abacus advice

Financial Christmas gifts for children

Mike Hardy DipFA
Director
Abacus Advice

Foreward

Abacus Advice helps you to look ahead, preparing and planning for a better future.

Most of you reading this will know me but hopefully this and subsequent articles will reach a wider audience if I can persuade you to pass this on to family, friends and colleagues.

Abacus Advice is a small firm of financial advisers directly authorised by the Financial Conduct Authority, providing quality financial advice to individuals, companies and trusts.

Financial advice can be complex, so I do my best to make it as digestible as possible.

Call me on **01892 320449** or email **mike@aaltd.co.uk** if you have any questions.

It's that time of year again when financial gifts are given... and HMRC is watching. Remember, tax is never far away from anything you do and making gifts to children at Christmas is no exception

Financial Christmas gifts for children

It's that time of year again when financial gifts may be given... and HMRC is watching.

Tax is never far away from anything you do and making gifts to children at Christmas is no exception. There are a few key tax areas you should bear in mind.

Inheritance tax (IHT)
As with any gift you make, the first consideration is IHT. In practice, this will generally not be an issue if in the tax year:

- All your gifts to a single child total no more than £250; or
- The total gifts you make in a year do not exceed £3,000; or
- The gift is one that is regular, out of income and does not reduce your standard of living; or
- You survive seven years after making the gift.

If that quartet does not cover your gift, or if you are making your gift via a trust, seek advice.

Income tax
The next tax to watch is income tax. If you make a gift to your minor, unmarried child and the income the gift generates in a tax year exceeds £100, then that income is taxable as if it were yours. When interest rates were near zero, this £100 per parent, per child ceiling was somewhat academic, but now it is much less so – £2,000 earning 5% interest will get you there. One way to sidestep this tax trap is to make any gift (up to £9,000 total in 2023/24) into a Junior ISA (JISA). The law excludes JISA income, whether interest or dividends, from UK income tax.

The £100 rule only applies to parental gifts, so any income generated by gifts from grandparents or others is the child's own for tax purposes. As every child has a personal allowance of £12,570, only the wealthiest need to worry about any tax bill.

Capital gains tax (CGT)
CGT may also be payable if you are gifting investment funds, shares or property that you already own. As such, gifts will normally involve trusts, so once again, do seek advice. Each child has the usual annual CGT exemption (£6,000 in 2023/24, reducing to £3,000 from 2024/25 onwards). There is no corresponding CGT anti-avoidance rule to the £100 parental gift income tax rule. Again, JISAs are useful here as any gains within a JISA are free of CGT. ■

Financial Christmas gifts for children
It's that time of year again when financial gifts may be given... and HMRC is watching.
If you want to discuss gifting further, please contact us on **01892 320 449** or email **info@aaltd.co.uk** for more information.

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.

Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

Past performance is not a reliable indicator of future performance.

The Financial Conduct Authority does not regulate tax advice.

Financial Christmas gifts for children

It's that time of year again when financial gifts may be given... and HMRC is watching.

If you want to discuss gifting further, please contact us for more information.

We look forward to hearing from you.

Abacus Advice,
Pluto House, 6 Vale Avenue,
Tunbridge Wells, Kent, TN1 1DJ
Tel: 01892 320 449 **Email:** info@aaltd.co.uk

www.aaltd.co.uk

Abacus Advice Limited is authorised and regulated by the (Financial Conduct Authority no: (402725) and is bound by its rules. The Financial Conduct Authority does not regulate tax advice.