

END OF YEAR TAX PLANNING 2019/20

As another tax year comes to a close, it provides the perfect opportunity to review your finances and maximise any applicable reliefs. We have provided some useful planning suggestions for organising your finances as tax-efficiently as possible in the run-up to the end of the tax year on 5 April 2020.

ISA ALLOWANCE

You may invest up to a limit of £20,000 for the 2019-20 tax year across your ISAs. Up to £4,368 may be contributed into a junior account. There are a range of ISAs available including cash ISAs and Stocks and Shares ISAs.

PENSION ANNUAL ALLOWANCE

Now is the time to double check and review your pension arrangements for the year, particularly if you are looking to utilise carried forward allowances from the 2016-17 year which will otherwise be lost.

Calculating your annual allowance can be tricky, and you may not know for sure until you know your income for the year. Contributions are limited by several factors; the Annual Allowance for the year is generally, £40,000 (gross) however this is restricted where you are earning over £150,000 - reduced to a limit of £10,000 (gross) for those with earnings over £210,000. There is also a restriction in cases where you have previously taken money from a pension pot.

You can additionally utilise any unused annual allowance in the prior 3 years.

If making a personal contribution then you must have sufficient 'net relevant earnings' to cover the pension contribution if this is over £3,600 (gross).

AUTO-ENROLMENT

Please remember to review and, if necessary, opt-out of any employer contribution schemes. Employers have an obligation to re-enrol employees, even if previously opted out.

Employer pension contributions will count towards your annual allowance. If not opted out within one month, these will also jeopardise any pension protection you may have in place.

GIFT AID

Gift Aid is a steady favourite to combine charitable giving and tax benefits. The Charity will benefit by the basic rate contribution you have paid in tax, and your higher rate thresholds are increased.

With the ability to carry back Gift Aid to the 2019-20 year, provided the donations are made before the 31 January 2021 and the date of submission of the tax return, there is no immediate rush if you want to take advantage of this relief for the 2019-20 year.

Please note that Gift Aid must be claimed on charitable donations to receive income tax relief, and you should have sufficient tax payable to cover the Gift Aid tax uplift to the charity, otherwise you may receive an unexpected tax charge.

VENTURE CAPITAL INVESTMENTS

EIS and SEIS Investments made before 5 April 2020 can be carried back for relief against 2018-19 income tax.

You may also want to consider Business Investment Relief if looking to use unremitted funds to make an investment.

Annual subscription limits 2019/20:

Enterprise Investment Scheme (EIS)	£1,000,000 (Standard) £2,000,000 (Knowledge Investment Companies)
Seed Enterprise Investment Scheme (SEIS)	£100,000
Venture Capital Trusts (VCT)	£20,000
Social Investment Tax Relief	£1,000,000

Note, all reliefs listed in table above provide for 30% tax relief.

See overleaf for details of Important changes to watch out for in 2020.

Please note that this publication is intended as a general overview of year end tax planning. It is important that professional advice is sought on specific issues relevant to your personal circumstances and the legislation in force before any action is taken.

IMPORTANT CHANGES TO TAX IN 2020/21

2020-21 tax rates and allowances will be announced on 11 March 2020.
Here's what to watch out for...

RENTAL LOAN INTEREST

The restricted amount of loan interest for individual landlords will be 100% for the 2020-21 year. Relief for loan interest will only be available as a 20% tax reducer against rental profits.

PROPERTY SALE NOTIFICATIONS

Where you are disposing of UK residential property there is a 30-day window from the date of completion of the transaction to notify HMRC and pay any Capital Gains tax due. This filing requirement will now apply to UK residents as well as non-residents from April 2020. Deferral of the tax payment when already registered for self assessment will no longer be possible.

When a property fully qualifies for Principal Private Residence Relief, then no notification is required.

Please notify your tax advisor if you are in the process of selling a residential property.

NON-RESIDENT LANDLORD COMPANIES

There are changes ahead for non-resident landlord companies, as the tax regime is changing from income tax to corporation tax. Entry into the corporation tax regime also brings some changes, mainly to the calculation of interest costs and the treatment of losses.

IR35

Amid the confusion over the application of IR35 in the public sector, this is being extended to cover large and medium companies within the private sector. Contractors will require a status determination to be made for both new contracts and existing contracts starting after April 2020.

Penalties are severe if HMRC determine that IR35 was applicable, as such we anticipate large changes to the contracting scene as to protect against this, either:

- 1.) engagers bring the work in-house
- 2.) IR35 is applied in a blanket way, whether it should apply or not, or
- 3.) further intermediaries are stipulated by the engager to try to protect their position

We do hope that the issues with HMRCs CEST tool will be ironed out, as there is currently a notable leaning towards disguised employment and a worrying tendency to answer 'unable to determine'. We would also hope that there will be continuous updates in line with the recent judgements flowing through the courts from the public sector changes and detailed testing to show how the CEST tool applies to determined court cases.

[Find out more about IR35 here.](#)

Should you have any specific queries, please do not hesitate to contact our tax advisors: **020 8207 0602** or taxservices@sopherco.com.

IMPORTANT DATES...

31st July 2020:

Second payment on account for 2019/ 20 due

5th October 2020:

Deadline for registration of tax returns

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