

## **Investment Update Spring/Summer 2009**



**Editor: Brian Martin  
Trust & Investment Solicitor**

### **Year-End Tax Planning**

When investment returns are low it's important to ensure that full advantage is taken of the opportunities which exist to minimise tax.

### **Married Couples & Registered Civil Partners**

Reduce the amount of income tax you pay by switching investments to whoever has the lower rate. Older couples enjoy an increased age-related personal allowance subject to income limits - another trigger point for equalising income.

### **ISAs**

These are free from both income tax and capital gains tax. There are no restrictions on withdrawals.

The rules have been changed to permit cash ISAs to be switched into stocks and shares ISAs (but not vice versa).

The annual contribution limit is £7,200, of which no more than half (£3,600) can be invested in a cash ISA.

Children over the age of 16 are permitted to invest up to £3,600 in cash ISAs.

### **Capital Gains Tax**

In 2008/9, both husband and wife (and civil partners) are able to realise gains up to £9,600 without liability to tax. So

transfers of chargeable assets between them could double the annual exemption.

If a disposal is being considered that would give rise to a taxable gain, it may be sensible to spread the disposal over two tax years.

### **Bare Trusts for Children**

All capital gains within the trust will be taxed on the child beneficiary and will benefit from the child's own exemption. However, if established by a parent for a minor unmarried child and income of over £100 per annum is generated, this will be taxed as the parent's income.

A potential disadvantage of a bare trust is that the trust capital can be claimed by the child beneficiary on attaining the age of 18 (16 in Scotland).

### **Life Policies in Trust**

One of the simplest and most effective means of providing cash on death to meet Inheritance Tax liabilities is to write a life insurance policy under trust. The premiums will usually be exempt from Inheritance Tax.

### **Pensions**

Contributions are subject to an annual allowance which currently stands at £235,000. It's possible to use up to two years' annual allowances in one tax year. For employees, a salary sacrifice agreement can save NI on pension contributions.

There is also a lifetime allowance, which currently stands at £1.65m. 5 April 2009 is the deadline for making an election to HMRC for protecting funds accrued prior to April 2006.

## Topping Up State Pensions

From 6 April 2009, the cost of buying extra years will increase from £8.10 to £12.05 per week. You can get a benefits forecast from the Pension Service (0845 300 0168).

## Investment Strategy

It used to be assumed that cash was a risk-free asset but many savers were disillusioned of this assumption when Northern Rock hit the buffers.

Government bonds were regarded as the ultimate safe asset, but the futures market has suggested that with massive borrowings even this assumption may be questioned.

It is perhaps more important than ever to regularly review your investments to ensure they remain in line with your objectives and attitude to risk.

## Planned Tax Changes

With effect from 2011, tax on savings income received by trusts is to be increased. The increase will add to the attraction of holding trust investments in an Investment Bond tax-wrapper.

The Chancellor also announced that from 2010/11 the availability of the basic personal allowance will be reduced by £1 for every £2 of annual income over £100,000; and for those with income over £140,000 p.a. the allowance will be further reduced until it is extinguished.

In addition, from 2011/12 income above £150,000 will be liable to income tax at 45% (the same rate as will apply to trusts).

**If you would like to discuss your investment, tax planning, wills or Inheritance Tax requirements please contact Philip Kingscott or Brian Martin on 01483 887766. Alternatively you can e-mail them at [philip.kingscott@hartbrown.co.uk](mailto:philip.kingscott@hartbrown.co.uk) or [brian.martin@hartbrown.co.uk](mailto:brian.martin@hartbrown.co.uk)**

*This Newsletter is for general information only and is not intended to be advice to any specific person. The information is based on our understanding of the law and HM Revenue & Customs practice as at 1 March 2009. We have selected information that we feel may be of interest, but the Newsletter is not intended to be a comprehensive summary of all tax and investment considerations at this time.*

GUILDFORD • GODALMING • CRANLEIGH • WOKING • COBHAM • WIMBLEDON VILLAGE

Regulated by The Solicitors Regulation Authority. Authorised and regulated by the Financial Services Authority.  
Service of court documents by e-mail is not accepted  
Robert Brown Stuart Spencer Paul Tobias Timothy Pearce David Knapp Roderick Campbell Bettina Brueggemann  
Paul Grimwood Marek Bednarczyk Paul Allamand Shaun Parry-Jones Nigel Maud Alyson Coulson  
Consultants: Bruce Ross John Masters

