

Newsletter of 2 January 2007

Happy New Year – we hope that you have had an enjoyable Christmas break and will have a prosperous 2007.

For clients: those with tax due by 31 January 2007 should have received their payslip and statement recently. We will be checking these over the next 10 days and confirming the amount due, please do not pay until we have confirmed the payment is correct.

Pre-budget report

For the majority of individuals and small businesses, there were few significant changes in the pre-budget report, key points included:

- No change to income tax or corporation tax rates – hence no change to the tax cost of extracting funds from companies so that for companies with profits up to £300k payment of dividends remains the cheapest means of extracting funds.
- No change were made to the main inheritance tax provisions in particular potentially exempt transfers can still be made which means that gifts made more than 7 years before death avoid IHT and business property relief is still available which effectively exempts from IHT business assets.
- The Chancellor indicated that ISAs would continue to be available to encourage saving and individuals should consider making the most of their annual allowance.
- Provisions are to be introduced to discourage people from taking alternative secured pensions rather than an annuity with their pension funds. A minimum income requirement will be introduced from age 75 so that an amount equal to at least 65% of the annuity that could have been taken at age 75 will have to be paid. Tax will be charged on transfers of funds to another member on the death of an alternative secured pension fund member at rates of up to 70%.
- Managed service companies (also known as umbrella companies) are to be subject to new provisions to ensure that workers pay the same tax and national insurance as other employees. It remains to be seen whether the government seeks to tackle the perceived abuse of paying dividends to save tax and national insurance by owner managed businesses generally. Owners should be aware that the treatment of husband and wife companies is currently under scrutiny with the House of Lords not due to hear the appeal in the Artic Systems case until June so existing arrangements should be kept under review.

Resolutions for the New Year:

- Tax returns should be submitted by 31 January 2007. If you have not already completed your return do not delay.

- Have you reviewed your Will recently? A correctly drafted Will can save tax as well as ensure that your assets are distributed in accordance with your wishes.

- Make sure you make use of exemptions and reliefs to minimize / defer tax liabilities. Now is the time to start considering year-end planning to make sure any appropriate steps can be implemented by 5 April. Over the next couple of months, I will cover tax saving hints and tips in my newsletters in particular:

For income tax: tax efficient investments – ISAs, pensions, enterprise investment schemes, venture capital trusts and trading partnerships

Maximizing reliefs and rate bands within the family

Tax efficiency of borrowings

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Capital gains tax: reliefs & exemptions
Shelters – EIS

Inheritance tax: reliefs and exemptions

Businesses & companies: year-end planning considerations

Impending deadlines

31 January, 2007

Last day to submit personal tax return to avoid late filing penalty.

Balancing payment for 2005/06 income tax and capital gains tax for 2005/06 are due.

First payment on account for 2006/07 due.

Private companies with 31 March 2006 year-ends should file their accounts at Companies House.

Corporate tax returns for periods ended 31 January 2006 should be filed by concession no penalty is charged if the return is submitted by 7 February 2007.

For more information or to discuss how the ideas can be applied to your particular situation please contact Simon Bell by phone on 01376 571358 or email simon.bell@sjbtax.co.uk . For copies of previous newsletters or details of our services please visit our website www.sjbtax.co.uk

Please feel free to forward this newsletter to any colleagues or friends who may be interested in it or refer them to our website www.sjbtax.co.uk

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