



TAX ALLOWANCES AND CONTRIBUTION LIMITS 2023/24

How quickly the time flies; with January now a memory and Easter around the corner, our thoughts turn to key dates in the financial calendar. The Budget announcement is on Wednesday, 06 March 24, and the tax year ends on 05 April. We will email a link to our Budget Guide on 07 March, but before this, we wanted to reiterate the current 23/24 tax allowances. Should this be appropriate, there's still time to use up any ISA or Pension allowance.

PERSONAL TAX-FREE ALLOWANCE

The tax-free allowance for Income Tax remains at £12,570 until April 2026. Anyone earning £125,140 or more will not qualify for any allowance.

MARRIAGE ALLOWANCE

This allowance allows the transfer of up to £1,260 of an individual's personal allowance to the spouse; of the amount transferred to a partner – 20% is given as a reduction in their tax bill. You can backdate your claim for up to four years.

DIVIDEND INCOME

You can now have tax-free dividend income of up to £1,000. This was reduced from £2,000 for 22/23 and will be reduced to £500 for the 24/25 tax year. For a basic-rate taxpayer, you pay 8.75% over this amount. Higher-rate taxpayers pay 33.75% and additional-rate taxpayers pay 39.35%. For dividend income over £1,000, if the total income is still below the personal allowance, you won't pay any tax on it.



RENT-A-ROOM SCHEME

You can **rent out a room** in your primary residence to a lodger and earn tax-free rent up to £7,500 thanks to the government's **Rent-a-Room Scheme**. Two things are worth noting, however. Firstly, if you share the income with someone else (e.g. your spouse), you get tax-free allowances of £3,750. Secondly, if you don't otherwise have to complete a Self-Assessment Tax Return, you don't need to complete one for income under these amounts.

DRIVEWAY RENTAL

You can earn up to £1,000 tax-free if you rent out your driveway. If you earn more than this, you need to tell HMRC.

TAX-FREE ALLOWANCE FOR CAPITAL GAINS TAX

Individuals now have a tax-free Capital Gains Tax allowance of £6,000, reducing to £3,000 for the 24/25 tax year onwards.

TAX-FREE ALLOWANCES FOR SAVINGS

Taxpayers receive a personal savings allowance of £1,000 for basic rate taxpayers, reducing to £500 for those subject to the higher rate of tax and £0 for additional rate tax payers'.

INDIVIDUAL SAVINGS ACCOUNT [ISA]

The annual contribution limit remains at £20,000 for 23/24. Between the ages of 18 and 39, up to £4,000 of the allowance can be paid into a Lifetime ISA [LISA] up to age 50. The government will also top up LISA savings by 25% – a potential annual gain of £1,000, conditions apply.

The Cash ISA allowance this tax year is £20,000.

The maximum amount you can put into a Cash ISA is £20,000. Or you can spread £20,000 across any combination of Cash ISA, Stocks and Shares ISA, Lifetime ISA (maximum of £4,000) and an Innovative Finance ISA, as long as you stay within the overall limit.

However, you can't subscribe to more than one of each type of ISA account each tax year (this is due to change for the new tax year).

The ISA allowance for a Junior ISA is currently £9,000.

Parents or guardians can open a Junior ISA for their child if the child is a UK resident.

Anyone born between 1 September 2002 and 2 January 2011 who is under 18 must have transferred their Child Trust Fund to a Junior ISA to open an account.

An ISA is a medium to long-term investment aiming to increase the value of the money you invest for growth, income, or both. The value of your assets and any income from them can fall as well as rise. You may not get back the amount you invested. Tax concessions are not guaranteed and may change in the future. Tax-free means the investor pays no tax.

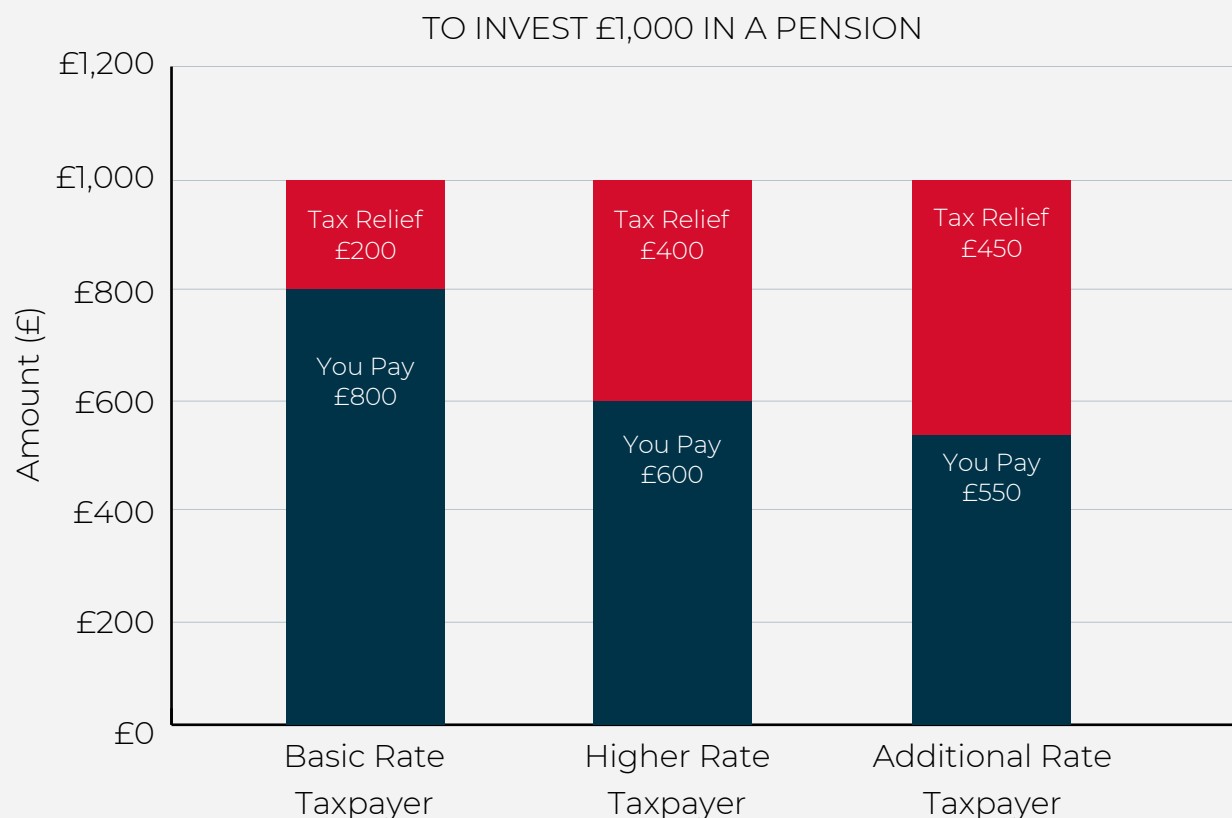


PENSIONS

Annual contributions are limited by the pension annual allowance, which is currently £60,000. This amount includes both personal and employer contributions. However, for anyone earning over £260,000, this allowance is tapered as people with a taxable income over £260,000 will have their annual allowance for that tax year restricted.

For a UK resident under 75, you can get pension tax relief on what you pay in, even if you don't work or pay tax.

To get tax relief, your personal contributions can't be any higher than your net relevant earnings, or £3,600 if this is greater. However, an employer contribution might be permissible but still subject to the annual allowance.



HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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