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PRECIS

THE W&S CLIENT BRIEFING

Beat the 5 April tax deadline!

Another tax year-end is looming up and, as always, it is worthwhile checking whether you can take advantage of the available allowances and reliefs. A few ideas to be thinking about include:

- Arranging assets and investments to use up income tax allowances and lower rate tax bands for you and your family
- Checking that you have paid adequate NI contributions for state pension and benefits purposes
- Realising tax-free capital gains of up to £8,500 pa (and per spouse) through sales or gifts of assets
- Making inheritance tax-free gifts of £3,000 pa (plus another £3,000 if not used last tax year); this allowance is again available to both spouses

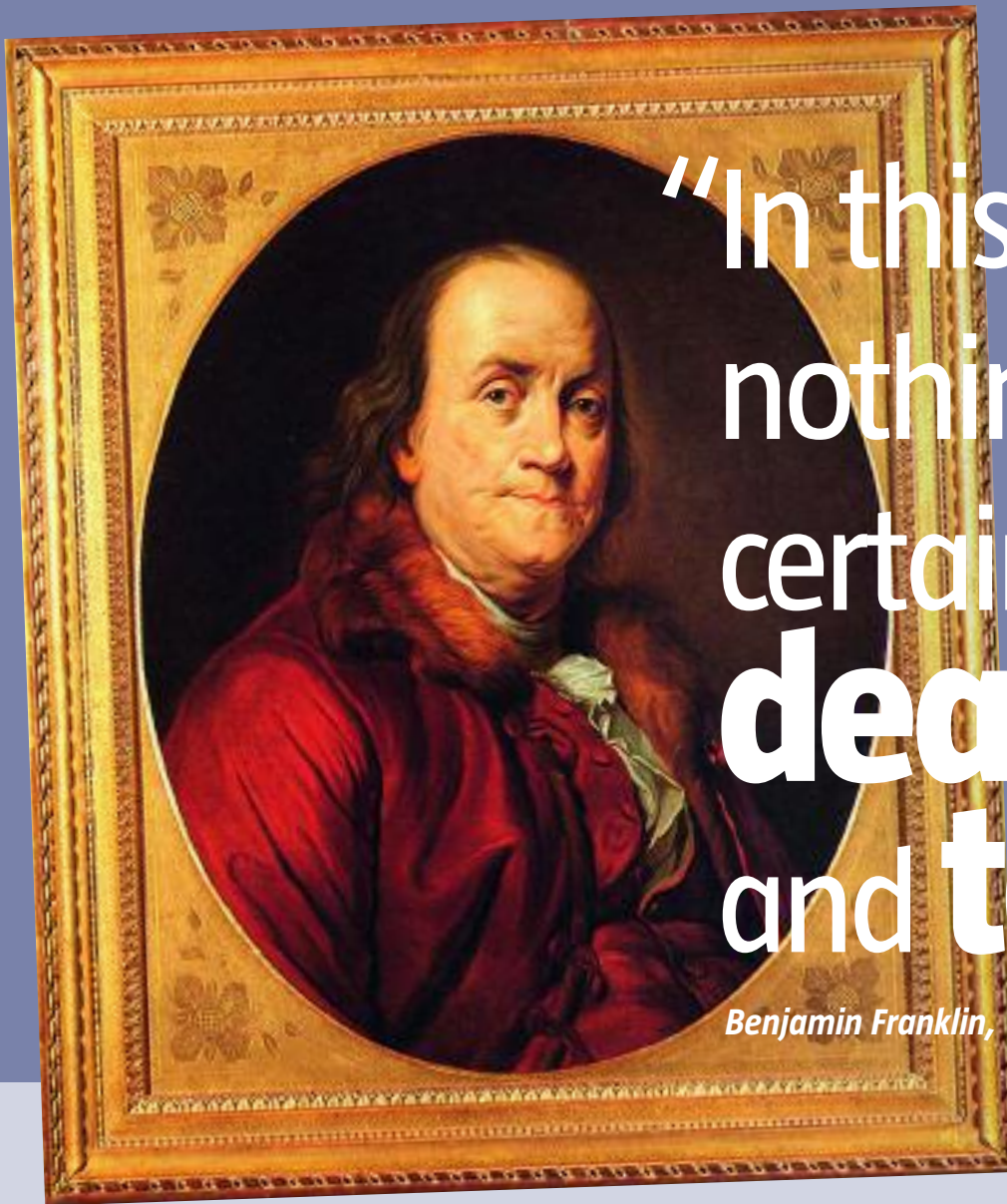
- Investing your ISA allowance (again per spouse) of up to £7,000 in tax-free funds, or £3,000 for cash-only ISAs
 - Checking your income levels to earlier estimates to see how tax credit entitlements might be affected
 - Evaluating the relative merits of having company car, van or fuel benefits compared to the tax and NI costs
 - Reviewing your pension situation prior to 'A' Day on 6 April 2006
 - Considering the potential benefits of incorporation if you currently operate as a sole trader or partnership
- Although some of these tax breaks might seem fairly minor, using them up on an annual basis over a few years can be well worthwhile and generate

some considerable savings. Plus, you never know how long Mr Brown will keep them going for!

Please contact **John Ardley** for further details.



"Sorry, but you can't claim depreciation on your wife."



“In this world, nothing is certain but death and taxes”

Benjamin Franklin, 1789

The famous quotation from Benjamin Franklin in 1789 still rings true today. No-one has yet discovered the elixir of life, and likewise death duties rumble on in the form of inheritance tax.

Another saying is that inheritance tax is a voluntary tax. Whilst there are ways of mitigating the position, positive action needs to be taken as part of an overall estate-planning strategy.

The current nil rate band for an individual is £275,000 and this is set to increase to £285,000 for 2006/07 and then to £300,000 for 2007/08. One problem here is that property values have increased significantly over recent years and many more people now have an estate worth in excess of this tax-free limit simply by reference to their home.

As a very basic example, if your house is worth £575,000 your estate could be faced with an inheritance tax liability of at least £120,000 on your death.

These sort of numbers are not uncommon and it is therefore worthwhile checking if you can somehow reduce the ultimate tax bill. A few ideas are as follows:

- Create a will, or re-visit the existing one to ensure it is drafted to meet your wishes and in a tax-efficient way
- Make use of available allowances for annual gifts of capital, gifts on marriage of family and so on
- Consider regular gifts out of any surplus income and which can be entirely free of inheritance tax
- Larger gifts of capital gradually become tax-free the longer you survive and are generally exempt once 7 years have passed
- Take advice on the use of trusts, both now and within your will, to pass wealth to future generations in a sensible and tax-effective manner
- Invest in assets which qualify for relief from inheritance tax, such as certain business and agricultural assets and also some AIM shares; however, remember to evaluate the potential risk factors alongside the tax benefits

- Make sure all pension and life insurance policies are properly written under trust, to both avoid inheritance tax and to ease the probate process for your executors

- Check out the costs of insurance cover to meet the tax bill if there is still a liability after all appropriate planning has taken place

There are now much stricter rules on gifting assets to avoid inheritance tax, but still enjoying some on-going benefit from them. Professional tax advice is strongly recommended before any such arrangements are entered into.

*Please contact **Colin Barratt** for further details.*



“I’ll have a coffee and Mr Robinson will have a stiff whisky.”

As a new year begins
it's not just our homes
that could do with a bit of

spring cleaning

Why not use the start of another year to go through your personal finances and see if there are any opportunities to improve things? When you're busy, it's easy not to bother thinking about such matters. However, the sooner you start, the faster any savings will kick in...

As a starter, have a look at the following points:

- Is your savings account still paying a competitive rate of interest? You can check out the best deals in newspapers, magazines and on the internet
- Are you using up your ISA allowance to save tax-free?
- Check if your National Savings Certificates are paying the best available rate
- Are Premium Bonds a better bet than the Lottery?
- Have you got a reasonable spread of investments, rather than having all your eggs in one basket?
- Can you reduce the cost of your mortgage and other borrowings without incurring penalties?
- If you have interest-only loans, is the capital repayment arrangement on-track to pay off the loan as planned?
- Is adequate life cover in place to protect your family in the case of death?

- What exactly is your pension fund invested in, and how is it performing?
- Are you on target for a full State Pension when you retire?

An annual review of your personal finances can help identify any areas where savings can be made or where other action is appropriate. A big way to help with this is to ensure you keep all your financial paperwork in a safe place, and in a logical order for future reference.

Please contact **Am Hayer** for further details.



"He just can't get over the fact I've made more at bingo this year, than he has on the Stock Market."



'A' Day arrives at last!



"You have a choice, Harry. You can either take early retirement or stay on as 'whipping boy'"

After what seems like a lifetime, the new pensions regime is almost upon us.

From 6 April 2006, a single set of rules will apply, replacing the myriad of existing arrangements and which had become increasingly complex and diverse. There are some important changes to the ways in which your pension scheme will be funded, invested and ultimately accessed and it is worthwhile being aware of these. In some cases, action may be needed before the end of the current tax year.

To give you a flavour of what is in store, some of the areas being affected include:

- A limit on the amount that you can build up tax-free in your fund (£1.5m for 2006/07)
- Generally higher levels of tax-deductible contributions to your fund (£215K for 2006/07)
- A standard tax-free lump sum of 25% of your fund value on retirement
- Protection arrangements to safeguard access to and tax relief on the funds you have built up prior to 6 April 2006
- Standard retirement age of 50 to take pension benefits, rising to 55 after 5 April 2010
- Increased choice as to how your benefits are taken in retirement, including the ability to continue to enjoy draw-down income after age 75

- Ability for smaller funds (probably up to £15,000) to be taken in whole as a tax-free lump sum
- New rules concerning what will happen to your fund on death, and the inheritance tax consequences
- Wider investment options for your fund
- Ability to have more control over your fund leading up to retirement

Although Gordon Brown has decided at the last minute that pension funds will not be able to invest directly in residential property, there is still plenty to think about to ensure your fund is set up properly for the new regime.

We recommend that you seek specialist pensions advice in this respect. If you do not have an adviser, we can put you in touch with independent firms that offer objective and impartial advice and with whom we work on a regular basis.

*Please contact **David Butterworth** for further details.*

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