THREE COUNTIES

CORPORATE BRIEFING

No.5 April 2008

Interested in saving tax?

Have you considered…

USING YOUR ISA ALLOWANCE

The individual annual allowance from April 2008 is £7200. Simply leaving your money in your current account may be losing you money, whereas, if you use an ISA there is no Income tax or Capital Gains Tax payable. This will save basic rate taxpayers 20% tax on the interest (an additional 20% for High Rate Taxpayers).

INVESTING IN A PENSION

The Government adds tax relief at your highest rate to your contributions. This means a £100 investment in a pension costs a higher rate taxpayer just £60.00, whilst it costs a basic rate taxpayer £80.00. If you are a non tax payer or a non earner you can also make gross contributions of up to £3600, so don't forget to make contributions for non-earning spouses as well.

You can invest 100% of your earned income (excluding dividends), up to a maximum of the Annual Allowance which for 2008/2009 is £235,000. Although you cannot access your money until the age of 50 (rising to 55 in 2010) you can take 25% of the resulting fund as a tax-free lump sum any time after this up to age 75.

TRANSFERING ASSETS TO YOUR SPOUSE

By transferring assets to a spouse before selling them, you can use up both of your Capital Gains Allowances, £9,600 from 6th April 2008, securing more tax free growth.

Another reason to move assets into your spouses name is to benefit from his or her lower tax band. For example, bank accounts or taxable investments are often held in joint names, whereas it may make more sense to hold them in the name of whoever pays the least tax.

How to boost the pension of your employees

Company and personal pension savers are sent an annual statement detailing the pension they may expect to receive at retirement. The information is adjusted for inflation so it explains in today's terms what the pension might be worth at retirement. **Think carefully about whether you would be able to pay grocery and other bills with this sum. If not, you may need to save more.** Decades of inflation during retirement can subsequently reduce the purchasing power of your income.

If you operate a company scheme, have you considered increasing the contribution level?

Are you offering your staff the opportunity to review any contribution they make?

TAXMAN SMILES ON VENTURE CAPITAL TRUSTS

The credit crunch may yet turn out to be a boom for investors in Venture Capital Trusts. The Trusts make investments in small start-up companies and are stepping into the gap left as banks cut back on their lending to businesses.

The trusts take long-term stakes in small and growing businesses. They work with management to grow the business and then aim to reap the rewards when the company is sold on or floats. Venture Capital Trusts are an investment for the enthusiast. They carry higher risks than conventional equity investments, though these are tempered by some generous tax breaks.

Investors earn an immediate 30% income tax refund on the cash they put into a VCT. This means that if you invest £10,000 in a VCT, you will have your income tax bill reduced by £3,000. In other words, your investment of £10,000 only costs you £7,000, but if the shares are sold within five years, this must be repaid. Additionally, any dividends paid are free from income tax and any profit made from selling the shares is free from capital gains tax.

Three Counties are not recommending a VCT as a first investment, but they are something to consider once you have used your ISA allowance, contributed sufficiently to your pension or want to reduce your income tax liability. Profits from these Trusts do not happen overnight and you have to treat them as long term investments.

Simplifying pension funds to prepare for retirement

Traditional careers of long service with one employer followed by a generous final salary pension have ceased to be the norm. More common today is a career involving several jobs with different employers and a collection of small pensions.

The outcome of a varied career is that the accumulated pension funds are scattered and probably insufficient to generate the desired income in retirement. We can discuss with you the benefits of bringing the various pensions together into one fund. We will also advise on the most appropriate choice of investments within the fund.

When it comes to taking the pension benefits for either your retirement or semi retirement (since April 2006 you can take an income from a pension and still continue in work) we will advise on how to generate the most income from your pension; annuity purchase, unsecured pension, phased retirement or investing the tax free cash.

Our independent status allows us to consider the whole of the market to ensure we are providing the best advice. We will discuss any changes in your attitude to risk, tax position and contribution levels and obtain state benefit forecasts as you approach retirement.

Death in Service Costs

If you provide Death in Service cover for your staff it is important to review the cost of this cover when it comes up for renewal. It is often possible to make considerable savings by researching the market and, if instructed, we are able to complete this exercise on your behalf.

Dual Benefit Income Protection

One of the leading providers of employee benefits has introduced a unique policy that provides income replacement for both the employer and the employee.

Aimed at companies of between 3 and 99 staff, it will provide the following cover:

- Employee's benefit up to 75% of salary less LTIB for a period of 2 – 5 years
- After 2 – 5 year period, a lump sum is payable if incapacity is one of 18 stated conditions
- Employer's benefit of up to £10,000 per month for 6 months to cover expenses whilst claimant is absent
- Deferred period starts at 4 weeks
- Non Medical Limits offered

Full details are available on request.

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