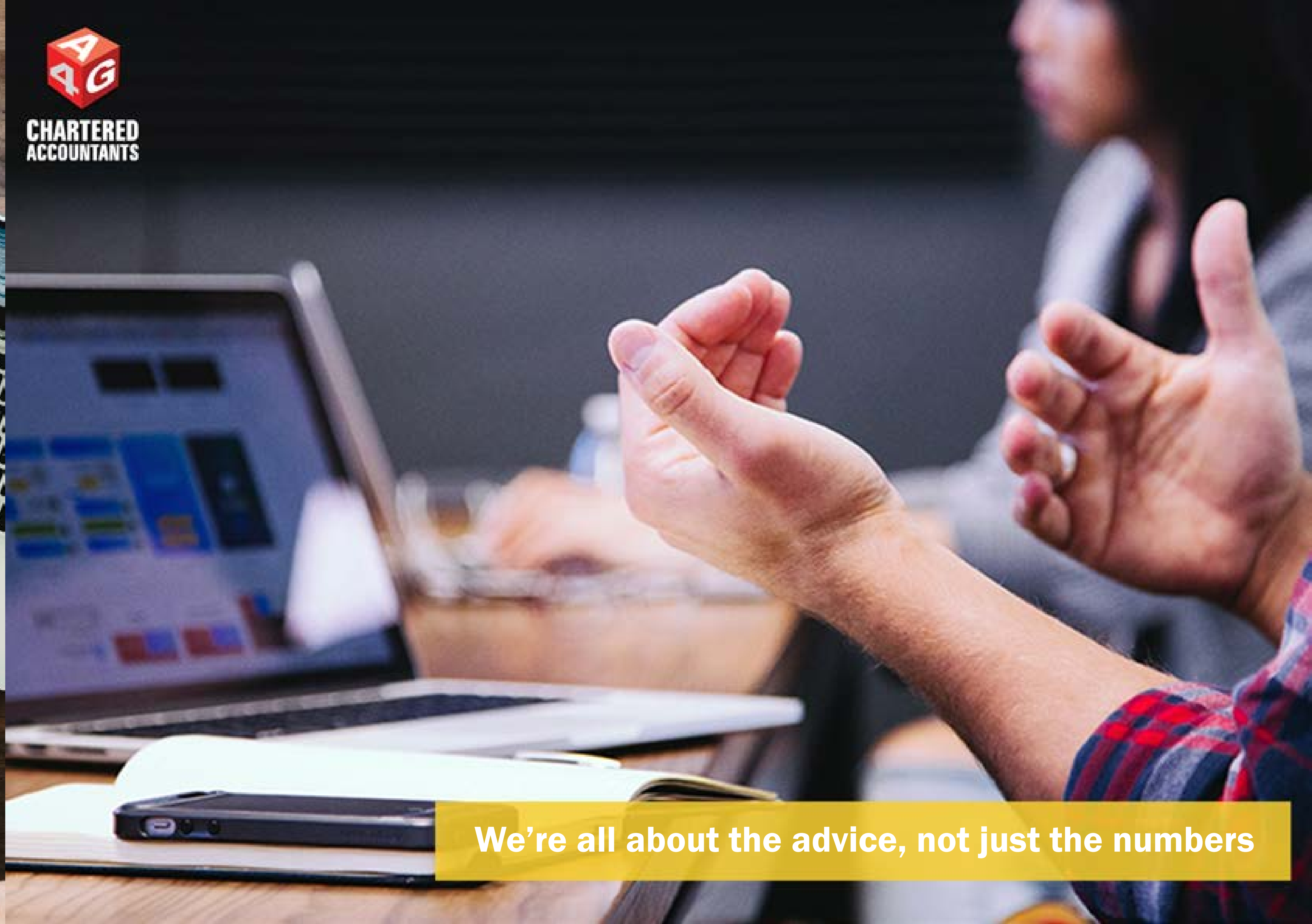
A4G CHARTERED ACCOUNTANTS

Tax Guide

Bringing your attention to some of the more important and interesting issues that may be relevant to you in helping you save tax or make your tax affairs less complicated and time consuming

Contents



CHARTERED ACCOUNTANTS
We’re all about the advice, not just the numbers

Summary

We would recommend that you take the time to read the guide in full, however we understand that our clients are busy and the following is a condensed version of what we consider to be the most important things every taxpayer should be aware of.

More information on each subject is detailed on individual pages of this guide. Alternatively, you can contact your Client Manager if you want to discuss anything in more detail.

Main filing deadlines

- To file a paper tax return by post, the deadline for submission to HM Revenue & Customs is 31st October following the end of the tax year (e.g. for the 2018/19 tax year ending on 5th April 2019, a paper tax return must be filed by 31st October 2019).
- If the tax return is filed online, it must be received by HM Revenue & Customs by midnight on 31st January following the end of the tax year (e.g. for 2018/19 an electronic tax return must be filed by 31st January 2020).
- If we are to assist in preparation of your forms, we require you to send your documentation to us no later than 30th September following the end of the tax year (e.g. for the 2018/19 tax year we require your documentation by 30th September 2019) so we have sufficient time to process all paperwork as necessary. We may charge additional fees where information is provided later than this.
- If the tax return is filed late, penalties start at £100 and will be charged as detailed on **page 8**

Payment deadlines

- HM Revenue & Customs require any balancing payments due as shown on your tax return to be paid no later than 31st January following the end of the tax year (e.g. for 2018/19, the balancing payment should be paid by 31st January 2020).
- If we are to submit a cheque payment on your behalf, we require this to be with us no later than the 20th January so that it can be processed and sent to HM Revenue & Customs by the deadline. However, we would suggest that wherever possible, payments should be made electronically and full details of how to pay can be found **here.**
- If paid late, HMRC will charge interest calculated daily.
- Any balance still outstanding at 28th February will also be subjected to a 5% surcharge with increased levels of charges imposed the longer the balance remains

Tax credits

- If you are claiming tax credits and your circumstances have changed or your income has increased or decreased significantly, you must ensure that you contact the tax credits department to advise them of the change and to have your claim reviewed.
- Please note that the family income threshold for claiming tax credits can change, so your eligibility to tax credits may have changed also.
- Further details regarding this are on **page 11**

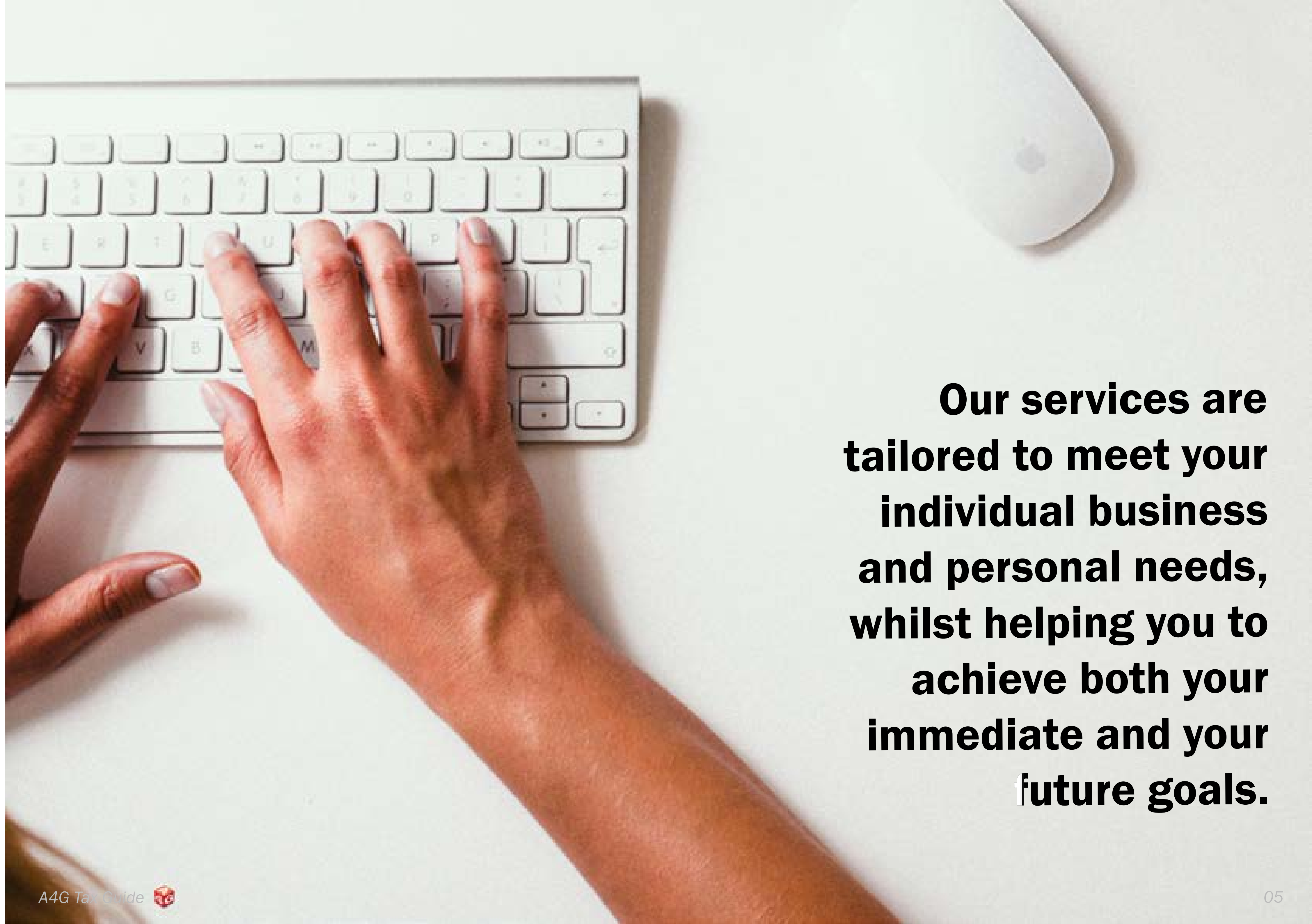
Pensions

- Everyone can pay £3,600 per tax year into a pension, or up to 100% of your ‘relevant earnings’ if higher than this.
- The contribution limit is however capped at a maximum of £40,000 in the tax year to 5th April 2019, less for top rate tax payers, although if you have paid less than £40,000 per annum in any of the last three tax years, you may be able to top up your contribution by using unused annual allowances from these years.
- For more information on pensions, please refer to **pages 13and 14.**

Tax savings

- There are many simple ways that everyone could save tax, without any substantial time or effort being required. An example of this could be something as straight forward as ensuring your investments are in the right person’s name.
- Some of the best ideas are covered in the 'Tax Tips' section starting at **page 16.**

Please refer to these for further information.



A4G Personal Tax Service
– What's included?

Many of our clients like to know what work is required and included in an annual tax service.

As you will see from the following list, which is by no means exhaustive and which identifies some of the more common items that we would deal with on your behalf, there is more to your tax affairs than just completing the Tax Return form!

- Providing you with a checklist before the end of May each year in order to help you assemble the correct information needed for your Tax Return.
- Review of tax information supplied by you for completeness and consistency with previous years.
- Preparation of your Self-Assessment Tax Return and submitting to you for review and approval.
- Producing a summary of your current and future tax liabilities and providing you with key information regarding pensions and tax planning.
- Submitting returns to HM Revenue & Customs electronically where possible
- Advising you on your Personal Tax liabilities
- Advising you of payment dates for Personal Tax liabilities
- Dealing with your income tax affairs in relation to the previous tax year
- Checking paperwork received from HM Revenue & Customs and answering any routine correspondence
- Calculating if it is necessary to reduce any payments on account and completion of form SA303 if required.
- General correspondence with HM Revenue & Customs
- Correspondence and telephone calls requesting your documentation and return of your personal tax return to us throughout the year to ensure all deadlines are met.

All we ask in return is that you provide us with information one first request and that you do not leave it too late in the year to give us your documentation.

A4G Personal Tax Service
– Benefits to you

Our service as briefly outlined on the previous page means that you are able to enjoy the following benefits at no extra cost:

If you are a sole trader or member of a partnership:

- A review of your current accounting year-end to ensure that the accounts are prepared in the most tax efficient way.
- Review of any overlap profits held and ensuring that tax relief on these is obtained at the earliest opportunity.
- Review of whether this is the best way to be trading or if there is a more suitable alternative such as a limited company or partnership.

If you are a director of a Limited company:

- Initial review of current salary and recommendations in respect of reducing this or increasing this depending on your personal requirements.
- Review of basic rate band available and recording of additional dividends where applicable.
- Initial review of whether restructuring your business would be of benefit to you.

Everyone

- We will deal with the majority of HM Revenue & Customs correspondence on your behalf, reducing the amount of paperwork you need to deal with and freeing up your time.
- We will ensure that, after receiving your approval, HM Revenue & Customs receives your tax return thus avoiding any penalties.
- You will receive advance notification of any liabilities that may be due at the earliest possible date, thus providing you with time to put the funds aside if necessary
- Interest charges incurred on late payments will be either prevented completely or will be kept to a minimum, as you will receive advance notice of any amounts due and the dates these payments are due, see page 5 for more information
- We will ensure that all tax reliefs and allowances, where applicable, have been applied for and if necessary transferred to your spouse
- We will ensure that where applicable any losses are claimed for in a way that will give the highest tax relief at the earliest opportunity

NB: The above benefits can all be achieved with your full co-operation in meeting deadlines as outlined in the summary.

Filing and payment deadlines

Under the current HMRC policy, the penalty for late filing of personal and trust returns is not ‘capped’. This means that for any return, even where the tax liability is nil, or a refund is due, late filing will still result in a penalty.

The penalty regime covers two instances, late filing of the return and late payment of any tax due.

Tax return filing deadlines

For any tax returns that are to be submitted by paper in the post, the filing deadline is 31st October following the end of the tax year (e.g. for the 2018/19 tax year ending on 5th April 2019, a paper tax return should be filed by 31st October 2019).
After this date, all tax returns must be filed online to avoid late filing penalties and the deadline for online submission is midnight on 31st January following the end of the tax year (e.g. for 2018/19, an electronic tax return should be filed by 31st January 2020).

If we are to assist with preparation of your tax returns, we require your information to be provided to us by 30th September following the end of the tax year (e.g. for the 2018/19 tax year we require your documentation by 30th September 2019) so that we have time to process the necessary paperwork and forward papers to you for review and agreement before the final submission. We may charge additional fees where information is provided later than this.

Tax return late filing penalties

The late filing penalties currently set by HMRC are as follows:

1. £100 penalty immediately after the due date for filing
2. Daily penalties of £10 per day for returns that are more than 3 months late, running for a maximum of 90 days
3. At 6 months late, either £300 or 5% of the tax due (whichever is higher), although this penalty cannot exceed the tax liability
4. At 12 months late, either £300 or 5% of the tax due (whichever is higher), although this penalty when combined with the 6-month penalty cannot exceed the tax liability
5. Where failure to submit a return continues for over 12 months and information necessary for HMRC to assess the tax due is considered deliberately withheld, the penalty may increase to a maximum 100% of the tax due (if behaviour is considered deliberate with effort made to conceal information).

Tax liability payment deadline

Any balance of tax due, as shown on your current year tax return is to be paid no later than 31st January following the end of the tax year (e.g. for 2018/19, tax should be paid by 31st January 2020).

Tax liability late payment penalties

The late payment penalties currently set by HMRC are as follows:

1. After being 30 days late, a penalty of 5% of the tax due
2. At 6 months, a further penalty of 5% tax outstanding at that date
3. At 12 months, a further penalty of 5% of tax outstanding at that date

Late payment penalties may be suspended where there is an arrangement in place with the HMRC ‘Payment Support Service’. This must be arranged well in advance of the due date to be effective and will only be given if financial hardship can be shown, not just because you want to delay payment!

There is a tool available on the HMRC website to **estimate the penalty that may be due.**

Interest is also charged on a daily basis for any payments that remain outstanding and for any of the advance payments on account that are not paid by the required dates (see **page 10** for more information on payments on account).

Payment reminders

Once we have drafted and sent the tax return to you, this will contain full instructions relating to payments and due dates. In order to give you the best service at the lowest price possible, we do not automatically send additional reminders to you nearer the deadlines.

It is your legal responsibility to ensure the tax return is filed by the deadline and to pay your tax on time.

Although unlikely, as everything is moving towards electronic communication, you may receive a standard reminder from HM Revenue and Customs with a blank payslip attached which you can use to make your payment. To prevent delays or missing payments we would recommend that you pay online. You cannot rely on receiving the payslip and not receiving one is no excuse for late or non-payment.

If you do not receive a reminder when a deadline is approaching, please refer to your personal tax report which contains all the information you need. Please note that if you want us to forward a payment by cheque, we would need to receive your cheque at least ten working days before HM Revenue & Customs deadline to ensure it can be cleared by the payment due date.

You should also be aware that whilst we are your tax agents we do not always receive copies of tax demands. Therefore, if you receive a tax demand you should first ensure that it agrees to the amount that we advised you to pay or give us a call so that we can check for you.

Payments on account

If any tax is shown as due upon completion of your tax return, it will be payable to HMRC by 31st January following the end of the tax year. For example, any tax due for the year to 5th April 2019 will be payable by 31st January 2020.

In some circumstances, in addition to the above balancing payment, HM Revenue & Customs require a taxpayer to make two payments on account in advance towards the following year's tax liability.

Each advance payment is calculated as 50% of your current year's tax liability and the payments are due at 31st January following the end of the tax year and the next 31st July following this.

Example: Tax due for year ended 5th April 2019 £1,500

Payable: £1,500 31st January 2019 (balancing payment)
£ 750 31st January 2019 (First payment on account towards next year)
£ 750 31st July 2019 (Second payment on account towards next year)

When your tax return for the following year is completed, if the amount due is less than the amounts already paid on account towards it, HM Revenue & Customs will credit your account with the difference. If the final liability on the tax return is higher than that of the amounts paid on account, a balancing payment will be due on the following 31st January.

It is possible to reduce payments on account if you believe that your total income or your total tax bill for the next year will be lower. If the payments are reduced too far however, the balance will become due immediately and HM Revenue & Customs will charge interest backdated from the previous 31st January.

The following reasons would not require payments on account to be made:

- If your total liability does not exceed £1,000
- If your total liability (before payments on account for the year of the return) is nil or you are due a refund
- If more than 80% of your overall tax liability for the year was collected at source, for example via PAYE salary deductions

If no payments on account are required to be made, the full liability for the following tax year will be payable at the next 31st January plus the payments towards the following year.

Tax credits

Tax credits consist of two elements, Working Tax Credit and Child Tax Credit; however this is being replaced by Universal Credit which will combine everything in one claim and incorporate other benefits as well.

Working Tax Credits

Working Tax Credits are a payment to top up the income of lower paid workers. You cannot make any new claims unless you are receiving the severe disability benefit. Generally speaking you must work at least 30 hours per week, be 25 or older and earning below £13,100 per annum if single and childless or £18,000 jointly if part of a couple without children.

Child Tax Credits

Your entitlement to Child Tax Credits will depend on your specific circumstances and is linked with your family income. You cannot make any new claims unless you are receiving the severe disability benefit.

As a rough guide HM Revenue & Customs have advised that you might not be able to get Child Tax Credit if:
• you have one child, and your annual income is more than around £30,000
• you have two children, and your annual income is more than around £50,000

It is important to know that this is only a rough guide and the actual income limit for you may be different, as it depends on your own circumstances, for example you could still qualify for Universal credit if your income is above these amounts and you pay for registered or approved childcare, are disabled, or have more than two children. To find out if you are eligible to claim and if so, how much, use the HM Revenue & Customs **tax credit calculator** on their website.

The Child Tax Credit, Working Tax Credit and Universal credit is paid directly into your bank account each month and does not have to be shown on your personal tax return.

Changes to notify HM Revenue & Customs of

Once claiming tax credits or universal credits, you must tell HM Revenue & Customs of any changes in your personal circumstances that affect the tax credit due to you. These changes include;

- Changes in the number of children you are responsible for;
- If a child stops or starts full time education;
- Changes in child care
- Changes in your employment hours or place of work
- Changes in your income (increase or decrease of more than £2,500)
- You marry or start/stop living with someone
- Leaving the UK

If you do not tell them about a change of circumstance, you may not receive all the money you are entitled to or you may get too much and have to repay some of it. In addition to this, failure to notify changes that must be reported could attract penalties starting from £300.

You may have already completed your tax credit form with estimated figures. If so, please ensure that if upon completion of your tax return the actual figures differ from the estimates supplied, you contact the HMRC Tax Credit department and confirm the final amounts to be declared.

If you need to notify HM Revenue & Customs of any changes in your circumstances, please ring them on 0845 300 3900. You will receive a new tax credit claim form each year and if you would like help filling this in, please contact us.
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Pensions
– Personal Pension

Even if it seems a long way off, it is never too early to start planning for your retirement! Pensions should be considered as part of your long-term plan even if you ultimately decide to take different action to support your finances in the future.

Annual Allowance

The maximum tax relievable amount that you can pay into a pension with effect from 6th April 2019 is 100% of your Relevant Earnings*, limited to £40,000 per annum (or potentially £10,000 for top rate tax payers earning in excess of £150,000 per annum), although even if you have no taxable income, you may still make an annual contribution of up to £3,600.

You may also contribute up to £3,600 on behalf of another party (e.g. your children or grandchildren), although you will not receive tax relief in respect of this contribution but will be helping them to save for their future.

If your payments exceed this annual allowance of £40,000 (or £10,000 if this limit applies), a pension tax charge at your marginal rate of income tax will be incurred (i.e. 40% if you are a higher rate taxpayer, 45% if you are a top rate taxpayer).

If you wish to contribute more than £40,000 to your pension (although still no more than your Relevant Earnings), you may be able to look back to the previous three tax years and carry forward any unused annual allowance to the current tax year.

Example: Mr. Bloggs wishes to make total pension savings of £65,000 for the 2018/19 tax year. In the previous three tax years, his pension savings were:

2017-18	£35,000
2016-17	£30,000
2015-16	£25,000

As the annual allowance for the previous years was also £40,000, Mr. Bloggs has unused annual allowances of £5,000, £10,000 and £15,000 from those three tax years:

2017-18	£5,000
2016-17	£10,000
2015-16	£15,000
Total	**£30,000**

This means Mr. Bloggs has £30,000 unused annual allowance to carry forward, which means that with the £40,000 annual allowance for the 2018-19 tax year Mr. Bloggs can make a tax relievable pension contribution of up to £70,000 without any additional tax charge.

Lifetime Allowance

Pensions are also subject to a lifetime allowance which is currently £1,055,000, which is the maximum pension fund that an individual can accumulate overall without being subject to a tax charge. Amounts in your fund in excess of this limit are taxed at 25-55%, although for people with large balances already in their fund, the ability to apply for 'fixed protection' may be available to preserve the lifetime limit at the previous level of £1.25 million or even £1.5 million.

For further pensions advice, please speak to your client manager who can put you in contact with one of our A4G Wealth approved Independent Financial Advisers.

**Relevant Earnings (RE) includes employment income, self-employment income and holiday let income. Dividend income, bank interest and normal rental income is not used in the calculation of RE.*

Pensions
– *State Pension*

Previously you would receive your state pension from the age of 65 if male and 60 if female. Due to increasing life expectancy however, these age limits have changed and the date to receive your pension depends on your date of birth and therefore which set of rules you fall under.

The rules changed in April 2016. Under the old rules, you needed a certain number of ‘qualifying years’ - years in which National Insurance (NI) is paid - and if you achieved this, you would get a flat rate ‘basic’ pension amount of around £115 per week, which could then be increased if you paid more than the basic level of NI, or if you continued to earn income for additional years and thus continued to pay NI.

Under the new rules, you do still need to achieve a certain number of year’s contributions to qualify for the new ‘full level’ pension amount of £155.65 per week, but this cannot be increased by paying NI for more years or by paying higher levels in years where earnings are higher. The total you will receive can however still be reduced if you ‘contracted out’ in the past and paid reduced NI contributions for several years.

The number of years required can be reduced in certain circumstances which result in your earnings being low for that year, such as if you are looking after a child under 16 or caring for someone who is sick or disabled.

If you do not believe you have sufficient qualifying years, it is possible to make additional voluntary National Insurance contributions to top up your qualifying years to increase the level of State Pension upon reaching your retirement age.

If you are about to draw your state pension, have you considered whether it would be beneficial to do so now or if it would be better to defer it for a few years? In some cases where you do not require the money immediately, you may be able to defer the payments, and this could result in higher payments being made to you when the deferment is cancelled – but this needs to be weighed up against how long it will take to get that value back and be better off!

If you would like to know if there are any shortfalls in the number of qualifying years you have built up, whether you should draw you pension immediately upon entitlement or defer it or are unsure what alternative arrangements are available, we can give you further information and advice in this area and can help you make those important decisions.

Long term Wealth planning

Like many business owners, you are probably working harder than ever within your business, and so are likely to be overlooking your personal financial situation. You may feel that you are working hard for the purpose of achieving your personal aspirations, but in reality, you could be better off – both in the short and long-term - by simply planning better and restructuring your affairs.

The aim of business Financial Planning is to provide confidence, freedom, security and protection for yourself, your loved ones and your business whilst building for the future, retirement and beyond.

Protecting your family

If you have dependants have you considered the consequences for them if your income was suddenly removed? How much do you earn? Do you have debts? How much is your mortgage? Do you pay school or university fees? Does your partner work? Could they continue to work without your support?

Life Assurance is a small price to pay to put your mind at rest. Income protection can replace part of your income if you were unable to work through accident or sickness, and Critical illness cover could pay out a lump sum on diagnosis of a serious illness.

Protecting your Business

What happens if your business partner or your top sales person dies? How would this affect your business?

Key person cover provides cover against the loss of profits that might occur as a result of the death or critical illness of a key individual. The cover is effected by the business on the life of the key person, set up as term assurance with the benefits being paid to the business. Partnerships (with the exception of LLPs) are not legal entities and so are unable to effect a life policy in the name of the business, but instead can take out the policy on the life of the key employee with the partners as owners.

Planning for your retirement

Average life expectancy is growing and we are all living longer in retirement, so we need to provide more income for ourselves. The government still provide tax incentives through pensions and now allow you to invest more than ever.

Products include Stakeholders, SIPP’s (Self Invested Pension Plans) and flexible group schemes using salary sacrifice, in which the employee gives up part of earnings in return for non cash benefit which in exchange the employee agrees to pay into an occupational pension scheme, providing tax and NI savings and therefore boosting the pension pot.

Investment Planning

Tax efficiency is key in investment planning, and this area incorporates ISAs. For the larger investor, diversifying your portfolio is recommended, depending on your attitude to investment risk, to spread the risk across the different asset classes and help to build a balanced Investment. From cash and gilts to global equities, when one area falls others can rise, and remember with cash over the long term you will not outstrip inflation.

The Financial Services Industry has had bad press over the last few years. However, good advice about the most appropriate financial products for you can prove invaluable when used as part of an overall wealth plan.

There’s more detailed information within our articles on the website. Alternatively you can email us at discovery@a4g-llp.co.uk if you want to dicuss anything in more detail.

Tax tips

Individual Savings Accounts (ISA's)

From 1st April 2019 up to £20,000 can be invested in an ISA each tax year, with no limit on the maximum cash element of that investment.

Investment in an ISA can be a tax efficient way of saving as the income received is tax-free and there are no capital gains tax charges arising on the investments made. Any investment in an ISA therefore does not need to be declared on your personal tax return.

You can also give your children or grandchildren a head start on their savings using a junior ISA which in 2019/20 will allow an investment of up to £4,368 per year.

Investments

For tax purposes, each person is treated as a separate individual from their spouse/civil partner when declaring investment income on a tax return.

Therefore, if you pay tax at the higher rates of 40 or 45% and your partner pays tax at 20% or less, you should review whose name the investments are held in and consider whether transferring some income producing investments to the spouse with the lower tax rate, or holding them in joint names, may reduce the tax you pay.

PAYE coding notices

If you are employed or receiving a pension, HM Revenue & Customs will issue the relevant payroll department with a PAYE code each year which tells them how much tax is to be deducted at source.

You will be sent a more detailed breakdown of what allowances or benefits in kind have been included in the code issued. Upon receipt you should take a few minutes to check that these are correct otherwise you could be paying more tax at source than is necessary, losing interest on income that could be building up in your own account.

If you receive a coding notice and would like us to check it for you, please forward it to us and we would be happy to do so.

Utilising family members allowances

Does your spouse/civil partner have income of less than the personal allowance (£12,500 in 2019) and do they also help you out in your own business? Are your children aged at least 13, earning less than £12,500 and they are helping you out in your business?

If yes to both questions and you chose to pay them a small wage of up from your business, this could reduce your taxable profits and whilst not creating any additional tax or National Insurance charges, it could also help your spouse/child to achieve qualifying years for their state pension entitlement.

Mileage

Are you employed and does your employer reimburse you for business mileage travelled?

If so, and if you are being paid less than the approved mileage rates, you can claim the difference via your personal tax return.

– For using your own car

The approved rates are currently 45p per mile for the first 10,000 miles and 25p per mile for any mileage in excess of this. Motorbikes are entitled to 24p per mile and bicycles 20p per mile.

Of course, if you do run your own business, you can also reimburse yourself at the above rates for any business mileage covered in your own private vehicle.

Tax tips

– For using a company car

If you are provided with a company car and have to pay for all fuel, your employer may agree to re-imburse you for business mileage travelled. Please refer to the **HMRC website** for the latest rates, as these change regularly.

If you receive less than the approved mileage rates from your employer and would like to re-claim the difference, please provide us with details when sending in your tax return information each year.

Gifts to Charity

If you regularly give to charity and are a tax payer, remember to make a gift aid declaration on your donation.

If a declaration has been made, it does not increase your donation amount, however the charity will benefit more as they can claim additional tax relief on the gift.

If you are a higher rate tax payer it also benefits you personally as you can include the donations on your personal tax return and you will receive additional relief against your income.

When sending in your tax return information each year, remember to provide details of any Gift Aid donations made to charity.

Rent out a room

If you have the space and are looking to receive some tax free income, consider renting out a room in your own house.

The first £7,500 of rental income received each year is free of tax, whatever the level of your other income, and only simple rental accounts and entries on your personal tax return are required.

If you are considering renting out a room and would like to discuss this further, please contact us.

Capital Gains Tax (CGT)

Each taxable person has a capital gains annual exempt allowance. In the tax year to 5th April 2020, this allowance totals £12,000, which means you can sell or gift assets each year which produce gains of up to this level before you are required to pay any tax.

The tax due on the gain in excess of this will be at a flat rate of 20% (10% if you are a basic rate taxpayer and the total gain does not push you into the higher rates of tax), except for residential property which is at a higher rate of 28% (18% if a basic rate tax payer).

You may also be entitled to Entrepreneur's Relief on the disposal of a business asset which will reduce the overall tax due to 10% (provided that your total lifetime gains do not exceed £10 million).

Please note that the tax rates and CGT computations change on 6th April each year so if you are thinking of selling an asset around this time of year, it is important to get the right advice whether it would be more advantageous to sell before or after the end of the tax year.

If you are thinking of selling an asset, it is obviously useful to know the tax implications upon sale. Therefore, please contact us and we will help to ascertain any potential liabilities that could arise and give suggestions on how to reduce these.

Tax tips

Separation & divorce

If you are unfortunately breaking up with your spouse or civil partner and want to re-organise your assets between you in advance of a divorce, although not always practical if not an amicable arrangement you should try to do this before the end of the tax year in which you split.

Any transfers to your ex-partner in this period will be free of capital gains tax, but you may incur charges if you wait until the following tax year, even if transfers are made as the result of the divorce hearing.
Your financial situation should also be reviewed following the separation to ensure your investments and insurances remain suited to your needs.

For advice on transferring assets between spouses in the most tax efficient way, please contact your client manager.

Inheritance Tax (IHT)
– Tax-Free Payments

Should you survive 7 years from the date of making a gift, providing it is not a chargeable lifetime transfer such as a gift to a discretionary trust, no IHT will be payable and the value of the gift will be removed from your estate.

In addition to this, every person can give away up to £3,000 of their income per year without it being charged to IHT. If the annual allowance for the previous year has not been used, this can be added to the annual allowance for the current year allowing a maximum of £6,000 of gifts that can be made free of IHT.

There is also a small gifts exemption available, whereby you can gift as many lots of up to £250 per person, per year, without incurring any IHT problems. Wedding gifts of £5,000 for your own child, £2,500 for grandchildren or £1,000 to anyone else can also be made to remove income from your estate IHT free.

Another valuable allowance is the 'regular gifts out of income' provision. If you can prove that you have disposable income that you are regularly giving away without it affecting your existing lifestyle in any way, this may be done completely free of IHT either during lifetime or upon death. The key to being granted this exemption is good record keeping and this is of course something we can help with!

Remember - although gifts can be made free from IHT, it does not always follow that the gift is free of Capital Gains Tax (CGT) and so tax could potentially be charged on your gift.

If you are thinking of making gifts or looking to pass assets tax efficiently to your dependents and you need any further information, please contact us.

Providing for your dependents

If you are ill or you die, what will happen to your business? Would your family and dependents have the financial support they need at a time like this?

There are policies available for life assurance, critical illness cover and various other business policies such as Key Man Insurance to cover this situation and if you do not have any cover, we would recommend that you look into updating your affairs.

If you do have life assurance, have you looked at having the policy written in trust to avoid the proceeds that are paid out forming part of your estate on which Inheritance Tax is payable?

It is also important to ensure that the relevant Power of Attorney provisions are in place to prevent the courts taking over if you are incapacitated, as this can lead to delays in accessing funds personally as well as for your business, putting further strain on your dependents at an already difficult time.

Insurance policies should be reviewed regularly to ensure they are up to date and cover your current circumstances as your family situation and work situation changes.

If you would like further information on the policies available and what would suit you best, or if it is time to review your existing policies, you should contact your Financial Advisor or we can introduce you to one of our A4G Wealth Management approved Independent Financial Advisers.

Tax tips

Planning for Long Term Care fees

Have you considered your potential long term care needs and how you might fund this? State benefits rarely cover all the non-nursing costs of long term care and some are means tested so no help is given if your assets exceed £21,000. There are however insurance products available to prevent undue reliance on state benefits.

If you have investments in ISAs and care fees are a concern, you may also at this stage consider moving these funds into investment bonds instead, as these are not included as assets in determining costs for long term care means testing. A bit more in income tax is payable now but you could save a fortune in future care fees.

The bond also remains part of your estate for IHT purposes, in the same way that an ISA would, but they have the advantage that they can be held under trust so that upon your death they are paid out to your beneficiaries instead of your estate, making them Inheritance tax efficient.

Wills

If you should die without having a valid will, your assets will be distributed under the intestacy rules. The court will distribute your assets to various relatives, depending on your family circumstances, and this may not be in accordance with your wishes.

If you have your own business there could be further complications regarding who takes over from you and how the business is run, and lack of a will providing these instructions could cause delays and complications in winding up your estate.

It is important to have a valid will prepared to ensure that the above matters are dealt with in accordance with your wishes in the event of your death. A carefully drafted will could also help to minimise any Inheritance tax liabilities that may arise upon your death, i.e. should your estate value exceed £325,000. Changes in your lifestyle such as a new marriage could invalidate part or all of your existing will. It is therefore important that any existing arrangement is reviewed regularly to ensure that it is up to date and reflects your current wishes.

If you would like to discuss any of the above further please contact us on (01474) 853 856.

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