2015 / 2016

TAX SAVING TOOLS
FOR CAPITAL GAINS TAX ON
YOUR INVESTMENTS

Notes

1 Capital Gains annual exemption is currently £11,000.
Make sure you make full use of this exemption

2 You can invest in small unquoted trading companies and get special tax relief of 30% of the amount invested up to £1,000,000 of investment per tax year under the Enterprise Investment Scheme. You also get an exemption from capital gains tax if the shares in these companies are held for at least 3 years.

3 As for smaller companies, the Seed Enterprise Investment Scheme (SEIS) will get 50% tax relief on investments up to £100,000 and similar exemption from capital gains tax.

4 You can also invest up to £200,000 indirectly in small companies via a Venture Capital Trust (VCT) and be entitled to a deduction of 30% of the amount invested. These shares must be held for 5 years to be exempt from capital tax on disposal.

5 Ensure you take advantage of the ISA investment limit, where you can currently invest up to £15,240, thereby enabling it to be exempt from income and capital gains tax.

6 If you are a higher rate tax payer and your spouse/ civil partner a lower rate tax payer, it might be beneficial to transfer some of the investments to your spouse/ civil partner which may reduce your income tax and Capital Gains tax to the lower rate.

7 Children, even if younger than 18, are entitled to an annual Capital Gains Tax exemption, currently at £11,000.

8 Transfers between spouses or civil partners are free from Capital Gains Tax and could provide some tax saving where on partner has unused capital gains tax exemption or capital losses to write off.

9 Bank and Building Society interest may be received gross, without deduction of tax if you are a non tax payer

10 Lifetime pension fund allowance is currently £1.25 million. Make sure this is not exceeded to avoid higher tax charges when you start to draw your pension. If built up before 06.04.2006, it can be protected from these charges.

11 Old pension policies may allow you to draw your pension from the age of 55. You are allowed to draw your pension, work and make contributions to another pension scheme up to the age of 75.

12 If you make a large capital gain, you can defer the tax payable by investing in EIS or SEIS shares.

13 Cashing in some life assurance bonds may push your total income into the higher rate tax bracket or restrict your higher age related allowances.

14 In case of a divorce, try to transfer assets between you in the year in which you get divorced. Transfer between ex-spouses in the tax year of the divorce will be free from capital gains tax.

15 For inheritance tax purposes, there is no limit to the Inheritance Tax exemption applying to UK domiciled spouses/civil partner.
But, it is lost once the decree becomes absolute.

16 Prizes on investment of up to £40,000 in premium bonds are tax free.
The capital is available at any time.

17 Make sure you do not miss out on child benefits. Since 2009, tax free child benefit is paid to parents at the rate of £20.70 for the first child and £13.70 a week for each additional child, subject to the benefits cap limit.

Disclaimer

The information in this publication is by no means exhaustive and is of a general nature for guidance purposes only and as such, we strongly recommend that you obtain professional advice and consult the latest legislation relating to your specific circumstances before taking any action.

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