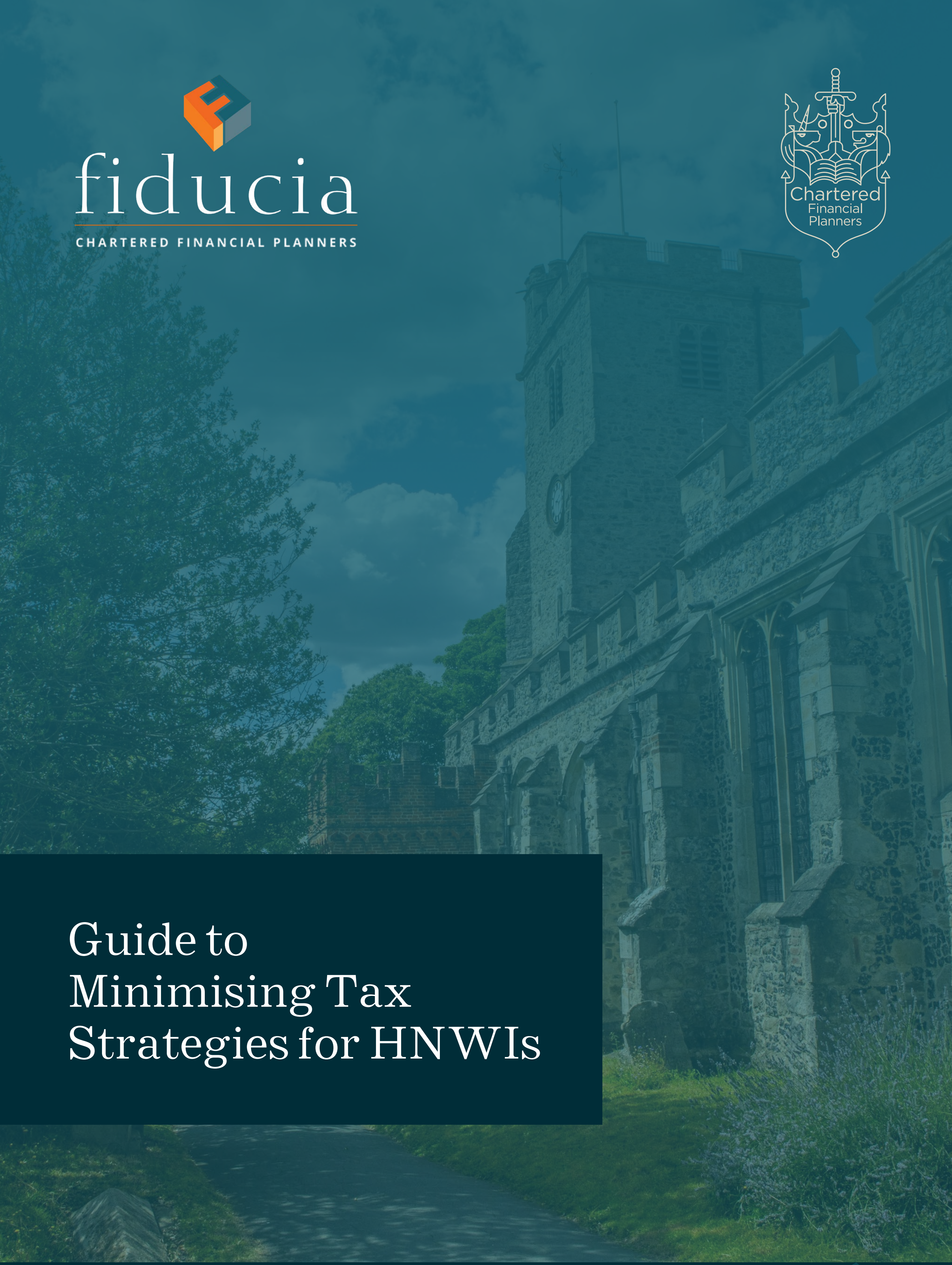

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Guide to Minimising Tax Strategies for HNWIs

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Minimising Your Tax as a High-Net-Worth Individual in the UK

Whether you earn particularly well, have inherited a large sum of money or found yourself 'sudden wealth' through a new high-paying income stream (helped by social media), being a High-Net-Worth Individual (HNWI) means paying more tax in the UK. Knowing how to pay less tax is critical to preserving and protecting your wealth.

You'll need a Tax Minimisation Strategy.

This guide will help you understand what allowances and exemptions, products and investments are available to help you minimise your tax liabilities in the future, as well as provide you with a little peace of mind identifying if you're on the right path to protecting and preserving your wealth.

What will we cover in this guide?

- What is a HNWI...
- What is a Tax Minimisation Strategy...
- What tools are there available to minimise your tax...
- What tax allowances and exemptions are applicable to HNWI's...
- What tax-relieved investments are available…
- What is an example of a tax planning strategy...

By the end of reading through this guide, you should feel more at ease about being a HNWI, know your tax allowances and exemptions and be able to start thinking about how you can better protect and preserve your wealth in a tax efficient manner.

Let's be clear, this is only a guide and doesn't constitute financial advice.

To ensure you really are on the right path when planning to protect and preserve your wealth, please speak to a qualified financial adviser.

If you have any questions after reading this, be sure to continue seeking the right path for your wealth protection planning by speaking to an expert.

What Is a High Net Worth Individual?

In the UK, Her Majesty's Revenue and Customs (HMRC) and the Financial Conduct Authority (FCA) amended their definition of a HNWI in 2016 and anyone with assets valued in excess of £10 million was categorised as such. The previous threshold was £20 million.

Typically speaking, and where any promotion of financial offerings are concerned, a HNWI is someone who:

- Had, during the financial year immediately prior to the current one, an annual income of £100,000 or more
- Held, throughout the same year, net assets of £250,000 or more.

Data published by PayPrecise on income of the top 1% shows around 367,000 individuals earn at least £207,000. This showcases the need for more people to manage and maximise their tax efficiency better in the UK.

So, What Is a "Tax Minimisation Strategy"?

When a financial adviser or wealth planner establishes your current financial circumstances and your later life financial goals, they will create your personal financial plan.

In addition to identifying your bespoke risk tolerance, possible investment fluctuations and your ability to absorb any losses, a financial adviser will also consider your tax efficiency and how to invest your capital to minimise the impact of tax.

To ensure you have a robust tax minimisation strategy, a financial adviser will make sure you are making best use of all the available tax planning allowances and exemptions to enhance the overall tax efficiency of your portfolio. This is a sensible way of reducing the tax you pay. Identifying what this looks like for you, that is a tax minimisation strategy.

What Tools Are There Available to Minimise Your Tax?

Individual Savings Accounts (ISAs)

Probably the most well-known way to invest and minimise your tax liabilities is through an Individual Savings Account or ISA.

An adult in the UK can invest £20,000 each year into an ISA either via a cash ISA, stocks and shares ISA or a combination of the two. However, from 2027, those aged under 65 will only be able to invest £12,000 in their cash ISA, with remaining £8,000 reserved for investment ISAs. Any income or capital gains arising from the ISA are free of both income and capital gains tax.

Another way to minimise the tax you pay, if you have any children, is to invest on their behalf in a Junior ISA (JISA) which has the same tax benefits as an adult ISA but with a lower annual subscription limit, currently £9,000 per annum.

When your child reaches 18 years old their JISA will automatically convert to an adult ISA and they will have full control over the investment from that point forwards. Please note, any child with a Child Trust Fund (CTF) aren't eligible for a JISA unless their CTF funds are first transferred to a JISA and the CTF is then closed.

Pensions

Investing into your pension is a great example of adopting a tax minimisation strategy as you will benefit from receiving an income tax relief at your highest marginal rate of income tax on personal contributions paid during the tax year, provided your contributions do not exceed the prevailing limit.

The maximum amount you can contribute and benefit from income tax relief is the higher of £3,600 and your relevant UK earnings (such as salary and bonus).

There is also a cap of £60,000 called the annual allowance which takes into account contributions from all sources, employer included.

If the annual allowance is exceeded, you will be taxed on the excess, and this could mitigate your overall tax strategy.

Care needs to be taken if you have an 'adjusted income' above £260,000 – which includes all taxable income: salary, bonus, P11D, employer and salary sacrifice pension contributions, dividends, interest – your annual allowance is reduced by £1 for every £2 of excess income. The maximum reduction is £50,000 and this can result in a minimum annual allowance of £10,000.

Again, it doesn't take a scientist to work out this does not help minimise your potential tax liabilities.

To be affected, your 'threshold income' must exceed £200,000 - this is the total taxable income as above but excluding all pension contributions.

You can, if you're eligible to do so, carry forward any unused pension contribution allowance from the three previous tax years to increase your annual allowance in the current year, subject to certain conditions.

Understanding how much you can pay into a pension, particularly if you have income over £200,000 and/or are a member of a final salary pension scheme, can be complex. If you're unsure whether you might be affected by the tapered allowance speak to a financial adviser.

In addition to the relative income tax benefits explained above, any income and capital gains generated by the investments held within your pension accumulate tax free. The funds held within your pension are also generally free from inheritance tax, a good financial adviser will see to that.

General Investment Account

If you have exhausted your ISA and Pension allowances, you might consider saving into a General Investment Account.

However, unlike your ISA or Pension, any capital gains, interest and dividends (above the dividend allowance) arising from this type of account will be liable to tax at your applicable tax rate. These aren't always suitable for tax efficiency; however, you can claim certain allowances and reliefs against these taxes each year:

Personal Savings Allowance and Dividend Allowance
In addition to your Personal Allowance, you also receive the following income tax allowances:

Dividend Allowance 2026/27
£500

Personal Savings Allowance 2026/27

£1,000 for basic rate taxpayers **£500 for higher rate taxpayers** **Nil for additional rate taxpayers**

The personal savings allowance applies to savings interest and income from some collective investment funds. This allows you to earn a small tax-free return on your cash savings and fixed interest investments. The dividend allowance, as per its name, only applies to income you receive in the form of dividends.

This means that you can receive income up to £500 from shares and some equity-based collective investment funds tax free. If you're a business owner, this means you can pay yourself a tax-free income of £500 in the form of a dividend.

Capital Gains Annual Exemption

Capital Gains Tax (CGT) is the tax due on the profits of any assets sold that have increased in value. This also includes the gifting of assets. In 2026/27 everyone has a tax-free CGT exemption of £3,000, after which any further capital gains are taxed at the following rates:

Tax Band	CGT Rate
Basic Rate	18%
Higher and Additional Rate	24%

CGT exemptions are 'use it or lose it' exemptions, meaning any unused amount cannot be carried forward to be used in a future tax year. This makes it more critical to use your CGT exemption each year where possible to improve your tax efficiency and reduce any capital gains along the course of life.

If you are married or in a civil partnership, your CGT exemption could double – if your partner isn't using their exemption that is. This is because spouses can pass assets between them exempt from CGT.

Any transfers made must be genuine and unconditional gifts from one party to The other.

Any previously made losses disposing of an asset can be used to offset future capital gains. Losses must be claimed from HMRC within 4 tax years after the tax year in which the loss occurred but, once claimed, can be carried forward indefinitely to offset future capital gains.

Minimise Your Tax Bill With Tax-Relieved Investments

Venture Capital Trusts (VCT), Enterprise Investment Schemes (EIS) and Seed Enterprise Investment Schemes (SEIS) all receive favourable tax treatment for investors – depending on the length of time they are held (please see table of the following page).

These investments were created by the government as an initiative designed to help small and medium sized companies raise finance by offering tax benefits to investors.

Given the type of companies they invest in, they are perceived to be high-risk investments and it is therefore important to seek the assistance of a financial professional before considering whether or not these types of investment are suitable for you.

At this juncture, it's worth understanding the Financial Conduct Authority (FCA), has placed specific marketing restrictions around these types of products and now has its own definition of a High Net Worth Individual in this context.

We gave insight at the beginning of this guide, to reiterate, to be eligible to receive information and invest in these types of products under the High-Net-Worth investor exemption you need to meet the following criteria:

- Had, during the financial year of investment, an annual income of £100,000 or more
- Held, throughout the same year, net investable assets of £250,000 or more
- Have sufficient relevant knowledge and experience of investing to understand the risks

The definition of investable assets excludes the value of your pension funds and any proceeds from a life assurance contract. There is also a separate exemption available for sophisticated investors.

If you're eligible, some of the main tax benefits associated with qualifying investments are shown below:

	VCT	EIS	SEIS
Maximum Investment	£200,000	£1,000,000	£200,000
Income Tax Relief	20%	30%	50%
Minimum holding period	5 years	3 years	3 years
Tax Free Dividends	Yes	No	No
Exempt from CGT	Yes	After 3 years	After 3 years
Up to 100% IHT Relief for Business Relief qualifying holdings	No	After 2 years	After 2 years

It's worth noting these types of investments are all classified as 'very high risk' and there is a significant risk of capital loss when investing into these types of products. It is critical to identify whether these are suitable for you, speaking to a financial adviser will help establish this.

Investing in Property Through a Limited Company

Limited companies can treat mortgage interest as a cost and corporation tax and dividend tax rates are much less than the income tax rate for higher-rate taxpayers. If you invest in property via a limited company, you will be liable for corporation tax on your profits.

The main rate of Corporation Tax in 2026/27 is 25%. Smaller companies with profits of up to £50,000 are charged a lower rate of 19%. Companies with profits between £50,000 and £250,000 are on a sliding scale between the two rates, called "Marginal Relief".

As a higher-rate taxpayer you can make an enormous tax saving. You will still be taxed if you want to access your rental income, either via income tax on the salary you pay yourself or tax on dividend payments, but these taxes can be considerably lower than buying property as a private individual.

You could also avoid large amounts of inheritance tax by buying the property through a limited company.

Before making any decision, it is essential to speak to a financial adviser to determine whether buying property through a limited company is tax-efficient for your individual circumstances.

What Is an Example of a Tax Planning Strategy for HNWI's?

A Family Investment Company

Ultra-high net worth individuals (UHNWI) with large estates should consider setting up a Family Investment Company to improve their tax efficiency. Family Investment Companies are private investment company's most typically used for any family succession planning. Individual family members or trusts typically make up the directors and shareholders of the company.

Several share classes are drawn up in the constitutional documents and Articles of Association of the company where the directors can decide which class of shares should receive capital or income and when. There are no automatic entitlements to either capital or income for any shareholder. Typically, the founder shareholder (UHNWI) will have a different share class to other family members.

Founders of the company can retain control of their family wealth through the appointment of directors and investment advisers they choose.

There are attractive tax benefits of a Family Investment Company as dividend income is generally received tax free and any profits within the company are taxed at Corporation tax rates, which are far lower than the current levels of income tax paid on any assets directly held.

Do You Need a Financial Adviser?

HMRC has become more focussed on the planning High-Net-Worth Individuals undertake in recent years to mitigate their tax liabilities, this has turned their attention to individuals they have now described as 'affluent individuals'.

An 'affluent individual' is someone in receipt of an income of at least £150,000 per annum or have accumulated wealth of £1 million or more. This brings a huge number of people into their scope for enhanced scrutiny of their tax affairs and the planning they undertake to minimise their tax liabilities.

There are more options for tax efficiency than just investing for wealth management and preservation. There are several steps to minimise your tax implications, all of which will be dependent on your personal circumstances and your future financial goals. Whilst tax is important to many, good financial planning is critical, and any tax planning include sound financial planning.

A financial adviser is capable of keeping track on all your available allowances and exemptions, as well as the plans and products available to help minimise any tax. They have the tools and resources to undertake a full cash flow analysis to formulate your financial plan to meet the challenges being faced by a high-net-worth individual.

The proof is always in the pudding

Research undertaken by Vanguard, best known for their index-tracking funds, found that financial advisers can boost investors returns by up to 3% each year. In addition, a report by International Longevity Centre (a think tank) in conjunction with Royal London found that consumers who received financial advice between 2001 and 2007 were £40,000 better off than their unadvised counterparts by 2012-2014.

Of the report's many findings, perhaps the most of interest is the revelation that the lower income group benefited from financial advice even more than the affluent people did.

Following financial advice, the average saver in the lower income group had their pension pot boosted over a decade by 24% (£35,054), compared to savers in the same wealth class who didn't receive any advice. In the 'affluent' group this difference was more modest, though still dramatic – affluent people who took advice had £24,266 more after 10 years than their unadvised counterparts, an 11% boost.

So, to answer the question, do you need financial advice, the answer is simple… everyone should explore it.

Who Are Fiducia Wealth Management?

We're a team of experienced, multi award-winning Chartered Financial Advisers ready to help you minimise your tax liabilities and protect your wealth. A core part of our ethos is to ensure we deliver what our clients want to achieve and what they need… peace of mind and tax efficiency.

We are one of the top independent financial advisers in the country, highly rated on popular search sites for financial advice (Unbiased and Vouched For). Whilst our clients are located across the whole of the U.K, our head office is in Colchester, Essex. We also have offices in Chelmsford, Essex.

In addition to a holistic financial planning service, we provide financial advice to businesses, individuals and couples in one or more of the following areas:

- Financial Planning
- Investment Management
- Pensions and Retirement Planning
- IHT & Estate Planning
- Later Life Planning
- Protecting Your Family

Being tax efficient can be complex, making sure you remain efficient year after year even more so. We're there to help you every step of the way to ensure you become more tax efficient and remain tax efficient throughout your life.

Our team are ready to help you navigate the complexities being a HNWI brings, to protect your wealth and preserve it for the future.

If you would like to have peace of mind and ensure you are making tax efficient decisions where your wealth is concerned, contact us today and let's see how our experts can help you plan better for the future.

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