

Tax planning reminders for 2009-10

Updated September 2009

The ideas set out below will not always be appropriate and the best course of action will depend on your individual personal circumstances. They may require financial planning advice in addition to any tax advice. However, as we approach the second half of the tax year and as the 50% higher rate tax looms, now is a good time to plan.

Income above £150,000?

If your taxable income is above £150,000 your top rate of tax will be 50% from 6 April 2010. If it is at all possible it would make sense to invest for capital gains rather than interest. Capital gains tax is currently 18%. If we include the expected increases in National Insurance next year the expected rate of tax and NI on certain types of earned income will be 61.5%.

If you are married.

If one of you has unutilised personal allowances or basic rate tax bands it may make fiscal sense to transfer income producing assets from the higher rate taxpayer to the lower paid taxpayer – and of course there may be other factors to consider.

Inheritance tax – tax free annual gifts.

Each of us can give £250 a year to any number of recipients, as well as £3,000 annually over and above that. We can also make regular gifts out of our income (not capital) that should fall to be exempt.

Make or re-make your will.

Now may be a good time to reconsider past inheritance tax planning and in particular review your will. If you still have no will this should be addressed as a matter of some urgency.

Losses

Due to the difficult trading conditions of the past year many businesses are sitting on trading losses. Now would be a good time to quantify the possible extent of these losses and plan accordingly. It is still possible to carry losses back three years and recover tax already paid in those earlier years.

Please give me a call if you are interested in hearing more about any of the above.

Sue Stephens

Tax Manager