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NOW IS THE TIME TO PREPARE FOR END OF TAX YEAR

- **Prudential's Technical Team outlines the actions advisers must consider**

With only 66 days until the end of the tax year on 6 April 2018, Prudential's Technical Team says advisers must act now to ensure their clients make the best use of allowances.

Les Cameron, pensions and tax expert, and Head of Technical at Prudential, lists aspects of financial planning that advisers should now raise with clients.

Use the £3,000 gift exemption to cut inheritance tax

Inheritance tax (IHT) can be reduced by giving away assets. Clients with a potential IHT liability can gift £3,000 every tax year free of IHT. If unused, there is a one-year carry forward. Those who made no gifts in the previous tax year, and none so far in the current tax year will have £6,000 available (£12,000 for married couples and civil partners). IHT planning should be considered sooner rather than later. If gifting larger lump sums, the sooner the seven year clock starts the better.

Use any available pensions annual allowance before you lose it

If someone has used up their annual allowance for the current year then they can carry forward annual allowance from the past three years, starting with the earliest year first. This means that annual allowance from 2014/15 can still be used but this opportunity will disappear on 6 April when the new tax year begins. Use it or lose it.

Dividend allowance

In tax year 2018/19, this will be reduced to £2,000, which means clients receiving the same level of dividends may pay more tax. Business owners and/or investors will be affected. Should dividend income be reduced? Plan ahead.

Use the capital gains tax (CGT) annual exemption

It's possible for clients to realise gains of up to £11,300 this tax year with no CGT liability. To use this exemption, client holdings in OEICs might be disposed of to realise gains up to this level. What about those proceeds though? Reinvestment in an identical fund after 30 days to avoid the bed and breakfasting rules? There is no need to wait 30 days for investment in a non-identical fund or perhaps even a different wrapper – ISA, bond or pension? Each have their own merits.

– Ends –

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