

Tax perks for newlyweds

Tim Hardy of Shipleys LLP (formerly Smith Pearman Accountants) reveals tax savings for married and civil partnership couples

Moving from single to married or civil partnership status is a great moment in life. Not only does it mark the start of an exciting journey together, it also brings a change in legal status and opportunities for tax savings from the couple's combined income.

If spouses have different levels of income and are paying income tax at different rates, there may be savings to be had from equalising the two.

For straightforward salaries there can be little you can do, but investments or bank accounts could be transferred to the lower-income spouse to reduce the tax paid across the couple.

If you have your own business, do consider employing your lower income spouse, or creating a partnership or transferring company shares.



Making the most of your allowances

The married couple's allowance also lets you transfer £1,150 of your Personal Allowance to your husband, wife or civil partner - if they earn more than you. This reduces the higher earner's tax bill by up to £230. To benefit as a couple, the lower earner must have an income of £11,500 or less and the higher earner must not pay higher-rate tax.

Consider the designated owner of specific assets

If your assets as a couple include a second property, take care with its designated ownership and bear in mind that transfers between the two of you are exempt.

Capital Gains Tax (CGT) on additional properties is currently charged at either 18% or 28% depending on a person's income level, so it may make sense to transfer part ownership to the spouse with the lower income rate, thereby reducing CGT on the sale.

Pensions

When it comes to pensions, whilst a husband, wife or civil partner should automatically inherit their spouse's final salary pension and secure an increase in state pension, it's important to make a declaration of trust in



relation to your defined contribution plans. This is much simpler than it sounds and ensures that your pension pot definitely goes to your spouse.

Summary

There are definite tax advantages to being a married or civil partnership couple so familiarise yourselves with the various thresholds where certain tax rates kick in, as well as your allowances. Don't pay more tax than you need to.

The Smith Pearman team are now part of Shipleys in Godalming and are happy to help with any tax queries you have.

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