



by Colin Burns

Welcome

to the Summer edition.

The coalition government continues to survive and we look at a number of initiatives promoted by them in the last Budget including tax changes and pensions. I would also like to note the retirement of one of our partners David Atkinson who can now collect his state pension! David has made a huge contribution to the firm since joining in 1996 and his calm professional manner and technical input into our services has been greatly appreciated by the GE team and clients alike. The great news is that David will continue to be available to all of us on a part-time basis as a consultant whilst hopefully taking it slightly easier in the years to come.

How much can I pay into my Pension Plan now?

The new rules introduced from the beginning of this tax year regarding the maximum contributions (or the 'annual allowance' as it is known) that an individual can make have caused much confusion. The rules do however provide opportunities particularly for those that have been restricted over the last two tax years by the Government's 'anti-forestalling rules'!



by Rob Jones

Basically it is now possible to:

- Make a personal contribution of up to £50,000 in respect of the current tax year.
- Look back over the previous 3 tax years and also make a contribution of up to £50,000 for each of those tax years (less what you had previously paid).
- Accelerate the payment of a contribution in respect of the allowance of £50,000 for the next tax year in some situations.

You could therefore pay a personal pension contribution of up to £250,000 in extreme circumstances in one tax year and benefit from tax relief of up to 50%. I would point out though that the total personal contributions paid during the tax year cannot exceed 100% of your earnings.

Alternatively, the contribution could be paid by your company who will

receive corporation tax relief as long as it is considered as wholly and exclusively for the purposes of the employer's trade or profession, irrespective of whether it exceeds 100% of your earnings or not.

When looking at whether you have exceeded the annual allowance the HMRC look at the input periods in respect of each of your pensions. Input periods normally run for a period of 12 months but this can be manipulated closing a period early so that two years allowances are paid in the same tax year for tax relief purposes.

I hope that the following example is of some help -

The contribution history of an individual over the past 3 tax years was as follows:

2008/09	£25,000
2009/10	£20,000
2010/11	£20,000

In the current tax year he wanted to maximise his contributions, so what could he pay?

Tax year	Amount already paid	Annual allowance	Unused allowance
2008/09	£25,000	£50,000	£25,000
2009/10	£20,000	£50,000	£30,000
2010/11	£20,000	£50,000	£30,000
2011/12	£0	£50,000	£50,000
Total allowance available			£135,000

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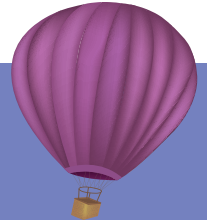
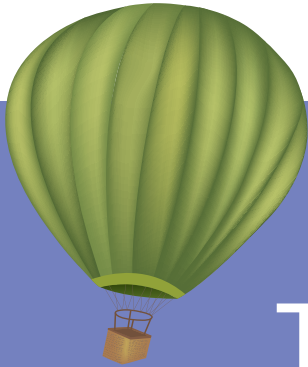
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- A contribution of £135,000 was therefore made on 1st June 2011.
- The input period for 2011/12 was then immediately closed on 2nd June 2011.
- A further £50,000 was then paid on 3rd June 2011 in respect of the input period which will end 12 months later in the 2012/13 tax year.
- The individual has therefore paid pension contributions totaling £185,000 in the 2011/12 tax year.

It is important to realise that an individual can only carry forward unused annual allowance from tax years during which they were a member of a registered pension scheme. They do not have to have made any contributions during that year. When considering making large pension contributions you also need to consider the 'standard lifetime allowance'. This is the maximum fund which you can accrue without suffering a tax charge on taking benefits or death. The allowance is currently £1.8m for the current tax year however this is being reduced to £1.5m from 6 April 2012. You will be able to opt

for 'fixed protection', which will allow you to maintain the £1.8m limit but will not then be able to make any further pension contributions after 5 April 2012. If you already have enhanced or primary protection this can continue unaffected. It is obviously essential that you speak to your partner contact at Gerald Edelman or your wealth management contact at Genesis Wealth for guidance if you are intending to make such large contributions. Advice is essential in order to avoid any unexpected and unnecessary taxation consequences.



The inflation dilemma



by Sanjay Rijhsinghani

Genesis Wealth's Investment Director

Ten years ago, eminent economists were saying that inflation had been beaten for ever. How wrong they were!

Back in the 1970s, when inflation was well above 20%, the main reason was a trebling in the price of oil, the effect of which was exacerbated by competing trade union demands for compensating wage increases.

Both the impact of oil price increases and union power are now much reduced, but a new and unforeseen factor dominates, namely the ocean of easy money made available by Governments to keep their economies going in the wake of the world economic crisis triggered by the collapse of the US mortgage market.

Easy money means low interest rates, and interest rates have now been lower for longer than at any other time within living memory. In the short term this benefits economies and both share and commodity investments benefit, but in the longer term it invites inflation.

Governments respond to the threat of inflation by increasing interest rates to dampen demand, but most are currently reluctant to act for fear of stifling economic recovery. However, the indications are that in the UK rates will start to rise within the next few months.

So investors are faced by a similar dilemma to that which they experienced in the 1970s – how best to counter the effects of inflation?

Cash deposits are currently a sure-fire way of losing capital value, but moving up the risk scale, Government and corporate bonds are also likely to lose value as general increases in interest rates make the rates they currently offer less attractive (a possible exception being higher-yielding corporate bonds whose yield is influenced to a greater extent by companies' credit ratings than by movements in interest rates).

Index-linked Government bonds will clearly appeal in an inflationary environment, but this is already reflected in prices. Of greater potential interest to many investors will be the new issue of Index-Linked National Savings Certificates which are now available from National Savings.

Another alternative to low risk investments are the absolute return funds whose stated aim is to generate returns greater than those available on deposits and to provide some scope for additional returns, without being too correlated to any specific asset class. These funds usually invest in a range of different types of financial assets/instruments, often including "derivatives". A number of these funds have little or no gearing and offer daily liquidity.

Clearly, there is an expense attached to any portfolio changes and these should therefore be confined as far as possible to adjusting agreed strategies. In this context the all-weather portfolio constituent is likely always to be the equity share, whose resilience to inflation is based on the assumption that the products and services which companies supply are expressed in current currency terms.

Countries with weak currencies import inflation through the increased prices they have to pay for imports. Equally, the strength of foreign currencies can benefit overseas portfolio holdings, thus providing another inflation hedge.

Complementing equities, property, both UK and global, can offer attractive yields and bricks and mortar have always provided some reassurance of capital values – at least in the long term.

Risk

Investment involves balancing risk and return. The safer the investment, the lower the return is likely to be and those seeking higher returns have to accept that this means taking more risk.

Ultimately, risk means the risk of losing money and this makes attitude to risk a very personal matter. Some people are naturally more risk averse than others and are therefore more cautious investors. Some have a shorter time span and are vulnerable to short-term volatility in values and less able to recoup losses. Some have limited investment resources which they cannot afford to lose, whereas wealthier people may ask themselves whether they need to take risk to achieve their objectives.

Different types of risk confront the investor. Most investors start off with deposits and these remain part of their investment arrangements, providing security and accessibility. However, even deposits involve risks, notably the inevitability that capital values will be eroded by inflation and the risk that the deposit taker may default - though up to £85,000 per investor per UK institution is protected by the Government compensation scheme.

Greater returns are available from stock market investment, but these are subject to a greater range of risks: the market in question may fall; the value of individual securities may fall, regardless of the level of the market; and the currency in which the investment is denominated may decline. Finally, the investment managers may make bad decisions.

The best approach to managing risk is diversification. No one can be sure of what the future holds, but a judicious mix of higher and lower risk investments, which reflects the investor's time span and personal sensibilities and which is reviewed on a regular basis, should ensure that gains more than compensate for losses and that a positive return is achieved in excess of inflation.

Life inevitably involves risks and investment is no different. The challenge is to control risk and to turn risk to advantage.



Mortgage Finance

With the Bank of England base rate remaining at 0.50%, which it has been for the past 26 months, tracker rates linked to the base rate remain a popular option for both residential and buy to let mortgages.

House purchase and remortgages:

Whilst bank base rate is expected to rise sometime later this year the financial markets are still unable to predict when and by how much. So a number of lenders are now including an option in their tracker rate products to switch to a fixed rate (with that lender) without incurring an early repayment charge (penalty) during the term of the tracker rate. This gives the option of taking a low tracker rate initially and, if interest rates start to rise, switch to a fixed rate if required.

Tracker rates, including the Switch/Fix option, start from Bank Base rate + 1.97% (current pay rate 2.47%) for house purchase mortgages, to Bank Base Rate + 2.69% (current pay rate 3.19%) for remortgages, depending on the size of the mortgage and value of the property (the loan to value).

For those wishing to fix their monthly payments, the rates for both purchase and remortgages have been reducing over the last month or so. Two-year rates are from 2.99%, 3 years from 3.60% and five year from 3.99% depending on the loan to value.

With regard to remortgaging, the main reason is to consider switching to a lower rate. If the current lenders standard variable rate is in excess of 4% and they will not offer another suitable rate, consideration should be given to remortgaging as in the majority of cases it is possible to secure a new rate at less than 4%. It is also possible to borrow extra funds at the new rate, which can be used for any purpose including home improvements or purchasing another property.

On remortgaging the lender selected should pay the mortgage valuation and legal fees to transfer the mortgage.

Up until recently there were very few mortgages available at 90% for first time buyers, but there are now in excess of 20 lenders offering this level of borrowing and rates are in the region of 6%.

Arrangement fees to secure the rate/s for house purchase or remortgages range from nil to £1995.00 and can be added to the mortgage.

When seeking a mortgage to purchase a property or a remortgage, the whole of the market needs to be considered to ensure the most suitable interest rate, criteria and arrangement fee is selected.

Buy to let mortgages

As some first time buyers are still unable to secure a mortgage or the deposit required to purchase their own home, 'buy to let' investors are finding increased demand for their properties. This has led to an increase in rental values in the London area of 13% during 2010.

In addition the number of lenders offering 'buy to let' mortgages has also increased offering more competition - although the market is dominated by The Mortgage Works, part of the Nationwide Building Society, and BM Solutions, part of the Lloyds Banking Group. However there are now in excess of 20 lenders in this market offering a variety of interest rates, criteria and arrangement fees.

Interest rates: Tracker rates are from Bank Base Rate plus 2.79% giving a pay rate of 3.29% for two-years. Fixed rates are from 4.35%, again for two-years. Other rates and terms are available.

With regard to arrangement fees, they vary from a flat fee to a percentage of the mortgage, which can be anything up to 3.5%. A large arrangement fee can secure a lower rate, which can assist potential landlords obtaining a mortgage and ensure the mortgage payments are covered by the rental income.

A further development in this market is 'let to buy', where the homeowner moves to a new property and lets their existing home rather than sell it. The ability to claim the capital gains tax exemption on two properties up to three years still remains. 'Let to buy' can be a useful tool to break a chain or retain the current property as a long-term investment.

As with residential mortgages, it is essential that the whole of the market is reviewed to ensure the most suitable rate, criteria and arrangement fee is selected.

If you would like to discuss your mortgage requirements, please contact Howard T. Bradley, The Bradley Consultancy on 01277 375392 or 07710 905347.

The above information was prepared from various sources, which The Bradley Consultancy believe are correct, but they do not make any statement as to their accuracy or completeness. The mortgage interest rates quoted are those available as at 20 May and may not be available in the future.

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The New UK Statutory Residence Test



by Colin Burns

In the last Budget the Government proposed a new statutory residence test ("SRT") effective from 6 April 2012 and a consultative document has just been published. Representations may be made until 9th September 2011. The existing rules for determining UK tax residence are uncertain and outdated, and therefore this is a welcome move.

Under the proposals, residence will usually be determined, by a combination of the number of days a person is in the UK, and the number of defined 'connecting factors' the person has to the UK. Broadly, the fewer number of days an individual spends in the UK the more connecting factors will be required before that person is treated as UK tax resident, and visa versa.

The rules consider differently:

- **Arrivers** – defined as individuals who were not UK resident in all of the previous three tax years; and
- **Leavers** – defined as individuals who were resident in one or more of the previous three tax years.

The residence test has three parts, broken down into Parts A, B and C.

- If an individual satisfies any of the conditions at Part A for a tax year they will definitely be not resident in that tax year.
- If Part A does not apply but the individual satisfies any of the conditions in Part B, they will definitely be resident in that tax year.
- If none of the conditions at Part A or Part B are satisfied, the individual should consider Part C.

Part A - Conclusive tests

There are a few 'conclusive' tests under the proposals:

- a person who has been resident in the UK in one or more of the last three tax years and spends less than 10 days in the UK in a subsequent tax year will be non-resident;
- a person who has not been resident in any of the last three tax years and spends less than 45 days in the UK will be non-resident;
- a person who leaves the UK to work full-time abroad and spends less than 90 days in the UK and spends no more than 20 days working in the UK will be non-resident;

Part B Tests

- a person whose only home (or homes) is in the UK will be resident (unless they fall within one of the first two bullets above);
- a person who works full-time in the UK will be resident;
- a person who spends 183 days or more in the UK in the tax year will be resident.

In all other cases a person's residence will be determined by looking at the number of days they are in the UK combined with the number of the defined 'connecting factors' that they have to the UK

Part C: Connecting Factors and day counting

Part C would apply only to those individuals whose residence status is not determined by Part A or Part B and, therefore, whose circumstances are less straightforward

- **Family** – the individual's spouse or civil partner or common law equivalent (provided the individual is not separated from them) or minor children are resident in the UK;
- **Accommodation** – the individual has accessible accommodation in the UK and makes use of it during the tax year (subject to exclusions for some types of accommodation);
- **Substantive work in the UK** – the individual does substantive work in the UK (but does not work in the UK full-time); substantive means the person works in the UK for more than three hours on 40 or more days in the tax year;
- **UK presence in previous year** – the individual spent 90 days or more in the UK in either of the previous two tax years;
- **More time in the UK than in other countries** – the individual spends more days in the UK in the tax year than in any other single country.
- As noted above how many of the Part C factors are taken into account for the SRT will depend upon the number of days actually spent in the UK in any particular tax year.

For those interested the full consultative document can be downloaded at www.hm-treasury.gov.uk/d/consult_condoc_statutory_residence.pdf

A separate article will appear in our next edition on the very encouraging proposals to allow non-domiciled individuals to remit income into the UK without a tax charge whilst it remains invested in an incorporated commercial businesses. This separate consultation document may be downloaded at www.hm-treasury.gov.uk/d/consult_condoc_non_domicile_individuals.pdf

BEWARE Security for PAYE & National Insurance Contributions



by Bernard Hoffman

Who is likely to be affected?

Employers who choose not to pay amounts deducted from employees via PAYE to HM Revenue & Customs (HMRC).

Those who are meeting their obligations under time to pay arrangements will not be affected by this measure, nor will those who only employ personal employees or carers.

General description of the measure

Legislation in Finance Bill 2011 will introduce a power to allow HMRC to make regulations enabling it to require a security from employers for PAYE that is seriously at risk. The measure will also introduce a criminal offence for non-payment of a security.

Once the new power is in place, HMRC will use existing powers to make equivalent provision in respect of national insurance contributions (NICs).



A facility to require a security exists for most of the indirect taxes, but it is most commonly used for VAT where it is also underpinned by a criminal sanction for trading without providing a security where one is required. The most common form of security is a cash deposit held by HMRC or paid into a joint HMRC/taxpayer interest bearing banking facility. A security can also be a third party guarantee provided by an approved financial institution, normally a bank.

Operative date

Subject to consultation responses the aim is to implement the policy on or after 6 April 2012.

HMRC Trials – Single Compliance Process

H.M Revenue & Customs (HMRC) announced a new trial aimed at reducing burden on business when dealing with compliance checks. For the businesses selected to be involved in the pilot, it means that any HMRC enquiry or compliance check will focus on all taxes where HMRC believes there to be a risk as part of a single review or visit. This compares to the past where a business may have dealt with a number of different HMRC officers, each responsible for a specific tax (e.g. income tax, PAYE & VAT) as part of separate enquiries or compliance visits.

All businesses selected to take part in the pilot will have been risk assessed by HMRC across the different taxes that they pay and/or bear. The review should, be restricted to those areas identified by HMRC to potentially represent a tax risk. Understanding HMRC's view of the business and identifying the perceived areas of tax risk and for starting an enquiry or visit is likely to be vital in ensuring a cost effective and speedy resolution.

The trial of the new process will run for six months from 1 June 2011 in ten different locations across the UK:

England:

- Reading/Slough
- Newcastle
- Warrington
- York
- Exeter
- London Euston
- Southampton

Wales:

- Cardiff
- Northern Ireland
- Belfast

Scotland

- Edinburgh
- Dundee

If the results of the trial are successful the new process will be rolled out nationally from January 2012.

Given that the compliance checks will address risk across all taxes, it will be important for businesses involved in the pilot to, for example, understand the full extent of HMRC's powers (and their limitations) and be able to effectively manage a number of HMRC personnel during the course of the compliance check (HMRC may well inspect business records on the business premises).

For any help and advice for clients who may be affected by the new HMRC taskforce, please contact your usual relationship partner in the first instance. Do remember we do offer fee protection insurance for a very modest annual premium which will pay up to £75,000 of professional fees in dealing with these enquiries for you.

Richard Kleiner

A Review of the Tax Allowances on Capital Expenditure for Businesses



by Deval
Patel

The Annual Investment Allowance (AIA) is a form of capital allowance which is a tax relief designed to allow the cost of some of a company's or organisation's assets to be written off against its taxable profits. When computing profits chargeable to tax they take the place of the depreciation shown in the financial accounts, which isn't allowable for Corporation or Income Tax purposes.

For those of you who may not be aware the AIA reduces from £100,000 to £25,000 from April 2012 (1 April for companies, 6 April for income tax businesses). It is worth thinking carefully, not only about timing of expenditure, but also about accounting dates, if your business intends to incur substantial expenditure where an accounting period spans 5 April (or 31 March), transitional rules apply to give a proportion of the old limit plus a proportion of the new one.

In the case of a company (same principles apply to a business subject to income tax though working to a date from 6 April) the way in which the limit operates for a period spanning 1 April 2012 involves splitting the period into two across the date of change. The limit for the entire accounting period is then found by time apportioning the old and new limits as follows :

Year ended 30 June 2012 (corporation tax)	
Period 1 Jul 2011 to 31 Mar 2012:	
275 days / 366 x £100,000	£76,137
Period 1 April 2012 to 30 June 2012:	
91 days / 366 x £25,000	£6,216
Total AIA for the period	£82,353

However, Clause 11 of the Finance Bill reveals that the transitional limit so computed applies (in effect) only to expenditure incurred before 31 March. AIA for expenditure which is incurred after 31 March 2012 in a transitional period is

restricted to just the relevant proportion of the new limit. This approach has been used in previous changes of the limit but as the limit has increased it has not been a real issue. Now that the limit reduces it presents a potential pitfall to a business – as the illustration below shows.

Although the limit for the year ended 30 June 2012 is £82,353 (see above) this full amount cannot apply to expenditure between 1 April 2012 and 30 June 2012. The maximum expenditure that can qualify for AIA between 1 April 2012 and 30 June 2012 is £6,216. Indeed if the business incurs no expenditure between 1 July 2011 and 31 March 2012, the maximum allowance for the year ended 30 June 2012 would be £6,216. The same expenditure incurred prior to 31 March 2012 will be eligible for AIA of £82,353. An interesting scenario is that if the accounting period is shortened to end on 31 March 2012, expenditure incurred in April 2012 as part of the non-transitional accounting period ending on 31 March 2013 will potentially qualify for AIA of £25,000 as opposed to £6,216 had the year end remained unchanged.

Where a company needs to incur substantial expenditure in the period up to 31 March 2012, it may be worth considering to draw up accounts for the period ending 31 March 2011. This may restrict the availability of allowances in 2010/11, but will then leave a complete year as the last period under the £100,000 limit, allowing expenditure of up to £100,000 to qualify for AIA claim for 2011/12.



Pleasant Surprises in the Budget 2011



by David
Convisser

Most of the contents of the 2011 Budget and Finance Bill were pre-announced, but there were some pleasant surprises in the measures designed to encourage investment by businesses and entrepreneurs. This article concentrates on the increased lifetime allowance for entrepreneurs' relief (ER), the enhancements to the regimes for Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT), as well as a brief mention of the changes to Research and Development (R&D) tax reliefs.

ER Lifetime Allowance

The ER lifetime allowance has doubled from £5 million to £10 million with effect from 6th April 2011. This means that each individual can make qualifying gains in their lifetime of up to £10 million and pay tax at the rate of 10% as opposed to the normal rate of 18%/28%. In order to qualify, it is necessary to hold at least 5% both of the ordinary shares and votes in a company and to be an employee or an officer of that company, or to own a business as a sole trader or partner. These conditions need to be satisfied for a minimum 12 month period ending on the disposal.

The doubling of the allowance means that the maximum tax saving offered by

ER is now £1.8 million per individual and for married or civil partnership couples, a maximum total of £3.6 million which is even more an incentive to structure business assets so as to take full advantage of the relief.

EIS and VCT reliefs

The rate at which investors obtain EIS income tax relief has been increased from 20% to 30% for shares issued from 6th April 2011 and the maximum annual qualifying investment for an individual will be increased from £500,000 to £1 million from 6th April 2012.

The gross assets limit for EIS and VCT companies will be increased from £7 million to £15 million from 6th April 2012.

From 6th April 2012, the maximum number of employees an EIS or VCT company can have will increase from 50 to 250 and the maximum amount a company can raise under the 2 schemes in a 12 month period will be increased from £2 million to £10 million.

These increased limits will increase the popularity of these investments and through our Wealth Management division, we can suggest suitable companies to invest in.

R & D

The Budget included a significant boost for small and medium-sized enterprises (those with no more than 500 employees and with turnover and balance sheet totals of no more than 100 million Euros and 86 million Euros respectively) that carry out research and development activities.

From 1st April 2011, the additional tax deduction for qualifying expenditure is increased from 75% to 100% giving an attractive total deduction of 200%.

From 1st April 2012, the deduction is increased further to 125% giving a total deduction of 125% and a company's entitlement to claim an R & D tax credit from HMRC will no longer be capped at the amount of PAYE/National Insurance that it has paid.

The proposed increased tax relief rates provide a greater incentive to look into whether businesses qualify for this relief and in this regard the type of work that can qualify need not be something entirely new as enhancements and improvements to existing products or services can also qualify.

Pensions liberated



by Graham
Thomas

The new tax year marks a new era for pension saving in which the keynote is flexibility.

With effect from 6 April 2011, the obligation to crystallise pension savings in the form either of an annuity or a restricted type of pension drawdown called Alternatively Secured Pension ('ASP') has been removed. Now, pension plans can be kept in place indefinitely and regarded both as a source of income and as a means of passing funds to family members.

The age 75 crystallisation requirement had become a real problem. People reaching this age were understandably reluctant to purchase annuities when rates have been relatively unattractive; while ASP permitted only limited income withdrawals and subjected funds to tax hits totalling up to 82% in the event of death.

Now, annuities can be purchased at any age and there are two options. Firstly, all retirees aged 55 or over can opt for income drawdown – i.e. leaving their pension plan in place and drawing an income from the investments roughly equivalent to that which would be available from an annuity.

Secondly, retirees reaching the age of 75 can continue with this 'capped' form of drawdown or, if they can demonstrate that their various sources of pension income can be guaranteed to be at least £20,000 p.a. (the 'Minimum Income Requirement, or 'MIR'), they can opt for 'flexible' drawdown, which permits unlimited withdrawals to be made at any time, subject to income tax at the investor's marginal rate.

The £20,000 guaranteed income required to qualify for flexible drawdown is most likely to be provided by State or occupational pension or pension annuity income.

Once flexible drawdown has been selected, no further tax relief on contributions will be available; and tax relief will in any event cease at age 75. Consequently, flexible drawdown is most likely to be used by those aged 65 or over who have stopped work and are able to set their State pensions against the MIR.

Pension funds from which an income is being drawn will be subject to a 55% tax charge on death, but there will continue to be no tax charge on pension plans from which no income is being drawn; though this exemption will cease at age 75, when the 55% tax charge on death will apply to all

plans, whether in drawdown or not.

The 55% tax rate on death compares very favourably with the alternative of drawing funds subject to income tax at up to 50% and then exposing them to a potential 40% charge to inheritance tax on death. Maintaining funds in a drawdown account, where they will also benefit from tax-free investment growth, has therefore become a viable means of estate planning.

However, the fact that plans which are not in drawdown will escape the 55% tax charge until the planholder reaches the age of 75 is likely to lead to the increased use by those under 75 of phased retirement, whereby segments of a pension plan are crystallised successively to provide an income, without the need to place the fund as a whole in drawdown.

As a result of these changes, pensions have become the par excellence tool for inter-generational tax and investment planning. Portfolios need no longer be targeted at arbitrary retirement dates but can address the reality that continued increases in lifespans demand that a more flexible view should be taken of the accumulation and decumulation of assets and the tax implications of alternative strategies.

Compulsory Provision of Employee Pensions

Auto-enrolment is coming



by Howard
Wallis

Following an independent review commission by DWP in October 2010 the Government has confirmed its commitment to the proposed requirements on employers to auto-enrol eligible employees for pension provision from 2012.

Employers will be required to auto-enrol eligible employees into a 'Qualifying Workplace Pension Scheme' (QWPS). The QWPS will be either an employer sponsored pension arrangement that satisfies specified quality tests or NEST. The requirements will begin from October 2012, phased over a four year period starting with the largest employers.

The National Employment Savings Trust pension scheme, 'NEST', which is to be introduced by the Government between 2012 and 2017, looks set to fill the savings gap which eluded Labour's Stakeholder scheme.

The NEST scheme is designed for the 6 to 8 million low earners who do not currently have access to good employment-based provision, but it will also be available to the self-employed.

The key difference from stakeholder is that whereas stakeholder is a voluntary scheme which enables members to opt in, they will be automatically enrolled in NEST and will have to deliberately opt out if they do not wish to participate.

NEST will be a Defined Contribution ('DC') scheme, in which contributions will accumulate to provide a pension fund whose value at retirement will determine the amount of pension income available. This type of scheme is to be contrasted with the defined benefit schemes under which employers promise to pay benefits calculated as a percentage of employees' final salaries. Such schemes have become prohibitively expensive and very few are now taking on new members.

Eligible employees will be those aged between 22 and State Pension Age, who have earnings above the standard personal tax allowance of £7,475 (in 2011/2012 terms). Employees at other ages will be able to opt in, as will employees who have earnings above the primary threshold for National Insurance contributions.

Employers will be required to contribute 1% of their qualifying employees salaries initially, rising to 3% by 2017, and it is expected that within a few years NEST will become the largest DC scheme in the UK's private sector, having attracted billions of pounds of investment. The full table of minimum contributions is as follows:

Minimum contributions to be phased in:

Minimum Employer	Minimum	Total
Oct 2012 to Sept 2016	1%	2%
Oct 2016 to Sept 2017	2%	5%
Oct 2017 onwards	3%	8%

Our financial services team at Genesis Wealth would be happy to give you an indication of whether your current pension arrangement will qualify as a QWPS. If not we can advise you accordingly on the options available to you.

Auto-enrolment is likely to be relevant to your business if:

- You do not operate a pension arrangement(s) for all of your eligible employees;
- You have a significant number of employees who opt out of the pension arrangement that you operate; or
- The pension arrangement you operate does not satisfy the specified quality tests.

All good things come to an end... it's Consultation Time !



During the March Budget, the Chancellor announced a proposal to tighten a loophole on claiming Capital Allowances on fixtures and ensure that the 1985 special capital allowance policy is employed as it was originally intended.

Currently expenditure on qualifying fixtures can be written off against taxable profits once over its economic life. There is no time restriction on claims being made.

Time, is the first factor affecting the 'loophole'. The majority of historic claims tend to be as a result of businesses only becoming aware of their right to claim some time after the expenditure being made. At present, claims can be made for investment in plant and machinery or acquisition of plant and machinery through the purchase of property at any time.

HMRC proposals include a requirement for 'mandatory pooling' within a short period after acquisition, which may preclude historic claims.

The second factor is the term "fixtures can be written off against taxable profit once over its economic life". If you are a business owner who has purchased qualifying fixtures from new, the value of this expenditure is relatively easy to assess and report. Difficulty arises if the qualifying fixtures have been acquired through the purchase of a property. Under current capital allowances rules the cost of the fixtures on which the new owner is entitled to claim capital allowances, must not exceed the disposal value that the previous owner is required to bring into account for those fixtures in their capital allowances computation.

The normal rules provide that a 'just and reasonable' apportionment should be made in order to determine the part of the sale price of a property attributable to fixtures. However, valuation is not, of course, a precise

science and values vary from assessor to assessor on apportionment calculation.

HMRC's view of the law is that it is the responsibility of the taxpayer to obtain and provide details of the disposal value that the past owner brought into account. Where, however, the past owner's relevant tax year is settled, and he does not respond to communications, or indeed, where the previous owner has ceased to exist, there can clearly be very difficult problems of evidence for all concerned. This opens the possibility that capital allowance claims for fixtures are being made more than once.

The HMRC proposal illustrates the requirement for accurate analysis and recording of all Fixture claims in relation to new and second-hand property acquisition and new-build / extensions.

In the consultation document published by the HMRC on 31st May 2011, they announced their intention to review the current policy through a consultative process and include the measures agreed in the Finance Bill, 2012.

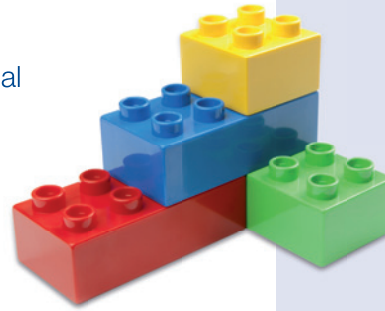
We can only speculate on the outcome of the consultation process, however, the document clearly outlines the HMRC's desire to enforce a time limit within which claims can be made and implement an administrative requirement for the value of the fixtures to be clearly identified within sales documentation and formally notified to HMRC.

The clock is now ticking on the ability to make capital allowance claims on historic expenditure and we would urge you to act immediately before the opportunity to claim is lost.

For further information please contact Stephen Metherringham of JexCA Limited on sm@jexca.co.uk

Corporate Structures – An important review

Following significant recent changes in the tax, legal and commercial world, current private business structures may no longer be appropriate in achieving best performance. There may be some significant benefits to be obtained by looking at restructuring.



by Richard Kleiner

When considering the best and most appropriate business structure, it is important to consider the objectives for both the short and long term. Such objectives would include amongst others the following:-

- Risk and asset protection.
- Future exit or succession.
- Simplicity and the mounting compliance costs.
- Management and employees.
- Efficient cash extraction.

Once the objectives are understood and ascertained, thought can then be given to the most appropriate structures that would help achieve such objectives being attained more efficiently.

No two private businesses are the same and objectives can clearly change over the years. Accordingly, there is no single structure that fits all. Taking this into account I set out below the top five areas that we believe can bring significant benefits to private business and their owners.

1. Mitigating increased business risk.

- The structure should provide the protection over the value that has been created from trading and wider economic risk. Consideration should be given to moving assets away from riskier ventures and placed in separate structures with limited liability e.g. the insertion of a new holding company and the transfer of cash and non-core assets to the new entity.

2. Making the right impression.

- The difficult economic climate has seen an increased level of scrutiny of businesses from their customers, suppliers and providers of finance. Often, the only sources of information are the published accounts and many businesses are not presenting these as favourably as possible.
- Relatively simple measures such as capitalising inter-company balances or consolidating entities can dramatically strengthen a business's balance sheet making it a more attractive proposition for any potential business partners or associates.

3. Managing increased tax.

- With the top marginal rate of income tax remaining at 50%, private business owners need to consider how to manage their post-tax returns to maximise re-investment in their business.
- The increased differential between corporation tax rates (23% by 2014) and income tax rates (including increased national insurance contributions) can lead to significant costs to different structures e.g. should assets be held personally or in a company and how can value be extracted from a business through possibly bonus (salary), dividend or as a profit from a partnership?

4. Maximising Entrepreneurs' Relief (ER).

- In the 2011 Budget, the element of capital gains which is taxed at 10% under ER was raised to £10m. This could mean a tax saving of up to £1.8m.
- There are some simple actions that private business owners can take to ensure this relief is maximised for them and their family.
- Even if an exit is not planned in the foreseeable future, relief may still be available for commercially-driven restructuring and this is therefore an important area to consider as to whether any changes need to be made.

5. Providing for the future.

- There are many changes going through with regard to pension legislation and care needs to be undertaken in ensuring how such changes may impact on the business structure.
- The increased flexibility regarding pension drawdowns and the removal of the requirement to acquire an annuity at 75, means that personal pensions have an important role in wealth management for private business owners.

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