Tax year end 2023/24 special edition

Talking points

Get prepared for tax year end with our range of insights:

- Webinar replay: Financial planning considerations following a year of change
- Lifetime allowance update
- Pension contributions checklist
- Pension contributions at tax year end
- Capital gains management
- Planning opportunities at tax year end
- Practical tips for managing client accounts
- Making the most of client data in the run up to tax year end
- Cash options in times of high interest rates

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Webinar replay

Financial planning considerations following a year of change

There's been tremendous change over the last couple of years with the government announcing many new tax rules and alterations to allowances.

This has had a significant effect on the financial planning landscape with new opportunities arising for many clients. Tune in to a replay of our recent webinar where Fidelity's Paul Richards, Paul Squirrell and Jon Hale run through some key considerations at this time of year:

- **Pensions**
  - Clients who may wish to boost their contributions following changes to rules and limits
  - The taxation of death benefits
  - Client income considerations
- **Changes to ISA rules and utilising the allowance** (including cash options)
- **Investing outside of pensions and ISAs**
  - How reductions to the capital gains and dividend allowances may affect individuals
  - Capital gains and Model Portfolios and DFM accounts
  - Holding client assets in the most tax-efficient manner
- **How to quickly identify clients who may need to take action before the tax year end**

The recording is chaptered so that you can jump to your areas of interest.

View a replay of the event

Lifetime allowance update

Last year, it was announced that the pension lifetime allowance (LTA) would be 'abolished'. Initial measures were put in place for 2023/24, while the longer-term plan for the 'replacement' of the LTA – from 6 April 2024 – was to be delivered through further legislation.

Following an initial Policy Paper and a Draft Finance Bill issued last summer – and a resulting consultation period – further draft legislation was released in November 2023. This has provided more clarity on the new rules and the transitional arrangements.

In this postcard, Paul Squirrell summarises some of the announcements made in the draft legislation and analyses what this could mean for financial planning.

Download now (10-minute read)


Lifetime allowance | For investment professionals only and should not be relied upon by private investors.

Update:
'Replacement' of the lifetime allowance

Updated after Pension Schemes Newsletter (PSN) 155

Paul Squirrell
Head of Retirement and Savings Development

In the 2023 Spring Budget, the announcement was made that the lifetime allowance (LTA) would be 'abolished'. However, given the close proximity to the start of the new 2023/24 tax year, this was achieved by reducing the LTA tax charge to zero for 2023/24 and applying Income Tax to LTA excess benefits previously taxed at 55%. The legislation received Royal Assent on 11 July 2023.

At the time of the initial announcement, the longer-term plan for the 'replacement' of the lifetime allowance (from 6 April 2024) was to be delivered through further legislation. True to the government's word, we received an initial Policy Paper announcement and Draft Finance Bill measures on 18 July 2023.

Following a period of consultation, further draft legislation was released by HMRC after the Autumn Statement in November 2023, which provided further clarity on the rules for transitional arrangements. The new legislation is not expected to receive Royal Assent until Easter 2024 – one week before the start of the new tax year! However, the draft legislation contains pertinent information for financial planners as we approach the end of the current tax year.

In this postcard, I summarise some of the announcements made in the draft legislation.

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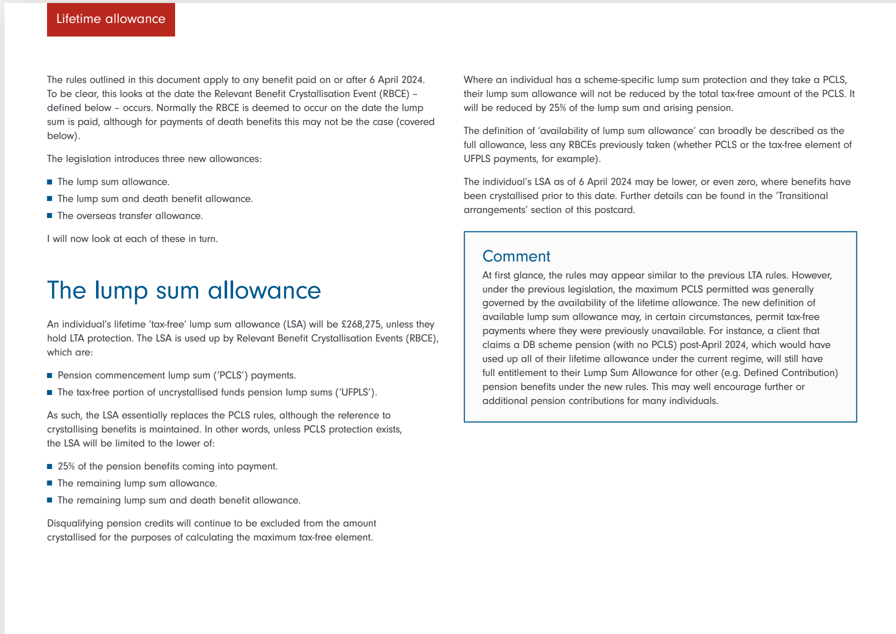

Lifetime allowance

The rules outlined in this document apply to any benefit paid on or after 6 April 2024. To be clear, this looks at the date the Relevant Benefit Crystallisation Event (RBCE) – defined below – occurs. Normally the RBCE is deemed to occur on the date the lump sum is paid, although for payments of death benefits this may not be the case (covered below).

The legislation introduces three new allowances:

- The lump sum allowance.
- The lump sum and death benefit allowance.
- The overseas transfer allowance.

I will now look at each of these in turn.

The lump sum allowance

An individual's lifetime 'tax-free' lump sum allowance (LSA) will be £268,275, unless they hold LTA protection. The LSA is used up by Relevant Benefit Crystallisation Events (RBCE), which are:

- Pension commencement lump sum ('PCLS') payments.
- The tax-free portion of uncrystallised funds pension lump sums ('UFPLS').

As such, the LSA essentially replaces the PCLS rules, although the reference to crystallising benefits is maintained. In other words, unless PCLS protection exists, the LSA will be limited to the lower of:

- 25% of the pension benefits coming into payment.
- The remaining lump sum allowance.
- The remaining lump sum and death benefit allowance.

Disqualifying pension credits will continue to be excluded from the amount crystallised for the purposes of calculating the maximum tax-free element.

Where an individual has a scheme-specific lump sum protection and they take a PCLS, their lump sum allowance will not be reduced by the total tax-free amount of the PCLS. It will be reduced by 25% of the lump sum and arising pension.

The definition of 'availability of lump sum allowance' can broadly be described as the full allowance, less any RBCEs previously taken (whether PCLS or the tax-free element of UFPLS payments, for example).

The individual's LSA as of 6 April 2024 may be lower, or even zero, where benefits have been crystallised prior to this date. Further details can be found in the 'Transitional arrangements' section of this postcard.

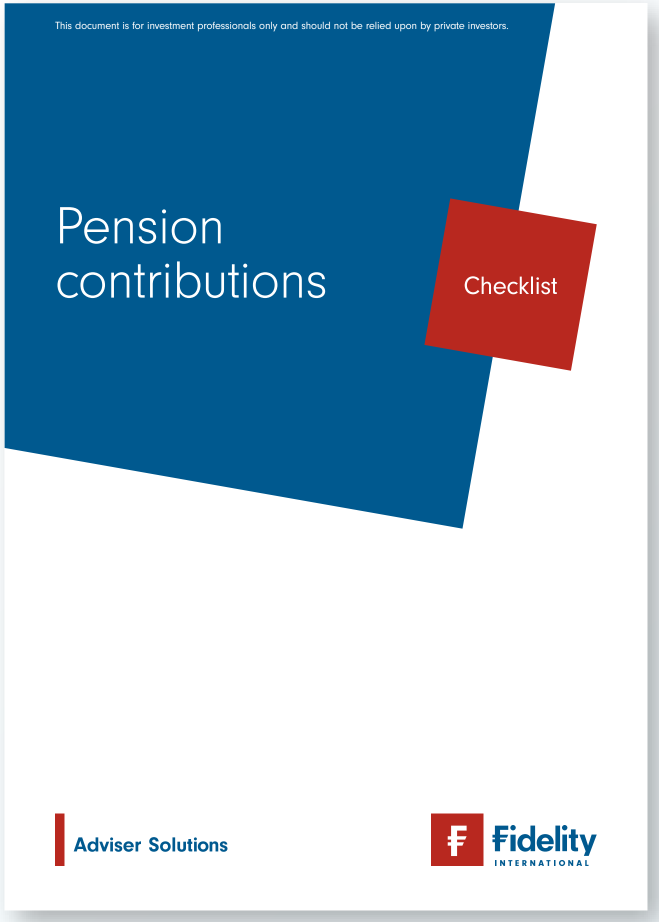
Comment

At first glance, the rules may appear similar to the previous LTA rules. However, under the previous legislation, the maximum PCLS permitted was generally governed by the availability of the lifetime allowance. The new definition of available lump sum allowance may, in certain circumstances, permit tax-free payments where they were previously unavailable. For instance, a client that claims a DB scheme pension (with no PCLS) post-April 2024, which would have used up all of their lifetime allowance under the current regime, will still have full entitlement to their Lump Sum Allowance for other (e.g. Defined Contribution) pension benefits under the new rules. This may well encourage further or additional pension contributions for many individuals.

Pension contributions checklist

Our checklist is designed to highlight important considerations for clients making pension contributions.

As you will be aware, there is no limit to the amount that can be saved into pensions each tax year, although there is a limit in respect of the contributions that can potentially receive tax relief. Additionally, contributions from all sources (including any paid by the employer) will be assessed against the annual allowance available for the tax year. If this limit is exceeded, the savings in excess of the annual allowance will be subject to a tax charge.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Pension contributions

Checklist

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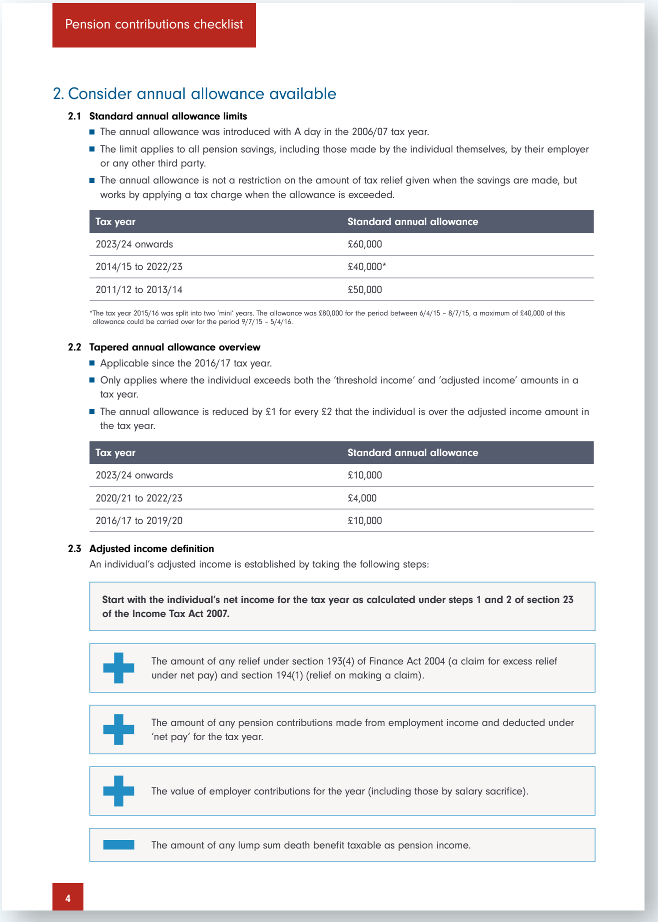
Pension contributions checklist

2. Consider annual allowance available

2.1 Standard annual allowance limits

- The annual allowance was introduced with A day in the 2006/07 tax year.
- The limit applies to all pension savings, including those made by the individual themselves, by their employer or any other third party.
- The annual allowance is not a restriction on the amount of tax relief given when the savings are made, but works by applying a tax charge when the allowance is exceeded.

Tax year	Standard annual allowance
2023/24 onwards	£60,000
2014/15 to 2022/23	£40,000*
2011/12 to 2013/14	£50,000

*The tax year 2015/16 was split into two 'mini' years. The allowance was £80,000 for the period between 6/4/15 – 8/7/15, a maximum of £40,000 of this allowance could be carried over for the period 9/7/15 – 5/4/16.

2.2 Tapered annual allowance overview

- Applicable since the 2016/17 tax year.
- Only applies where the individual exceeds both the 'threshold income' and 'adjusted income' amounts in a tax year.
- The annual allowance is reduced by £1 for every £2 that the individual is over the adjusted income amount in the tax year.

Tax year	Standard annual allowance
2023/24 onwards	£10,000
2020/21 to 2022/23	£4,000
2016/17 to 2019/20	£10,000

2.3 Adjusted income definition

An individual's adjusted income is established by taking the following steps:

Start with the individual's net income for the tax year as calculated under steps 1 and 2 of section 23 of the Income Tax Act 2007.

\+ The amount of any relief under section 193(4) of Finance Act 2004 (a claim for excess relief under net pay) and section 194(1) (relief on making a claim).

\+ The amount of any pension contributions made from employment income and deducted under 'net pay' for the tax year.

\+ The value of employer contributions for the year (including those by salary sacrifice).

− The amount of any lump sum death benefit taxable as pension income.

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[Download your checklist](#)

Pension contributions at tax year end

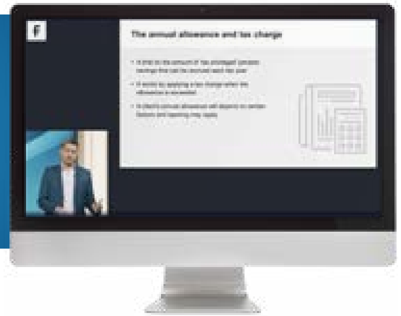
Following all the changes made to pension rules and allowances over the last year or so, Paul Squirrell runs through some of the considerations if clients are planning to boost their pension contributions before the tax year end. He also looks at the options for paying the annual allowance tax charge.

Tax relief and the annual allowance

5-minute watch

The annual allowance tax charge and 'scheme pays'

6-minute watch



The money purchase annual allowance

5-minute watch

The tapered annual allowance

6-minute watch

Capital gains management

The capital gains allowance has been reduced in 2023/24 – with a further reduction planned for 2024/25 – and so it's more important than ever to help clients minimise any capital gains tax (CGT) liability.

At face value, calculating the gains or losses on an investment seems a relatively straightforward process. In reality, it can be quite complicated. In this video, Paul Squirrell covers the methodology for performing these calculations as well as how to establish whether any tax is payable and, if so, how much.

Capital Gains and Investment Accounts

12-minute watch

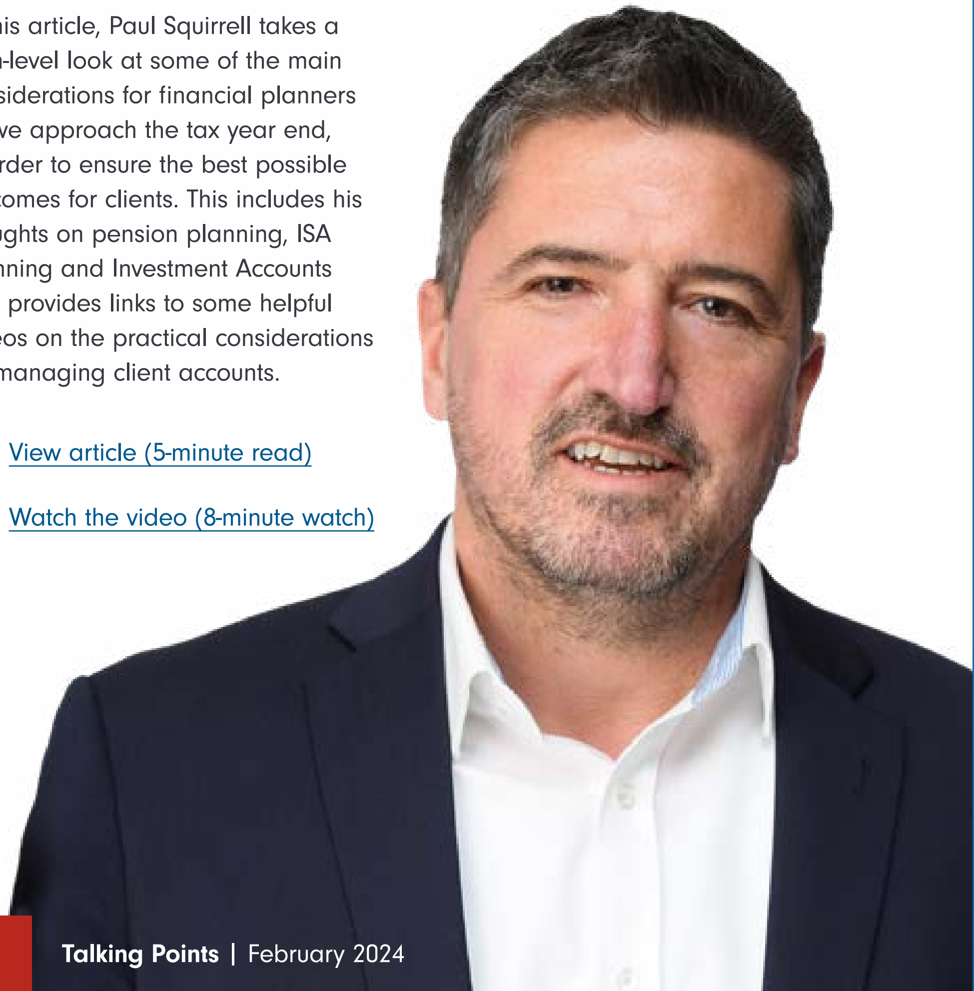
Planning opportunities at tax year end

The last year has brought a number of alterations and challenges for financial advisers. These include significant changes to legislation relating to pension savings, regulatory changes, such as the roll out of the Consumer Duty, and a challenging economic environment that has caused market instability.

In this article, Paul Squirrell takes a high-level look at some of the main considerations for financial planners as we approach the tax year end, in order to ensure the best possible outcomes for clients. This includes his thoughts on pension planning, ISA planning and Investment Accounts and provides links to some helpful videos on the practical considerations for managing client accounts.

View article (5-minute read)

Watch the video (8-minute watch)



Practical tips for managing client accounts

Jon Hale runs through some practical, straightforward actions you can take on our platform to help with the management of client accounts. He also highlights some guides and reports that you may find helpful at tax year end.

Watch now (3 to 5-minute watch)

TAX YEAR END 2023/24

Making the most of client data in the run up to tax year end

We provide you with access to numerous reports on our platform, such as the Pension Summary report and the ISA Contribution report, which can assist in managing your business more efficiently. They can be particularly helpful as the end of the tax year approaches. Reports are available 24/7, giving you the flexibility to access them whenever is convenient.

Visit our hub to find out how you can quickly access data that can support:

- **Regulatory requirements**
  Such as the Consumer Duty (for instance, avoiding foreseeable harms and providing value to clients)
- **New business opportunities**
  Helping to identify, for example, clients with unused ISA and pension allowances.

Find out more

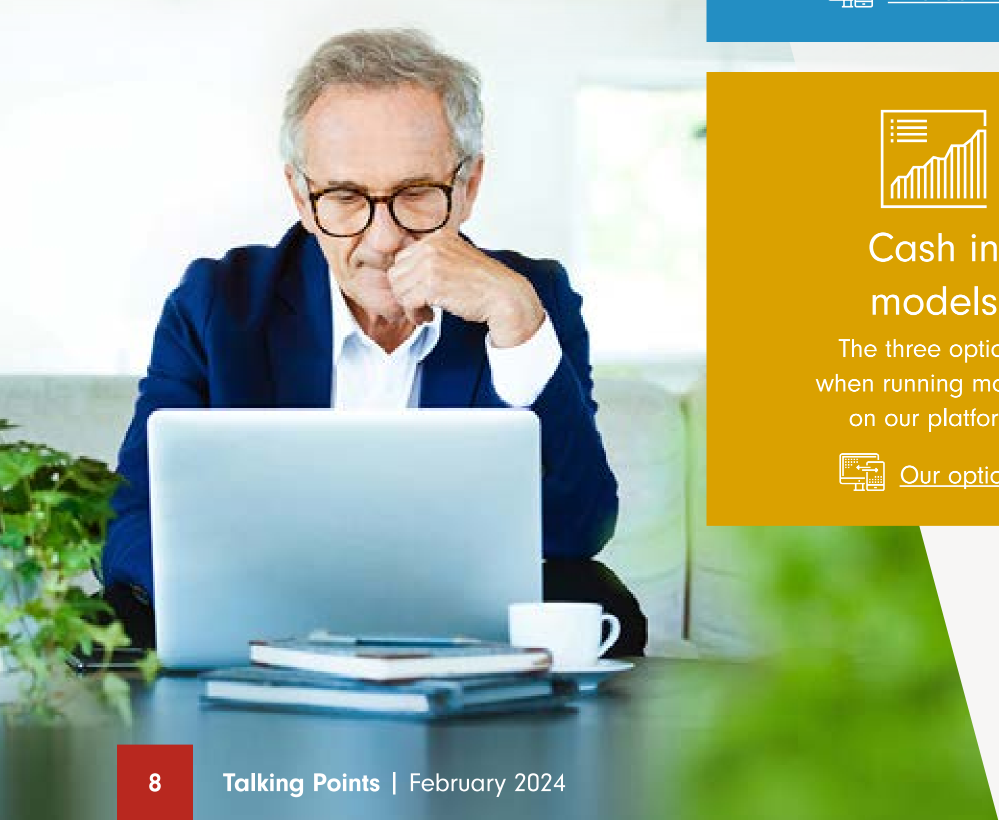
Quickly access all the information you need

Including ISA subscriptions, income management and capital gains reporting.

9-minute watch

Cash options in times of high interest rates

Cash savings have become more attractive over the past year or so because of the higher rates of interest now on offer. At Fidelity, we offer cash accounts as well as cash and cash-like funds and provide a number of options to help you implement a cash investment strategy and retain client assets on the platform.



How to hold cash

For existing and new investments on the platform

Find out more

Cash accounts including interest

Details on our cash facilities, including current interest rates

View accounts

Cash funds and portfolios

Cash fund options on our platform

More details

Cash in models

The three options when running models on our platform

Our options

Adviser fees from cash

Options for paying fees using the Cash Management Account

Find out more

Support for market volatility

A range of client-facing support materials for conversations with your clients

Visit hub

More on all our cash options

The Pension forum: the answers to your technical queries

The rules relating to pensions can be incredibly confusing given the complexity of the Pensions Tax Manual. In order to help build your technical knowledge around some of the more obscure aspects of this topic, we've launched a forum where Paul Squirrell, our pension expert, clarifies the rules relating to some specific areas of retirement planning.

Topics under Paul's gaze include:

- UFPLS withdrawals and the annual allowance tax charge.
- Taking a PCLS after age 75 and the maximum payment that can be made.

Browse the forum

Important information

This document provides information and is only intended to provide an overview of the current law in this area and does not constitute financial advice, tax advice or legal advice, or provide any recommendations.

The value of investments and the income from them can go down as well as up and clients may get back less than they invest. The value of benefits depends on individual circumstances. The minimum age clients can normally access their pension savings is currently 55, and is due to rise to 57 on 6 April 2028, unless they have a lower protected pension age. Different options may have different effects for tax purposes, different implications for pension provision and different impacts on other assets and financial planning.

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