

Personal Tax

↙ This newsletter is to help you and your business.

2009/10

Minimising your personal tax liability

No one wishes to pay more tax than is necessary and good tax planning is an essential component in personal financial planning.

Every individual's situation is different, and tax rates, allowances and tax legislation change every year. Yet without personal tax planning, you may pay more than is necessary. Here are some of the key personal tax issues to consider.

See overleaf for some of the issues.

"The hardest thing in the world to understand is income tax."

Albert Einstein



↙ With changes in the rates of tax and reducing tax relief on pension contributions announced in the 2009 Budget, we can help you plan.

Minimising your personal tax liability

Personal allowances

Many individuals fail to optimise their tax allowances. If you have a partner, spouse or child who pays a lower rate tax then consider allowing them to hold some or all of the savings in their name. It is worth noting that while any interest in excess of £100 on money given to children by parents will be treated as the parents' income, interest on money from grandparents may be set against the child's personal allowance. Similarly, higher-rate tax paying landlords could transfer rented property or a proportion thereof into the spouse's name, which may also produce a capital gains tax benefit.

Investments

There are a number of tax-free vehicles in which investments can be easily made, including ISAs and some National Savings products. Tax-advantageous investment vehicles include the Self Invested Personal Pension, which grants a large degree of investor choice at the expense of accessibility. Two other forms of investment, the Enterprise Investment Scheme and the Venture Capital Trust, offer substantial tax relief for those who are happy to invest with a higher element of risk. For a full review of your available options and how they might affect your tax liability, please contact us.

Dividends and equity

Dividends from a UK-resident company attract a tax credit equal to one ninth of the dividend. Dividends from non-resident companies also qualify if the source country levies a tax on profits similar to corporation tax.

If selling shares it may be possible to make a partial sale straddling the tax year, thereby utilising CGT annual allowances each year. If you make losses on your shares, it is also possible to carry this loss forward to offset against future capital gains.

Rental property

Rental property loan interest is an allowable deduction from rental income. Landlords may also claim an annual 10% wear and tear allowance if the property is fully furnished. If you

are letting a holiday property, or thinking of doing so, and meet certain qualifying conditions, you can claim capital allowances rather than the 10%. You can realise a tax advantage if you make a loss on your earnings from the property by offsetting it against other income charged to tax.

Furnished holiday letting treatment was retrospectively extended to properties in the EEA by the 2009 Budget, but this valuable tax relief will be withdrawn for UK and overseas properties from April 2010 so you will need to take early advice.

If your rental income relates to letting out a room in your property, you are entitled to receive £4,250 per year tax free.

Capital Gains Tax (CGT)

If you are selling or planning to sell a property this year, CGT can still be an issue even if the property is your own home. While your main residence is normally exempt from CGT, several qualifying conditions have to be met. For example, very large grounds can be an issue.

If you are divesting yourself from multiple properties it is still possible to minimise CGT. There may be a planning opportunity regarding which property you class as your main residence. We are able to provide specific advice relevant to your situation.

Domicile and residence

This continues to be a thorny issue, as evidenced by the legal battle of Robert Gaines-Cooper. Individuals seeking to achieve tax residence outside the UK now appear to face almost insurmountable challenges. Despite moving to the Seychelles, buying a house in the Seychelles, marrying a Seychelloise lady, and expressing a wish for his ashes to be scattered there, he was unable to convince HMRC Commissioners regarding his non-residence status. If you are living abroad or moving there, we can offer professional tax guidance on your residence status.

Similarly, if you, your spouse or a relative have come to the UK from elsewhere, good tax advice is essential. Since the introduction of the £30,000 non-domicile tax charge many foreign workers face a choice over tax status. The situation can be punitive for those who retain small foreign incomes.



If you'd like help in reducing your tax take or want advice on the issues in this newsletter, please contact us.