

Newsletter

June 2010



Welcome to the latest edition of our new regular financial newsletter. We hope you find it of interest. If you know someone else who would also appreciate a copy, please just send us their email and we'll add them to the mailing list.

Given the closeness of the forthcoming 'emergency' Budget, we felt that it would be best to hold fire with any articles on long-term financial planning issues until after 22nd June.

However, some people have expressed an interest in taking action before Budget day in that they are considering selling assets to make capital gains before then. They have asked us for a summary of the current position.

In order that you can decide if this is for you, we have simply restricted this month's newsletter to one article. Please be assured that there will be full coverage of the Budget and the implications for you in our next edition.

Coalition tax changes: facing the facts

Much has been said recently about the tax proposals of the newly-formed Coalition and how they could affect financial planning.

But all we have for certain so far is the Coalition's published "programme for government" and it would be wrong of us to try and second-guess any other measures that they may introduce.

How it will affect financial planning

So what we do know is that on the subject of tax measures the Coalition document says "We will seek ways of taxing non-business capital gains at rates similar or close to those applied to income, with generous exemptions for entrepreneurial business activities."

If this proposal does become law then the difference between the rate of tax charged on unit trusts, for example, and other types of investment will broadly disappear.

The tax deferral advantages of investment bonds could become more appealing, especially if you use your capital gains tax annual exemption.

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Coalition tax changes: facing the facts

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“capital gains will be taxed at up to 40%”



it is time to urgently review your assets and investment portfolio

Capital gains tax at up to 40%

It was reported on BBC 4's Money Box programme on Saturday 15th May 2010 that capital gains will be taxed at up to 40%.

But the actual changes will not be known until the Budget on Tuesday 22nd June 2010 and more importantly, we will then know the date from which the new tax rate applies.

There has been much conjecture on whether the new rate will be brought in immediately or will be effective from a future date. No-one knows for sure and you should think very carefully before you take any action.

All the signs are, however, that the arguments in favour of investment bonds versus collective investments will become much stronger as a result of the proposed changes.

The facts that we do know, so you can consider your options carefully, are as follows:

1. The plan is that the tax rate on capital gains, except for business assets, will increase.
2. No mention has been made of what the annual exemption could be in future. (The Liberal Democrats went into the election proposing a £2,000 exemption, whereas the Conservatives support the current figure.)
3. We will know all the details on 22nd June 2010.

Be prepared for anything

If you are an active investor, you have to be prepared for anything. So here are some of the changes that financial commentators have speculated could be introduced:

- The rate of Capital Gains Tax (CGT) will be 20% for basic rate taxpayers and 40% for higher rate taxpayers
- The CGT change could happen mid-year, as opposed to from the 6th April 2011
- Taper relief could be reintroduced

It is possible that the rate of CGT will increase substantially – although we don't know when.

You may consider it is time to urgently review your assets and investment portfolio to consider whether it maybe better to sell, reinvest or gift assets now.

Whatever the outcome of the forthcoming Budget, we will be letting you know the situation, and how it affects you, in the next newsletter.

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Inheritance tax

I would also mention that the Coalition has also announced that any plans to raise the nil rate band for inheritance tax (IHT) are now “low priority”.

It may be that you were relying on the Conservatives introducing a £1 million nil rate band and have not taken any action to avoid IHT. If so, there is good reason for you to do something now.

Otherwise, you may find that your family inherit a large tax bill when you die.

And if you need to do something you may need to restructure investments in order to reduce your potential IHT liability. If you leave it too long, you may face the prospect of a much more significant capital gains tax bill when you take action.

With a huge budget deficit to close, there is no doubt that tax rates will rise and investments that have tax advantages will become sought after.

We will continue to let you know about those investments and how they can be of benefit, after the Budget.

The information regarding taxation is based on our understanding of current legislation, which may be altered and depends on the individual financial circumstances of the investor.

“You know it makes sense”

