

End of tax year action plan 2011 / 2012

As the tax year comes to an end, there are important planning opportunities that need to be considered. For many of the planning ideas this presents a small, and once only window of opportunity, therefore action should be taken quickly to ensure that these opportunities are not missed. Some of the planning is simple housekeeping however should not be overlooked.

Families

- Transfer assets to spouse/civil partner (CP) to sell thereby making use of two CGT allowances.
- Transfer income-producing assets to lower tax paying spouse/CP to reduce tax in 2012/13 – utilising two personal allowances and basic rate tax bands.
- For those over 65 make best use of age allowances by sharing income producing assets to keep adjusted income below £24,000 this year and £25,400 next year.
- For business owners, consider paying a spouse/CP, to ensure that income stays on the right side of the crucial watersheds, at £42,475, £100,000, and £150,000.
- Gift assets to children to make use of their CGT allowances and/or Income Tax allowances (not from parent if child is under 18).

- Remember children and spouses have their own £3600 p.a. pension contribution allowance with automatic 20% tax relief.
- Consider transfers of assets from other relatives (e.g. grandparents) to use children's personal allowances and basic rate band.
- Consider spousal gifting to mitigate Capital Gains Tax by utilising the annual CGT exemption and 18% CGT where possible.
- If you have two homes consider making an election so that future CGT is reduced or eliminated.

Estate Planning

- Make full use of £3,000 (each) annual exemptions and any unused exemptions from 2010/11.
- Don't forget the very beneficial normal expenditure out of income exemption.
- Ensure that Wills are up to date and efficient.
- Structure investment portfolios in an inheritance tax friendly way.



Pensions

- Maximise the Income Tax relief available for 2011/12 by making pension contributions.
- The Annual Allowance (the maximum annual contributions per individual) is currently £50,000. Personal contributions of up to 100% of earnings (within the Annual Allowance) can be made, and would receive Basic/Higher/Additional rate Income Tax relief of up to 60%.
- Company (employer) pension contributions paid as a bonus or salary sacrifice can reduce the corporation tax liability for the company, and also save on National Insurance Contributions for both the company and employee. This is an excellent planning opportunity for business owners.
- 2011/12 is the first year when carry forward relief is available. You can bring forward any unused relief (with an assumed annual allowance of £50,000) for the previous three tax years (2008/09 to 2010/11)
- Maximising contributions now will allow you to secure the relief available and reduce your tax liability for this year.
- Remember, pension contributions do not need to be made in cash. 'In-specie' contributions of permitted investments can also be made.
- The lifetime allowance reduces from £1.8m to £1.5m on 6th April 2012. Funds in excess of £1.5m can be protected but you must act before 5th April 2012!

Investments

- Use it or lose it!! Ensure you use your ISA allowances – Cash ISAs are available to anyone over the age of 16 with a maximum investment of £5,340 per year. Stocks and Shares ISAs are available to anyone over 18 up to a maximum investment of £10,680 per year.
- The maximum that can be contributed to a Child Trust Fund for children born between 01/09/02 and 02/01/11 has increased to £3,600. This can be paid by anyone, for example a parent or a grand parent.
- EIS – up to £500,000 can be invested in 2011/12 tax year and 30% Income Tax Relief received. Unlimited CGT deferral relief.
- VCT – up to £200,000 can be invested in 2011/12 tax year and 30% Income Tax Relief received. More "lower" risk VCT's now available; asset backed with defined exit strategies that are more focussed on tax relief opportunities, rather than growth opportunities.
- Consider increasing mortgage debt on Buy-to-Let properties to reduce taxable rental income.
- Capital Allowance Schemes – property backed investments with tax relief available at highest rate.
- Make the best possible use of Capital Gains Tax allowances - £10,600 per person in 2011/12 (£5,300 within Trusts).
- Where possible, can losses be created to reduce this year's gain, or be carried forward to future years?

- If you are currently a basic rate tax payer but becoming a higher rate tax payer in the near future, consider paying Capital Gains Tax at 18% on the gain rather than 28% now.
- "Bed and ISA", "Bed and Spouse" and "Bed and SIPPS" (using in specie contributions) options are still available if you wish to retain an investment that carries a gain (or loss).
- Consider restructuring investment portfolios in order to minimise future income returns being taxed at higher rates.
- Maximum Investment Plans - long term regular savings plan. Complimentary to pensions for high earners. Proceeds after 7½ years give no rise to personal tax regardless of maturity amount.

This update is intended for information only and is not personalised financial advice. You should seek professional tax and investment advice before any planning is put into action.

Tax savings should be considered in light of wider financial planning objectives and some planning opportunities require the acceptance of higher investment risk levels than you may wish to accept.

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Contact us

For further information please contact your usual client partner or KSFA Adviser:

Kingston Smith Financial Advisers Devonshire House 60 Goswell Road London EC1M 7AD T 020 7566 4000 www.ksfa.co.uk

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