
Separation and Divorce

It is an unfortunate fact of modern life that many marriages do not survive. When separation, divorce, or dissolution occurs, there will almost inevitably be some tax consequences.

Allowances

The married couple's allowance only applies for those couples in which at least one spouse or civil partner was born before 6 April 1935. The allowance ceases at the end of the tax year in which separation occurs.

Maintenance payments

Maintenance payments qualify for tax relief only where a spouse or civil partner or former spouse or former civil partner was born before 6 April 1935 and only if they are legally enforceable. This will be the case if they are made under a court order, a Child Support Agency assessment, or a legal deed of separation. Such maintenance payments must be made to the divorced or separated spouse or civil partner (if they are not remarried, or have not entered into a new civil partnership) for the benefit of him or her or of your child under twenty-one living with him or her.

The maximum tax reduction available is £364 for 2022/23.

Maintenance payments received do not count as taxable income.

Transferring assets

Assets transferred between spouses or civil partners in a tax year during which they have lived together, including the year of separation, are exempt from capital gains tax (CGT) and inheritance tax.

From the end of the year of separation until the decree absolute, the former spouses or civil partners are still regarded as connected persons for CGT purposes, and therefore all transfers between them will be treated for tax as if made at full market value, even if no consideration changes hands.

Thereafter, transfers will be treated as 'at arm's length' and therefore transfers will, for CGT purposes, be treated as disposals or acquisitions for only such amount as changed hands.

Please call us if you would like further help or advice in this area.

Exeter	Barnstaple	Bovey Tracey	Holworthy	Honiton	Okehampton
Michael House Castle Street Exeter EX4 3LQ T: 01392 211233	Millennium House Brannam Crescent Roundswell Business Park Barnstaple EX31 3TD T: 01271 342233	The Steam Shop Pottery Road Bovey Tracey TQ13 9TZ T: 01626 200124	12 The Square Holworthy EX22 6DL T: 01409 253620	Office 6 East Devon Business Centre Heathpark Way Heathpark Industrial Estate Honiton EX14 1SF T: 01392 211233	4 Fore Street Okehampton EX20 1AD T: 01837 52485

info@simpkinsedwards.co.uk

www.simpkinsedwards.co.uk

Please note: The above resource is provided for general information only. No responsibility can be accepted by Simpkins Edwards LLP for any use made of the information presented, whether acting or refraining from action as a result of the material published. No action should be taken without consulting a professional adviser.