ForresterHyde
INDEPENDENT FINANCIAL ADVISERS

YEAR END TAX PLANNING, BUDGET 21 MARCH 2012

• PENSION

There is a suggestion the Government is considering restricting tax relief for high earners, either by reducing the Annual Allowance from £50,000 to £30,000 or even £20,000, or by restricting tax relief to basic rate.

Providing you have been a member of a Company or Personal Pension for some years you can carry forward unused relief from three previous years providing an opportunity to contribute up to £200,000. You must have earned at least the amount you contribute in the current tax year. Under current rules qualifying contribution will be eligible for tax relief at your marginal rate enabling you recover Income Tax that you have already paid.

In summary:-

Annual Allowance £50,000, you can carry forward unused relief for three years to a total of £200,000.

You must have been in membership of a Company or Personal Pension since 6 April 2008.

You must earn at least as much this year as you contribute.

Contribution paid by you and your Employer must be subtracted from the Annual Allowance each year to determine the amount of unused relief available to you.

Contribution must be paid before 5 April 2012, but with the Budget looming our advice is to contribute before 21 March.

Conclusion – High earners who were negatively impacted by the Labour Government's temporary introduction of a £20,000 annual allowance for the tax years 2009-10 and 2010-11 are now in a position to top up those years contributions. With a great deal of carry forward capacity, this could be an obvious target for the Government – act before 21 March 2012.

For more information contact our Pensions Director Mike Robinson on 01702 432532 or mike.robinson@forrester-hyde.co.uk.

• INDIVIDUAL SAVINGS ACCOUNT – ISA

The allowances for the current year and for the next year are as follows:-

	2011-12 £	2012-13 £
Cash ISA	5,340	5,640
Share ISA	10,680	11,280
Child ISA	3,600	3,600

Unlike pension, you cannot carry forward unused allowance so it is absolutely a matter of use it in the current year or lose it. 16 – 18 year olds can invest up to £5,340 (£5,640, 2012-13) in a Cash ISA. Child ISA replaces the Child Trust Fund and is available to any child under 16 living in the UK who does not have a Child Trust Fund, CTF. A child can subscribe only to one Cash and one Share ISA at any one time. ISA investment is tax free with the exception of shares where the 10% tax on dividend income cannot be reclaimed.

Unlike a child an adult (over 18) can subscribe to a different ISA each tax year. This can be complex to administer and the solution is to consolidate all on an electronic platform. This simplifies administration producing a consolidated statement with current values and online access. Further all ISA investment through the Agency of Forrester-Hyde is net of commission. If you subscribe to Collectives, Authorised Unit and Investment Trusts this means that you pay a lower Annual Management Charge to the Fund Manager because trail commission, up to 1% is waived. Instead we agree a fee with you. This is transparent and ensures the investment is purchased at the lowest cost unlike other advisors to include Hargreaves Lansdown who receive and retain trail commission, returning only a nominal amount to the investor.

For more information see our ISA Fact Sheet, attached. For advice, an illustration and to invest, contact our Investment Director, Rob Marek on 01702 432532, or rob.marek@forrester-hyde.co.uk.

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- **ENTERPRISE INVESTMENT SCHEME AND VENTURE CAPITAL TRUST**

The allowances are as follows:-

	2011-12 £	2012-13 £	Relieved at %
EIS	500,000	1,000,000	30
VCT	200,000	200,000	30

The Enterprise Investment Scheme, EIS, allows Income Tax relief at 30% on new Equity investment of up to £500,000 rising to £1m for the next tax year. CGT exemption is also given on qualifying shares held for at least three years. Individuals investing up to £200,000 a year in VCTs will be exempt for tax on resulting dividends and on capital gains when they dispose of shares. Those who subscribe to new ordinary shares in VCTs will, in addition, be entitled to Income Tax relief at 30% on up to £200,000 in the new tax year provided the shares are held for a minimum of five years.

For more information, contact our Investment Director, Rob Marek.

- **OFFSHORE BOND**

An investment offshore can facilitate gross roll-up of tax liability. The Bond is assignable, enabling transfer of ownership at a subsequent date to a third party. This may be useful when seeking to mitigate Inheritance Tax. An Offshore Bond can be structured to provide income, for more information speak with our Investment Director, Rob Marek.

- **CAPITAL GAINS TAX (CGT)**

CGT is a tax on profit or gain when you sell or dispose of an asset. Your individual Annual Allowance is £10,600 2011-12 and 2012-13 and cannot be carried forward.

- **INHERITANCE TAX (IHT) EXEMPTIONS**

IHT is currently payable at 40% on assets exceeding £325,000 at death. Since October 2007 IHT allowance not used by a deceased spouse or civil partner can be claimed by the survivor when they subsequently die. This can increase the IHT threshold of the survivor from £325,000 to as much as £650,000 in 2011-12. You can give away gifts worth up to £3,000 in total each tax year and these gifts will be exempt from Inheritance Tax when you die. You can carry forward any unused part of the £3,000 exemption to the following year but if you don't use it in that year the carried over exemption expires. In addition any regular gifts you make out of your after-tax income are exempt from IHT. You can make small gifts up to the value of £250 to as many individuals as you like in any one tax year however you can't give more than £250 then claim that the first £250 is a small gift. Finally, wedding/civil partnership ceremony gifts are exempt subject to certain limits:-

- Parents can each give cash or gifts worth £5,000.
- Grandparents and great-grandparents can each give gifts worth £2,500.
- Anyone else can give cash or gifts worth £1,000.

For more information go to:

www.direct.gov.uk/en/moneytaxandbenefits/taxes/beginnersguide/inheritancetaxestatesandtrusts

For further information on 2011-12 and 2012-13 tax planning contact us now.