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and pushes existing taxpayers into higher rates. A good example is the £12,570 personal allowance, first set in 2021/22, which would now be about £15,000 without the freeze.

A cut to income tax and/or national insurance relief on pension contributions is a regular Budget candidate which, to date, has only attracted limited tweaking via the pension annual allowance. It's a tempting target – the latest figure for the cost of relief is over £78 billion. Another frequently suggested reform is for income tax relief to be set at a flat rate – say 30% – rather than the current marginal income tax rate of up to 45% (48% in Scotland).

The Chancellor has already made clear she wants to reduce the amount that can be invested in cash ISAs (currently 100% of the maximum £20,000 subscription, itself frozen until 2030). Any restriction could have a wider impact, catching some funds currently classed as fixed interest investments within stocks and shares ISAs.

Another rise in capital gains tax rates is unlikely after last year's changes, but there could be an increase to the tax on share dividends by, for example, raising the rates to bring them into line with other income tax rates.

Some useful pre-Budget actions could be considered after seeking advice, such as making pension contributions before the Chancellor speaks. There is also strategic planning, which normally requires personalised advice. This could involve minimising taxable income as far as practical, maximising use of independent taxation and timing income so that important thresholds (e.g. £100,000 at which the personal allowance is tapered) are only crossed every other tax year.

❖ *The Financial Conduct Authority does not regulate tax advice. Tax treatment varies according to individual circumstances and is subject to change.*

The value of your investment and any income from it can go down as well as up and you may not get back the full amount you invested.

Past performance is not a reliable indicator of future performance.

TAX

Could you cut your tax bill with salary sacrifice?

Many employees could cut their tax bill and boost pension savings by making the most of salary sacrifice arrangements.

Not all employers offer these schemes – but there has been more interest since the government increased national insurance (NI) payments for employers.

These schemes offer tax savings to employers and employees. Under such arrangements an employee 'sacrifices' part of their gross salary, with their employer paying this sum directly into their workplace pension.

Because income tax and NI aren't due on the sacrificed salary, this reduces the employee's overall tax bill. The employer also saves on the NI they would otherwise have paid on the sacrificed salary – a more significant saving since the recent NI increase.

Such arrangements are particularly beneficial for higher- and additional-rate

taxpayers. There are now more people falling into these higher tax bands, despite more buoyant wage growth, under the impact of long-term frozen tax thresholds. These income tax bands are due to remain at current levels until at least 2028.

Salary sacrifice can also be valuable for those close to thresholds for losing other benefits – such as child benefit, tax-free childcare or personal allowance. By keeping your taxable salary below the relevant limits you can still retain access to these benefits, on top of the tax savings.

However, employees should remember that salary sacrifice reduces their take home pay and lowers the income used in mortgage affordability assessments, and that money diverted into a pension may not be accessible until age 55 (57 from April 2028).

