate, taking into account any earlier residential property disposals made during the same tax year. You must declare your final total gains on your self-assessment tax return after the end of the tax year.

7 Where you or your partner receive child benefit and your income is more than £60,000, you have to pay extra tax to claw back the child benefit received.

If your income lies between £50,000 and £60,000, the extra tax charge will be equivalent to 1% of the child benefit for every £100 of income over £50,000. The tax charge applies to the higher earner in the family, irrespective of who receives the benefit. To mitigate the tax charge, you can halt your child benefit payments, but keep the claim live to protect state pension entitlement. For 2021/22, a few basic rate taxpayers will be caught by the charge for the first time given the basic rate threshold is now £50,270.

If your income has fallen below £50,000, you can ask HMRC to start the child benefit payments again. Don't delay as the payments can only begin from the Monday after you ask for them to be reinstated.

EXAMPLE

Anna has two children and until recently made an annual profit of £60,000 from her self-employment. Some years ago she asked HMRC to halt her child benefit payments so she didn't have to pay the tax charge. Anne has decided to reduce her working hours and predicted her income would drop to £30,000 for 2021/22. On 6 April 2021, Anne asked HMRC to restart her child benefit and those payments will be made from 12 April 2021.

Tip

Estimate your income for 2021/22 and if this is likely to be less than £60,000, ask HMRC to restart your child benefit payments.

8 If you own a trading company, you can reduce the CGT payable on a future sale by spreading the shares between yourself and your spouse.

If you both meet the 5% shareholding test for at least the two years before the sale, and are a director or company secretary for the company or employed by it, you should both qualify for business asset disposal relief on any gains made when the company is sold. This relief applies a reduced rate of CGT of 10% to the first £1 million of gains made on all qualifying assets during each person's lifetime.

9 Avoid a possible HMRC compliance check by making sure you declare all of the Covid-19 business support received.

If self-employed, you may well have received Self-Employed Income Support Scheme grants, local council grants and furlough payments for your employees. HMRC will know exactly what you have received, so don't open the door to a time-consuming compliance check by omitting any of these amounts when preparing your 2020/21 tax return. This income also needs to be taken into account when deciding if payments on account can be reduced.

Savings and investment – making the most of your money

10 Contribute up to £9,000 into your child's Junior ISA.

The fund builds up free of tax on investment income and capital gains until your child reaches 18, when the funds can either be withdrawn or rolled over into an adult ISA. Relatives and friends can also contribute to your child's Junior ISA, as long as the £9,000 limit for 2021/22 is not breached.

11 Make the best use of tax-free savings and dividend allowances.

For 2021/22, savings income of up to £1,000 is exempt for basic rate taxpayers, with a £500 exemption for higher rate taxpayers. The tax-free dividend allowance is £2,000 for all taxpayers. Married couples and civil partners can save tax by ensuring that each person has enough of the right type of income to make use of these tax-free allowances.

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12 Take advantage of the individual savings account (ISA) investment limit and generate tax-free income and capital gains.
The maximum annual amount that can be invested in ISAs is £20,000 (2021/22). You can put the whole amount into a cash ISA, a stocks and shares ISA, an Innovative Finance ISA, or any combination of the three as desired. Transferring funds into an ISA early in the tax year will maximise the amount of tax-free income arising. The availability of the tax-free savings and dividend allowances may mean that ISAs provide no benefit for many small savers, but ISAs can still offer tax advantages.

EXAMPLE

Jerry is an additional rate taxpayer based in the Midlands, and has £100,000 invested in a stocks and shares ISA. He uses his dividend allowance and CGT exempt amount against non-ISA income and gains. During 2021/22, the ISA produced dividend income of £3,000 and capital gains of £8,000. By investing in an ISA, Jerry has saved income tax of £1,143 (£3,000 at 38.1%) and CGT of £1,600 (£8,000 at 20%) for 2021/22.

13 Plan your capital gains to make best use of any capital losses.
If you realise capital gains and losses in the same tax year, the losses are offset against the gains before the CGT exempt amount (£12,300 in 2021/22) is deducted. Capital losses will be wasted if gains would otherwise be covered by your exempt amount. Consider postponing a sale which will generate a loss until the following tax year, or alternatively realising more gains in the current year.

14 Generate a 50% income tax credit on an investment of up to £100,000 by investing through the Seed Enterprise Investment Scheme (SEIS).
When you make a capital gain and reinvest that amount in SEIS shares, it can qualify for a 50% CGT reduction on gains of up to £100,000 when the maximum amount is invested. If the gain was taxable at 20% the overall tax relief is 60% (50% income tax plus half of 20%). Also, any capital gains arising on the SEIS shares are exempt from tax if the shares are held for at least three years. Beware that the income tax credit is clawed back if the shares are held for less than three years. Investing in small companies can be very risky, so take independent financial advice.

15 Obtain a 30% income tax credit by subscribing for shares in a Venture Capital Trust (VCT) or an Enterprise Investment Scheme (EIS).
In 2021/22, the maximum subscription in VCT shares is £200,000. The shares are exempt from CGT when they are sold. A subscription in EIS shares costing up to £2 million (investments in excess of £1 million must be made in knowledge-intensive companies) qualifies for the income tax credit. In addition, you can defer tax on your capital gains by reinvesting an unlimited amount of gains in EIS shares. VCT and EIS shares can be risky investments and you must hold VCT shares for at least five years and EIS shares for three years in order to retain your income tax credit.

Tip
Invest in a small trading company under the Seed Enterprise Investment Scheme (SEIS) and gain a 50% income tax credit on an investment of up to £100,000.

Your property – making the most of bricks and mortar

16 Let rooms in your own home to one or more lodgers.
Rent-a-room relief allows up to £7,500 income per property tax-free from letting rooms as residential accommodation in the home you live in. No expenses can be claimed. If the gross rent is higher than £7,500, check whether the normal approach of paying tax on the income after deducting allowable expenses is more tax-efficient.

17 Let out your drive or garage for tax-free cash.
The property income allowance allows you to receive up to £1,000 income tax-free from property that doesn't qualify for rent-a-room relief (Tip 16). This could be from letting out spare space in your garage, or even your drive,

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for commuter parking. If the gross income before deduction of expenses is no more than £1,000 you don't have to report the income on your tax return. Where the rent you receive in the year is more than £1,000, you can opt in to deducting expenses and paying tax on the net amount.

18 Use the cash basis to report income from your let residential property.

You should be using the cash basis to calculate the profit or losses for your property businesses if the annual turnover is no more than £150,000. This means you recognise income only when you receive the rent and take account of expenses only when you pay them. In these difficult times, when tenants may not be able to pay on time, using the cash basis means your accounts quickly reflect any lost income.

19 Check how many days your holiday accommodation is actually let for.

To qualify for a range of tax reliefs, each of your commercially let furnished holiday properties needs to be let for at least 105 days during the tax year and be available for letting for at least 210 days. For 2020/21, because of the Covid-19 pandemic, you may not have met the minimum period of occupancy, but if you met the threshold in 2019/20 a period of grace election will deem the test to be met in 2020/21. If you again do not meet the test in 2021/22, you can make a second election, provided you elected in 2020/21. Where you let a number of holiday properties, you can also average the number of days of actual letting across all your UK properties.

Tip

If you let out a second home as a holiday rental, check whether you can register it as a business and qualify for small business rates relief. This has previously been quite easy to achieve, but the rules are set to change so that in future a 140-day letting requirement will have to be met.

Retirement planning – preparing for the future

20 Maximise tax relief on your pension contributions by using all of your annual allowance.

The annual allowance for 2020/21 is £40,000, but you can also use surplus allowance from the previous three tax years (see Tip 21). To avoid an annual allowance tax charge, the pension contributions made by yourself, plus those made by your employer on your behalf, must be covered by your available annual allowance. Beware that your annual allowance may be restricted to a maximum of £4,000 where your total income plus pension contributions for the year exceeds £240,000, and your net income exceeds £200,000. Your annual allowance is also restricted if you have already drawn more than the tax-free amount from a money purchase pension scheme. Always take independent financial advice before making a significant investment.

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21 Take advantage of your unused annual pension allowances from earlier years.

You can bring forward unused allowances of up to £40,000 from each of the three previous tax years, to boost your allowance for the current year. This allows you to pay pension contributions over the current year's annual allowance – in theory up to £160,000 – and still enjoy full tax relief on those contributions at your marginal tax rate. However, total pension contributions can also be limited by your taxable earnings for the year. The calculations can be complex, so it is best to undertake pension planning well before the end of the tax year.

EXAMPLE

Jane earns £100,000 per year and is opted into her workplace pension scheme. The pension contributions made by Jane and her employer amount to £5,000 per year (Jane contributing £3,000, and her employer £2,000), and this has been the case for the last three years. During April 2021, Jane received a large inheritance and would like to maximise her pension contributions for 2021/22.

Jane's financial adviser calculates that Jane has unused annual allowances of £140,000 in 2021/22 being £35,000 (£40,000 - £5,000) from each of the years: 2018/19 to 2021/22. However, Jane can only pay up to £97,000 (£100,000 - £3,000) in additional pension contributions for 2021/22 as the total contributions cannot exceed her earnings.

22 Ask your employer to pay pension contributions to top-up your pay.

If you are due a pay rise and do not need the extra money day to day, you could ask your employer to pay the increase as a contribution directly into your pension scheme. The employer receives tax relief for the contribution and there are no NICs to pay – a saving for both you and your employer. You must agree in writing to adjust your salary before the revised pension contributions are paid for this arrangement to be tax-effective, although pension contributions are not caught by the clampdown on salary sacrifice arrangements (see Tip 40).

23 Make pension contributions or charitable gifts to retain your child benefit.
Child benefit is clawed-back as a tax charge when the higher earner of a couple has adjusted net income over £50,000 (see Tip 7). You can reduce your annual adjusted net income to below this threshold by making pension contributions or charitable donations under Gift Aid. If your income is more than £50,270, meaning that the excess is liable to high rate tax, this will also have the effect of keeping your total income within the basic rate band, and preserve your savings allowance at £1,000 rather than £500 (see Tip 11).

24 Arrange for your company to buy your shares to solve your business succession problem.
On retirement, you may want your younger colleagues to buy your shares, but they may not have the cash resources to do so. A solution is for the company itself to buy your shares and then cancel them, leaving the remaining shareholders controlling the company. You end up with cash and, provided certain conditions are met, up to £1 million of the gain should qualify for business asset disposal relief and be taxed at no more than 10%.

Tip

You can carry forward unused pension allowances from the three previous tax years and use these to cover pension contributions greater than the current year's annual allowance.

Estate planning – handing on your wealth

25 Check whether you can benefit from an extension to your inheritance tax (IHT) nil rate band.
The first £325,000 of your estate is free of IHT (the nil rate band), and a further £175,000 can be added to that nil rate band if your home is inherited by your direct descendants on your death, or where the property passes to certain types of trust. You may have to rewrite your will so that the home goes to direct descendants. It might be beneficial to repay mortgages secured against your home in order to maximise the relief. The relief is restricted if your estate is worth over £2 million on your death, so it's worth making some lifetime gifts to reduce the value of your estate below this threshold. Both nil rate bands will remain unchanged until 5 April 2026.

26 Long deceased spouses can help save IHT today.
Widows and widowers inherit the unused proportion of their late spouse's or civil partner's nil rate band for IHT – even if they died many years ago. This could mean that up to

an extra £325,000 of the estate will be tax free. The residence nil rate band (see Tip 25) is also inheritable, regardless of when the first spouse died.

EXAMPLE

Mia's estate is valued at £950,000 for IHT purposes. The estate includes a main residence valued at £300,000, but this is bequeathed to Mia's brother, rather than to her two children (who inherit the remainder of the estate). Mia's husband died five years ago, without using any of his nil rate band or residence nil rate band. Currently, IHT of £120,000 (£300,000 at 40%) will be payable in respect of Mia's estate, were she to die, but if her will is rewritten so that her children inherit the main residence, the IHT payable will be reduced to nil.

27 Make a will and review it regularly.
If you die without making a will, your assets will be divided between your relatives according to the intestacy rules, and your surviving spouse or civil partner may only get a portion of your estate. The residue of your estate that does not go to your spouse or civil partner will be subject to IHT at 40% to the extent that it exceeds £325,000 (up to £500,000 if the residence nil rate band is available). If you have no surviving relatives, the intestacy rules result in the whole of your estate going to the government.

28 Legalise your relationship to save IHT.
If you are not married or in a civil partnership, your surviving partner will have to pay IHT on anything inherited from you that exceeds the nil rate band of £325,000. However, anything that UK-domiciled spouses and civil partners inherit from their deceased partner is normally tax free. Your surviving spouse or civil partner can also inherit your unused nil rate band and residence nil rate band (currently worth up to £500,000 in total), which will save further IHT payable on their own death.

29 **Leave at least 10% of your net estate to charity.** Where you leave at least 10% of your net estate to charities, the IHT on the remainder is charged at 36% instead of 40%. The exact calculation of your net estate is quite complicated, so take professional advice when drawing up or amending your will.

30 **Make regular IHT-free gifts out of your annual income.** As long as you establish a pattern of gifts that can be shown to be covered by your net income, without reducing either your capital assets or your normal standard of living, these gifts will be free of IHT. The recipients of the gifts need not be the same people each year.

31 **Use the IHT marriage exemption for gifts.** If your son or daughter is about to marry or enter into a civil partnership, you and your spouse can each give them £5,000 in consideration of the marriage or partnership, and the gift will be free of IHT. The exemption can also be combined with your £3,000 a year IHT exemption (see Tip 33) to allow you to make bigger exempt gifts. You can also make an IHT-free gift of £2,500 for a grandchild's wedding or partnership.

32 **Invest in businesses to save IHT.** Any shares you own in unquoted trading companies, including companies listed on the AIM stock exchange, are free of IHT once you have held them for two years. You do not need to be involved in the company for the shares to qualify. The investment risk can be mitigated by investing in AIM portfolios, including AIM ISAs. Any interest you hold in an unincorporated business will generally also be free of IHT.

33 **Make IHT-free gifts totalling £3,000 each tax year.** These gifts are free of IHT and, if you do not make your £3,000 gift one year, you can catch up in the next tax year by giving a total of £6,000, but you can only carry forward the £3,000 allowance for one tax year. Remember, you and your spouse or civil partner can each give £3,000 out of your capital every tax year in addition to gifts you make out of your regular income.

EXAMPLE

Peter and Mary have never made any lifetime gifts. Their daughter, Alice, will get married next month. Between them, Peter and Mary can make IHT-free gifts to Alice of up to £22,000 ((£5,000 + £6,000) x 2).

Your business – making the rules work for you

34 **Choose the most tax-advantageous structure for your new business.** There are currently tax advantages to operating via a company as the rate of corporation tax is just 19%, compared to income tax rates of up to 45% (46% for Scottish taxpayers). A company can be used to shelter undrawn profits and make tax-efficient pension contributions (see Tip 22). However, if your new venture is expected to make losses in the early years, you can use those losses more flexibly against your other income if you start the business as a sole trader or partnership (see Tip 37). The amount of tax you pay overall will depend on the manner in which you extract funds from your business. Whether the most tax-efficient approach can be used will depend on how much money you need for your personal use, and when you need to extract it. However, operating via a company may no longer be beneficial following the increase in the main rate of corporation tax to 25% from April 2023, so detailed advice should be taken.

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35 **Use the £1,000 trading allowance.** Sometimes it is difficult to know exactly when a business begins, as many start gradually in order to test an idea in the market. You can receive up to £1,000 per year of tax-free income from a trade without having to declare this to HMRC. Once you generate more than £1,000 of sales in a year you need to register your business with HMRC or risk a penalty.

36 **Don't miss your VAT registration requirement.** If your business is not VAT registered, you must keep an eye on your turnover for the previous 12 months on a rolling basis. When it exceeds £85,000, you must register for VAT by the end of the month following the month in which your turnover exceeds the threshold. Once registered, you must apply VAT to all of your sales (except those which are exempt) and submit VAT returns to HMRC using making tax digital (MTD) compliant software. You will also have to keep your VAT records in a digital format.

37 **Make the best use of your trading losses.** Many businesses have made an unexpected trading loss due to the Covid-19 pandemic. You may be able to generate a tax refund by setting off losses against past years' profits on which you have already paid tax. As an unincorporated business you can set your loss against your total income for the tax year in which loss arose and/or the previous year. As a temporary measure, relief for a trading loss made in 2020/21 or 2021/22 can then be extended to offset against trading profits made in the three previous tax years.

There is a cap on how much loss can be offset against your total income (but not profits of the same trade): the higher of £50,000 and 25% of your income for the year.

38 Avoid getting caught by the off-payroll working rules.

If you operate through a personal service company and work for a medium or large private sector organisation, or in the public sector, the business or agency that engages you may have to deduct income tax and NICs from the fees paid to your company. You can avoid this by negotiating the terms of your engagement to ensure your employment status determination places you outside of the off-payroll working rules.

39 Use your own car for business journeys.

By using your own car for business journeys, you can receive a tax- and NIC-free mileage allowance of 45p per mile for the first 10,000 miles, and 25p per mile for any additional miles, per tax year. If your employer pays you a lower mileage rate you can claim the difference from HMRC through your online personal tax account. If you work for yourself, you can use these mileage rates to calculate the cost of the business journeys you take in your own car, which is generally easier than working out the business proportion of the entire running costs of the vehicle.

Tip

Keep accurate records of all business journeys you take, including the distance and reason for each journey. There are apps which you can download on your phone to make this easier. All those short trips to buy business supplies or visit customers add up!

Employment and remuneration – looking after your employees

40 Make the most of the tax advantages offered by salary sacrifice schemes.

Salary sacrifice schemes involving pension contributions (see Tip 22), childcare, low-emission cars (CO_2 emissions up to 75g/km) and cycle to work schemes (see Tip 48), can continue to be used. If set up correctly, both the employee and the employer can benefit from certain tax advantages and save NICs.

EXAMPLE

James is employed by FGH Ltd on an annual salary of £80,000. Rather than making pension contributions of £5,000 personally, James agrees to sacrifice £5,000 of his salary in return for FGH Ltd making £5,000 of pension contributions on his behalf. James' tax position is unchanged, but both James and FGH Ltd benefit from NICs only being payable on salary of £75,000 instead of on £80,000.

41 Provide electric- or low-emissions company cars.

For 2021/22, all-electric company cars can be provided to employees with just a 1% taxable benefit. The taxable benefit of hybrid cars with CO_2 emissions of up to 50g/km depends on their electric-powered range and on whether they were first registered before or from 6 April 2020. The employer can claim a 100% first year capital allowance for the cost of new wholly electric cars purchased from 1 April 2021.

42 Encourage clean commuting by providing electric charging points.

Provide an electric vehicle charging point at your business premises for your employees to use. There is no taxable benefit for the employees who use the electricity to power their cars and you can claim a 100% deduction for the cost of installing the charging point.

43 Help employees work at home by paying a tax-free allowance.

Employers can pay £6 per week (£26 per month) tax- and NIC-free to employees who regularly work at home but there needs to be a formal arrangement with the employer. The allowance is not available where the employee simply chooses to work from home. If your employees purchase computer or other equipment to help them work at home, you can reimburse that cost to the employee with no tax implications for this tax year.

44 Pay for pensions advice for employees.
You can pay for up to £500 of individual pensions advice per person per tax year when your employees are approaching retirement age, or are in ill health, and they will not be taxed on this useful benefit. You could also provide pensions advice under a scheme which is open to all employees generally regardless of age or health.

45 Provide free transport to help employees get to work.
Where your employees are concerned about catching Covid-19 on public transport while travelling to work, you can lay on a works bus so they can travel as part of the bubble of colleagues they work with. The vehicle used must seat at least nine passengers. There is no taxable benefit for the employees as long as the bus is used mainly by your employees and their children.

46 Provide your employees with an annual health check and eye test.
The health check is free of tax. Medical treatment paid for by an employer is generally a taxable benefit. However, there is an annual exemption of up to £500 where you fund medical treatment that will assist an employee's return to work from sickness or injury. The eye test is also tax free if the employee needs to use a computer screen or similar display screen as part of their job. Any special corrective lenses required to use that equipment can also be provided tax free.

47 Supply your employees with one tax-free mobile phone each.
Mobile phones provided to employees are tax-free, as long as it is the employer rather than the employee who owns the phone and takes out the contract with the telecoms company.

48 Encourage your employees to cycle to work with a subsidised bicycle.
The government is encouraging cycling as a safe and environmentally friendly alternative to public transport. You can lend bicycles and associated safety equipment to employees to use to commute to work and for any other private journeys. The bicycle and safety equipment can be provided instead of a portion of pay under a salary sacrifice scheme (see Tip 40). The employee can be invited to buy the bicycle at a significant discount at the end of the loan period, and there is no limit on the value of the bicycle that can be provided.

Tip

Where an employer has not paid the home working allowance to an employee who regularly works from home (Tip 43), the employee can claim the same amount (£6 per week) as a tax deduction in their tax return or as a standalone claim from HMRC. Claims can be made up to four years after the end of the tax year.

Overseas aspects – planning if you leave the UK

49 Be careful of your UK residency status.
Your UK tax residency status is determined on a year-by-year basis. If you are not automatically resident or non-resident, your status is based on the number of days you spend in the UK and the number of UK ties you have. There is no averaging of days of residence between tax years. You need to carefully count the days you are in the UK for work and pleasure if you want to remain non-resident for tax purposes and monitor the number of UK ties that you have. However, some days may be left out of the count if they are regarded as exceptional circumstances. This includes where you cannot travel because of Covid-19 restrictions or are self-isolating in line with government advice.

EXAMPLE

Stephanie has two UK ties, so if she spends no more than 90 days in the UK she is treated as non-resident. However, during 2020/21, Stephanie spent 100 days in the UK because her return home overseas in summer 2020 was delayed due to the Covid-19 lockdown. These additional days spent in the UK can be treated as exceptional, meaning that Stephanie will remain non-resident for 2020/21.

50 Realise gains free of UK CGT while living abroad.
You can't escape CGT on the sale of UK property while living overseas, but gains on other assets such as shares can be tax-free as long as you are non-resident for more than five years. The five-year clock starts from the day you become tax resident elsewhere.

Levels and bases of taxation and tax reliefs are subject to change and their value depends on individual circumstances.

The Financial Conduct Authority does not regulate tax advice.

The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested.

Past performance is not a reliable indicator of future performance.

Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

Occupational pension schemes are regulated by The Pensions Regulator.

Your home may be repossessed if you do not keep up repayments on your mortgage or other loans secured on it. Think carefully before securing other debts against your home.

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