Happy New (Tax) Year!

April 6th is the start of the 21/22 Tax Year, and this is often a time when those in work receive their agreed pay increase and those receiving their State Pension will see an above inflation increase due to the 'Triple Lock' process. This ensures the State Pension is increased by the higher of inflation, average wage increase or 2.5%. This time round, it was 2.5% that was used.

As the summer approaches and we all hopefully head towards the new normal, why not take the start of the tax year as an opportunity to look at your longer-term finances and make a few changes, especially if a salary or pension increase has put some more money in your pocket.

To help with this, we have suggested some ideas below. Some are simply good habits to get into, so as to avoid the end of Tax Year rush that so often happens. Think of these as some New (Tax) Year resolutions.

1) Your ISA – Everybody over 18 has a £20,000 ISA allowance to use every year. This is the ability to invest money free of Income or Capital Gains Tax. We are aware that many people wait until the end of the Tax Year and use their ISA allowance then, but of course, you don't have to. You could simply pay a £20,000 contribution now and get it ticked off, but an alternative solution is to set up a regular premium ISA and pay up to £1,666/m.

2) Tax Return – For those who submit a return, this needs to be done by 31st January 2022 if you submit it online. However, once you have received all the documentation required to do the Tax Return, why not submit it immediately? That way, when everybody else is scrambling around in January 2022 looking for information, you can sit comfortably knowing that the job is done.

3) Consider your pension contributions – For those still working, now is a good time to consider an increase in the contributions you are making. We are aware of some employers matching increased contributions to a certain limit, so any increase you personally make could be enhanced, due to increased Employer contributions.

4) Inheritance Tax (IHT) Planning - For people who have IHT issues, the gifting rules are a frequently unused allowance which can make a substantial difference to the IHT liability in the long term. Gifting small lump sums and making regular contributions out of your usual income are both IHT free immediately and are worth considering.

5) Check your State Pension – If you are still working, it is a good idea to check both when your State Pension is starting and how much it will be. The Government website will also confirm what the position is concerning your National Insurance (NI) record, so that you can see whether you will be entitled to the full Pension and what your options are.

The one thing that is constant with all of these things is the benefit that would be offered when you involve your Adviser. They will be able to discuss any questions you have about increased pension contributions, the benefits of single and regular premium ISAs and any concerns you have with Inheritance Tax. Therefore, before you make any decisions, do speak to your Adviser.

We would urge you to consider your long-term affairs in more detail and perhaps take the new tax year as a good time to get everything in order before the summer kicks in. If not, before you know it, we will be celebrating 2022 and you will once again find yourself rushing around sorting out tax returns and ISA contributions.