Ward Goodman
Your success is our business

INCOME TAX: GENERAL RELIEFS

Personal Pensions

Pension contributions offer tax relief of at least 20%. This is available on contributions of up to 100% of your earnings each year, subject to a £40,000 annual allowance.

The way in which you get relief depends on the type of pension scheme.

Occupational scheme	Usually your employer takes the contribution from your pay before deducting tax so you only pay tax on what is left. Whether you pay tax at the basic, higher or additional rate you get the full relief straightaway.
Personal pension	Relief is provided at source for the basic rate taxpayer as the pension provider claims back tax at the basic rate of 20% of the contribution. Higher/ additional rate taxpayers claim the difference through their tax return.
Retirement annuities	There is no relief at source; instead any tax relief is claimed through the tax return.

If you do not have any earnings, you can pay £2,880 into a personal pension scheme and still benefit from the basic rate tax relief.

From 6 April 2016 there is a reduction in the annual allowance for high earners where an individual's income crosses two thresholds. Where this occurs there is a reduction of £1 for each £2 of adjusted income over £150,000, subject to a maximum reduction of £30,000.

The pension input period will change from 6 April 2016 when it aligns with the tax year.

Business start-up reliefs *

	Income Tax	Capital Gains Tax (CGT)
Enterprise Investment Scheme (EIS) Tax relief for investing in new shares in smaller, unlisted companies	• Relief given at 30% of the investment up to £1 million (withdrawn if the shares are disposed of within three years).	• CGT exemption on shares held for three years. • Defer CGT on the disposal of any other asset, of any size, by reinvesting the gain in EIS shares.
Seed Enterprise Investment Scheme (SEIS) Tax relief for investing in start-up companies	• Relief given at 50% of the investment up to £100,000 (withdrawn if the shares are disposed of within three years).	• CGT exemption on shares held for three years. • Defer CGT on the disposal of any other asset up to £50,000 by reinvesting the gain in SEIS shares.
Venture Capital Trusts (VCTs) Investment trusts that invest in a range of smaller, unlisted trading companies.	• Relief given at 30% of the investment up to £200,000 (withdrawn if the shares are disposed of within five years).	• CGT exemption on shares acquired within the permitted maximum.

* EIS, SEIS and VCT investments are inherently high-risk and proper financial and tax advice should be sought before making any investment.

INCOME TAX: GENERAL RELIEFS

Gift Aid scheme

Tax relief is provided on gifts to registered charities by making a declaration under the Gift Aid scheme.

- The charity claims back basic rate tax on the value of the gift as this is made out of taxed income.
- Higher and additional rate taxpayers can claim an extra 20% or 25% in relief through their tax return.
- You can elect for donations to be treated as made in the prior year.
- Gifts of listed shares attract both Income Tax and CGT relief.
- You must have paid sufficient Income Tax and/or Capital Gains Tax to cover the tax claimed back by the charity in order to avoid a tax charge for any shortfall. With the introduction of the dividend taxation allowance from 6 April 2016 care may need to be taken by some tax payers who have previously relied on the notional dividend tax credit to meet all or part of this tax obligation.