

FPC COMMENT - PRE-BUDGET REPORT

Pensions - we have already circulated the detail of the pension tax relief changes to those affected directly but a few more will now be caught by the decision to apply the new rules to those with "relevant income" of over £130,000. Any such clients will now have **all** pension contributions added back to their income to determine whether or not it is above £150,000 and therefore subject to the new rules. This is an attempt to stop significant employer contributions and both restrict corporation tax relief and increase personal tax charges. We will re-visit all ongoing pension funding strategies for clients and suggest all professional advisers warn their clients of the need to do the same.

Dividends for business owners - the Small Companies Corporation Tax Rate was expected to rise next year and it was welcome news that it will now remain at the current 21%. It was also a relief that no action was taken to apply additional surcharges to controlling directors dividend payments. Our advice remains, that where possible, business owners should look to maximise dividend income now in advance of the 50% tax and they should review their shareholding structures to take action to position themselves as favorably as possible in advance of the new regime. This is a complex area and needs input from us, your accountants and legal advisers so no DIY's here please - documentation, and careful consideration of the knock on effects of such action needs to take place first. We have a very limited period of time to address this after the Christmas holidays so start the ball rolling now.

The **Inheritance Tax** Nil Rate Band remains unchanged next year at £325,000 - this alone increases the tax take on your potential estate by £20,000 for a married couple and impacts on the taxation of all trusts and is likely to be just the start of many changes to IHT and Trust planning. Also in the PBR was the plan to legislate in the 2010 Finance Bill to counter two tax avoidance schemes that have been around for a while and are designed to avoid IHT charges on property in trusts where the donor effectively retains an interest. None of our clients are directly affected by this but the Pre-Budget Report mentions a wider review of the use of trusts to avoid IHT charges so again if you are mid-planning or considering further trust planning, now is time to act. We can help you assess your IHT position and determine whether gifting either directly or via trusts is a good idea. Our estate modeling tools can help you play "what if" so do contact us if this is an area that you are ready to consider in more detail.

Offshore disclosure - legislation will be brought forward to ensure that those who fail to declare offshore tax liabilities will face the tough penalties attracted by deliberate tax evasion. There will also be a new requirement to notify HMRC when opening offshore bank accounts in certain jurisdictions, supported by a separate penalty regime. Evading tax offshore could result in combined penalties of up to 200% of the unpaid tax. Further details are expected to be announced on this but it is a salutary reminder that it makes sense to own up now. If you need to talk this through do call.

As always, we are ready, willing and able to help you face the challenges of 2010 but for now we would like to simply thank you all for your support, patience and pragmatism over the last year.