# important information. 2025.

New Tax year!
6 APRIL 2025

## make the most of your ISA allowance to pay less capital gains tax.

Over the past three years, the Capital Gains Tax (CGT) allowance has been reduced dramatically from £12,000 per annum down to just £3,000.

In addition, in last year's Autumn Budget, the new government increased the rate at which people pay CGT from 10% to 18% for basic rate tax payers and from 20% to 24% for higher rate tax payers!

So now, making use of your annual Individual Savings account (ISA) allowance makes even more sense.

**One of the best ways for investors to reduce their CGT liability is to hold your investments within a tax-efficient 'wrapper' such as an ISA.**

Investments (or 'assets') within an ISA wrapper are not subject to CGT, meaning any increase in value is tax free.

The present ISA allowance is **£20,000** and we believe it should be the mainstay of any individual's investment planning strategy for the following reasons:

- Income (interest and dividends) and gains are free of tax
- There is no need to report ISA returns to HMRC
- Tax rates, savings and capital gains allowances available today are not guaranteed and may be amended or removed completely in the future
- Although rates of tax and allowances could change, because ISAs have been so popular, it is unlikely any Government would retrospectively make them taxable
- Everyone has an ISA allowance, it is not a product, it is simply a tax wrapper
- Like CGT allowances, if you don't use it, you lose it

ISAs are very flexible and allow you to hold tax-free: cash, fixed-interest securities (bonds) and shares (UK and globally) i.e. all of the building blocks required to create a truly diversified investment portfolio. So, if you can shelter your savings from tax, why not take advantage?

If you hold investments which would potentially be subject to CGT and wish to consider your options, as well as how to use this and/or next tax year's ISA allowance, please contact us immediately to discuss your circumstances and requirements.

# autumn budget 2024: tax update.

### Capital Gains Tax rates

Following reductions to the Capital Gains Tax (CGT) annual exempt amount by the previous Government, the Chancellor announced an immediate increase to the tax rate to align with rates for residential property. This means that CGT will be paid at 18% if the chargeable gain fell within an individual's basic rate band. Any gain that is above an individual's basic rate band will be charged at 24%. The Annual Exempt Amount remains at £3,000.

There are several ways to minimise CGT you have to pay, including making full use of your tax-free allowances. See pages 2 & 3 for further information.

| Band | Tax rate on Capital Gains |
|---|---|
| Allowance | £3,000 |
| Lower rate | 18% |
| Higher rate | 24% |

### Inheritance tax changes

The Chancellor has frozen the Inheritance Tax threshold of £325,000 for a further two years, from 2028 to 2030. The threshold rises to £500,000 if a person leaves their home to their children. Freezing the threshold could result in more estates being subject to paying inheritance tax (IHT) as values rise in line with inflation.

The biggest change to pensions announced in the Budget in October 2024 was that inherited pensions will be subject to IHT from April 2027. This change typically doesn't impact Defined Benefit pensions, as these typically are not passed on after death.

You may wish to review your plans to ensure that your estate is not subject to IHT in future.

# here to help.

**As mentioned, the Capital Gains Tax rate increased on 30 October 2024. When making disposals there are some factors to consider:**

**Previous disposals**
Gains (or losses) may have already been made when rebalancing your portfolio or making disposals for other reasons, and these must be considered before making further disposals.

**Losses**
Where losses have been made in the current tax year, these must be set against any gains before applying the CGT allowance. For example, if you have gains of £5,000 and losses of £3,000 in the same tax year, £2,000 of the CGT allowance will be used.

Further gains of £1,000 would therefore have to be crystallised to use the full allowance.

*Example*

**£5,000 - £3,000 = £2,000**
Gains / Losses / Net gains

**£3,000 - £2,000 = £1,000**
CGT allowance / Net gains / Remaining CGT allowance

If, however, you have losses from previous years, not all of those losses have to be used in the current tax year. In the example below, if you have gains of £10,000 this year but had £11,000 of losses made in earlier years, you could take £7,000 of the previous losses to offset against your gains. This would leave you with a £3,000 gain, allowing you to use the full annual CGT allowance to avoid a tax charge. The remaining £4,000 of previous losses could then be used to offset gains in future years, together with the CGT allowance.

*Example*

**Previous losses:** **£11,000 - £7,000 = £4,000**
Available losses / Losses used / Remaining available losses

**Current gains:** **£10,000 - £7,000 = £3,000**
Total gains / Losses offset / Net gains

**- £3,000**
CGT allowance

**= £0**
Chargable gain

**Share matching rules**
If the gains are held in a shareholding you wish to retain, although selling them will crystallise the gain, you need to be careful about repurchasing the shares. You will need to wait at least 30 days. If you buy them back within this period, the gain will be recalculated by substituting the original cost with the repurchase cost, probably resulting in a smaller gain which doesn't fully utilise the CGT allowance.

30 days may also not be an acceptable time for you to be 'out of the market' but there are some options to counter this.

**You could repurchase the shares via an ISA or a SIPP – this is commonly referred to as a 'Bed and ISA' or a 'Bed and SIPP' exercise. Both of these are disposals for CGT purposes, but repurchasing within the ISA or SIPP wrapper does not trigger the share matching rules.**

**Using a partner's allowance**
Where a spouse or civil partner has an unused CGT allowance, assets can be transferred between partners to potentially double tax-free gains realised i.e. up to £6,000.

Transfers between married/civil partners are technically regarded as disposals, but without a gain occurring at the time of transfer (referred to as a 'no gain, no loss' basis). This means that the partner receives the funds at the original acquisition cost and a gain can be realised on the subsequent sale.

# remember!

There is still time to make a new lump sum contribution to your ISA. The last day we can accept application forms and payment is **27 March 2025**.

# your portfolio: anytime, anywhere.

Our improved web portal provides ease of access to your investment portfolio(s) and up-to-date information on your holdings and transactions. You will also be able to view our regular market updates and summaries.

**How to access:**

Your access will depend on whether you are already using the 'my wealth invest' app.

- **I already have the app:** you can log in to the new web portal straight away using the same username and password as the app. **www.mywealth.co.uk/login**
- **I use the old online account, but don't have the app:** visit **www.app.mywealth.co.uk** to request your new password.
- **I have never had web or app access:** confirm your email address with us and we will send you your unique login details. Call us on **0800 028 3200** or visit **www.wealthatwork.co.uk/mywealth/confirm-youremail-address**

**The 'my wealth invest' app will be available to clients who hold investments with my wealth, which is a trading name of Wealth at Work Limited, part of the Wealth at Work group.**

GET IT ON Google Play
Download on the App Store

# new cash service.

As part of our ongoing effort to develop our offering to our clients, we will shortly be introducing a new service designed to be an alternative to traditional cash deposits.

Many people have cash languishing in poorly paying savings accounts and can't be bothered to shop around and/or switch providers, but cash is an important element of your planning strategy and it's just as important to make sure it's working for you and not just for the bank or building society.

Our new service will aim to provide competitive returns while retaining accessibility and flexibility. This will take away the burden of you having to continually look for the best rates as well as the time and effort to switch. It's worth noting that this new service can also be held within an ISA, making interest received tax-free! You can discuss this with your Adviser at your next review meeting.

# time for a review?

It is important to review your financial situation and check whether your personal financial plans are on track for the future. This is especially important for anyone thinking of retiring in the next few years. If you would like to start making plans, please contact us to discuss or ask any questions you may have.
**Call us on 0800 049 2011**

**Call us on 0800 049 2011 or email affinity.advise@wealthatwork.co.uk**
**Visit our website at www.affinityadvise.co.uk**



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