

# Tax Services

Clear thinking. Positive solutions.



## Contents

Introduction .....	01
Tax-effective business start-ups .....	02
Choosing a tax-effective business structure .....	03
Tax-effective borrowing strategies .....	04
Tax planning and working from home .....	05
Effective tax planning for business capital allowances .....	06
Tax-effective employee benefits .....	07
Tax and good employer compliance .....	08
Extracting profits from a partnership .....	09
Tax-effective business incorporations .....	10
Tax, you and your car .....	11
Extracting profits from the family company .....	12
Children and family tax planning .....	13
Using trusts to save tax .....	14
Value Added Tax (VAT) .....	15
Tax and the high net worth individual .....	16
Tax and the business angle – investing effectively .....	17
Preparing your business for sale .....	18
Tax and the expatriate .....	19
Inheritance Tax planning .....	20
Will planning – tax effective clauses and planning techniques .....	22
Notes .....	23



## Introduction

---

We are proud people at RDP Newmans. We take pride in our long-standing reputation. We take pride in the quality of the people who work and train with us. But most of all we take pride in the work that we do for our clients.

With 50 years of experience, we ensure that our clients always make the best of their financial situations. We look at our clients and/or their businesses individually because we know that no two organisations behave the same way financially. We then provide the finest advice tailored to our clients' needs.

We have a varied portfolio of clients operating in most business sectors and individual clients who entrust us with their personal financial affairs. Yet all our clients have some things in common: they are forward-thinking and ambitious and want the same from their accountants. As they work hard to establish their businesses and financial wealth, they want their accountants to do the same for them. Luckily for them and you, we do!

Please read on to find out more about the areas of your finances that we can assist you with, concentrating on issues concerning tax.

## Tax-effective business start-ups

---

When you start a business there are important tax decisions to be taken. Tax relief can be available for your investment and the way you structure your business will affect your business and personal tax liabilities. We have decades of experience advising business clients large and small, in helping them to mitigate and plan for their tax bills.

Our services for new business clients cover a wide range of functions and include:

- Helping you to prepare your business plan or assess the viability of your new business venture.
- Tax-effective business structure choices and who should be involved in the business.
- Tax relief on your investment in the business.
- Tax-efficient borrowings.
- How should assets be owned and what will be the best tax ownership structure.
- Planning tax relief on specific types of business equipment and machinery.
- Identifying appropriate tax reliefs and effective structures for outside investors.
- Choosing tax-efficient strategies for extraction of profits from the business.
- Start-up form filling and compliance.
- Dealing with employment taxes and PAYE compliance.
- Registration for tax liabilities including all businesses and personal taxes and NICs.
- Registration for VAT
- Advice on tax-compliant business record keeping systems.

*Starting a business can be a risky and stressful business. With our experience and expert advice, the process can be dealt with in a manner that ensures you optimise the tax system to your benefit.*



## Choosing a tax-effective business structure

---

When you start in business you will make choices about the type of business you will run and how it will operate. For many of us these choices are dictated by financial arrangements or personal circumstances but frequently the choice of business structure within which you operate will have very specific tax implications. Choices made at the start-up stage are often difficult to unwind later on and you can find yourself locked into some unpleasant and even costly longer term consequences. We can help you get things right from the outset.

Our services include:

- Identifying the tax implications and planning opportunities for the different business structures.
- Quantifying the tax consequences both short, medium and long term of the options.
- Advising on property ownership strategies for different structures.
- Advising on financing and borrowing strategies for different business structures.
- Identifying and advising you on the various business structures.
  - Sole trader or partnership?
  - Limited company or limited liability partnership?
- Consideration of tailor-made strategies such as corporate partnerships to mitigate tax liabilities.
- Using different business structures to reduce VAT liabilities.
- Identifying business structures suitable to save you capital tax liabilities over the longer term.
- Advice on who should be involved in the business structure and when.
- Devising ad-hoc and bespoke structures for unusual business ventures.
  - Company limited by guarantee, Mutual trading?
  - Limited partnership, joint ventures, divisions or consortium?

*If you are starting up a new venture or considering changing the way you run your business, we can advise in detail on the business structure that is right for you and help you set it up in the most tax-efficient way.*

## Tax-effective borrowing strategies

---

Many clients borrow funds to help them run their businesses. The need to raise finance is normally paramount whilst the tax implications of how and where the borrowings are located is often overlooked. Having your borrowings in the right place at the right time can have a significant impact on the tax reliefs available to your business.

Our services include:

- Assisting in negotiations with your lender to structure your borrowings tax-effectively.
- Identifying the appropriate assets to use as security.
- Identifying who will be the most tax-efficient borrower.
- Advice on restructuring existing borrowings more effectively.
- Looking at your private borrowings to see if these can be restructured via your business to optimise your tax relief position.
- Advising on Stamp Duty Land Tax implications of borrowings and restructuring to optimise your position.
- Ensuring you get maximum tax relief for interest payments.
- Using tax-effective company loan accounts and partnership loan capital accounts.
- Advice on interest payable to you from your business on personal and business borrowings where appropriate.

*Borrowing money to start-up and run your business can be expensive, even at today's low interest rates. We have frequently been able to advise clients on better borrowing arrangements and structures which have significantly increased the tax relief they have achieved on their interest payments thereby reducing their overall costs of borrowings simply by utilising the available tax reliefs to the best possible effect.*



## Tax planning and working from home

---

Many of our clients work at home or from home. The tax regime in the UK contains some restrictive rules for claiming expenses and for travel to and from customers' premises for such businesses. Getting the structure right and organising your business affairs in a tax-efficient manner from the outset is crucial and we can provide advice on these and the other aspects of working from home.

We can assist you with:

- Tax-beneficial "use of home" as office claims.
- Identifying costs which can qualify for tax relief.
- Claims for equipment and plant and machinery which will qualify for tax relief.
- Setting aside premises for business use and avoiding Capital Gains Tax problems.
- VAT issues and the possible risks and benefits of registration for VAT.
- Travel expenses and appropriate accounting, recording systems and compliance procedures.
- Loan interest relief claims and mortgage conversion strategies to increase your tax relief.

*Whether you just do your bookkeeping at home or set aside a room exclusively as business premises, there are important tax claims that can be made and significant tax relief may be at stake. We will provide detailed and comprehensive advice on the right claims and structure which is correct for you and ensure that you get all the tax reliefs to which you are entitled.*

## Effective tax planning for business capital allowances

---

The UK tax regime for business expenditure on plant and equipment and machinery now offers a bewildering array of alternative possible claims and different ways of treating specialist types of expenditure. Allocating costs to the right heading and apportioning buildings expenditure in particular can make a huge difference to your business tax liabilities, especially where you are carrying out major works or property improvements.

Our services can advise you on:

- Plant and machinery definitions and claims.
- Energy efficient allowances and green tax reliefs.
- Short life and long life asset claims and planning opportunities.
- Research and development allowances and available tax credits to gain tax refunds from HMRC.
- Specialist claims for fixtures and fittings and plant built into your premises.
- Advice on Annual Investment Allowances and special treatments of certain items.
- Claiming integral features allowance on lighting, wiring, water technology and other systems.
- Identifying the most tax-efficient allocations and apportionments on building sales and purchases.
- Claiming under-claimed allowances on previous building projects and purchases.
- Claiming specialist allowances such as patents and know how, intellectual property and computer software allowances.
- Identifying planning opportunities with vehicles and specialist plant and equipment transactions.
- Optimising capital allowances claims on new builds and property improvements including allocations in the most tax-efficient manner to fixtures, fittings, furniture, specialist lighting and other functional items.

*Many businesses regularly under-claim their entitlement to capital allowances simply because they either do not know what is eligible for allowances or their records are not adequate to provide comprehensive disclosure of the expenditure they have incurred. We specialise in this area and can usually increase your claims significantly for this relief by as much as 50%.*





## Tax-effective employee benefits

---

Motivating your staff is a vital management task, especially in times when business is tough and annual pay awards are perhaps not as generous as you would like. Using the UK taxable benefits legislation to your advantage can have a significant effect on your staff retention and motivation. We can advise you on the range of tax-effective benefits and dispensations that are available within the current UK tax regime.

We will work with you to see if any of the following will be of benefit to your employees:

- Salary sacrifice benefit schemes.
- Flexible benefits schemes and cafeteria arrangements.
- Nursery care and nursery voucher schemes.
- Company car ownership schemes.
- Employee van and pool car ownership arrangements.
- Mileage payments and tax-effective benefits payments arrangements.
- Cycle to work schemes.
- Exempt benefits and threshold arrangements.
- Staff accommodation benefits and tax dispensations.
- PAYE settlement agreements to remove administration costs and save tax liabilities.
- Travel dispensation and specific HMRC arrangements.
- Use of working rule agreements and industry wide HMRC dispensations.
- Tax-effective termination and ex-gratia payments.
- Staff award schemes and prize incentive schemes.
- National Insurance planning for assets transfers and benefits arrangements.

*Most employers have enough trouble simply dealing with the compliance aspects of the complex benefits legislation of their employees. Identifying tax-effective benefits can, however, be a really worthwhile exercise and have a real benefit in terms of employees' perception of you as a good employer and can also save them and you tax and National Insurance.*

## Tax and good employer compliance

---

Employers face a host of tax and NIC obligations and a variety of payroll tasks on behalf of the tax authorities. These are so numerous and complex that it is hardly surprising that many small businesses get into trouble with the taxman. Complying with these obligations is not easy and the mass of form filling and electronic filing obligations can be daunting. But we can make this simpler for you!

Our services include:

- PAYE management services, running your PAYE scheme and dealing with all the administration.
- Planning tax-effective benefits for your staff and ensuring accurate and timely compliance.
- Dealing with forms P11D, P35, P46, P38(s) and all the other regular paperwork on your behalf.
- Planning to mitigate employees' and directors' payroll taxes and National Insurance.
- Working with you to ensure smooth and timely PAYE and Class 1A National Insurance payments.
- Identifying weaknesses in your payroll systems.
- Carrying out a payroll health check and benefits compliance reviews.
- Dealing with HMRC enquiries and compliance checks on your behalf.
- Identifying specific benefits that might be tax-effective for your particular employees.
- Identifying exempt benefits for directors and employees.
- Advising on expenses payments and dispensations to save you tax and administrative costs.
- Negotiating with HMRC on PAYE Settlement Agreements and administrative simplifications.
- Advising on optimal strategies for directors' salaries, bonuses, benefits and dividends.

*The PAYE and benefits compliance world is a minefield of potential pitfalls and traps for the unwary these days and HMRC is increasingly active and aggressive in this area of tax reviews and enquiries. We have dealt successfully with many such HMRC enquiries on PAYE schemes over the years and can advise you on how to prevent problems arising or how to react to and deal with an HMRC compliance check on your employer compliance systems.*



## Extracting profits from a partnership

---

The business partnership is one of the most common forms of business venture. We act for many partnerships and have a wealth of experience in helping our clients minimise their Income Tax and NIC liabilities.

Our services include:

- Planning the appropriate partnership structure.
- Advising on tax-effective clauses for inclusion in the partnership agreement.
- Structuring partnership borrowings tax-effectively.
- Advising on the ownership of partnership assets to optimise tax relief.
- Ensuring your accounting systems and records accurately reflect the partnership's business profits and profits sharing structures.
- Advising on the involvement of family members including their capital and profits sharing ratios.
- Looking at the most effective way to share revenue profits.
- Looking at the most tax-effective way to share capital profits.
- Advice on optimising capital tax reliefs on business assets disposals.
- Mitigating longer term partnership Capital Gains and Inheritance Tax liabilities.
- Advising on expenses that can be claimed by individual partners and formulating tax-effective individual partners' expenses claims.
- Advice on partnership VAT liabilities and how partnership structures might be used to mitigate VAT exposure with differential business ownership structures.

*We can bring many years experience in the planning of the tax liabilities of family partnership businesses to bear in this area and have access to structured tax planning specialists where large tax liabilities on partnership profits may be in prospect.*

## Tax-effective business incorporations

---

Whether at the start of your business or as your business grows, you will reach a stage where you will consider transferring your business to a limited company, whether you started as a sole trader or partnership. This is a critical tax planning transaction which needs careful advice and preparation. There are important tax reliefs at stake and special tax strategies to follow.

We can help with:

- Correct timing of the incorporation.
- Advice on special incorporation reliefs and tax planning strategies.
- Valuing stock and work in progress to keep your tax liabilities to a minimum.
- Crystallising Income Tax overlap reliefs and trading loss reliefs.
- Asset ownership structures – inside or outside the company.
- Share structures and loan structures.
- Advice on “associated company” and related business tax issues.
- Deciding where borrowings should be located to optimise their tax effect.
- Transfer of goodwill to the company to save you tax later on.
- Mitigating Stamp Duty and Stamp Duty Land tax liabilities.
- Creating directors’ loans to facilitate tax-free cash extraction later on.
- Company car, business or private ownership choices to minimise tax implications.
- Tax-efficient transfers of plant, machinery and commercial vehicles.

*There are different types of limited company and different share structures when you set up a company. We have assisted many businesses with the transition to limited company status and ensured that they deal with the transfer effectively and get the optimum tax benefit out of the changeover.*



## Tax, you and your car

---

Company cars have recently become a thing of the past for many clients as the perception has grown that the taxable benefits charges are too expensive to bear. But this does not have to be the case. There are some car ownership structures that remain tax-efficient, and perhaps more interestingly, some vehicles that can be very tax-effective indeed. Let us advise you on how to run a car through your business and still get the best tax relief out of the system!

Our services include:

- Computing car benefits and NIC charges
- Identifying tax-efficient vehicles
- Optimising the tax reliefs available to you for energy efficient and low emissions vehicles
- Showing you how to have a tax-efficient car for:
  - Yourself
  - Your spouse
  - Your children

There are several alternative methods of vehicle ownership or financing available to the person and/or the business client, some are much more tax-effective than others.

We can advise on:

- Hire purchase
- Personal contract purchases
- Lease purchase
- We can also advise on tax-efficient vehicle ownership schemes and arrangements for you and your employees
- Other areas to look at will include:
  - Tax-effective fuel payment arrangements
  - Tax-efficient vans and pool car schemes
  - Company salary sacrifice and mileage schemes
- Using the statutory mileage allowance and advisory fuels rates to the best effect.

*Whether you drive a gas guzzler or a modest compact, a firm's van or a private saloon, there are important tax choices and consequences that we have considerable experience of advising clients on. We are sure that we can reduce the tax bills on your car!*

## Extracting profits from the family company

---

How much tax you will pay and when those liabilities arise can be planned and managed actively if you have the right help and advice as you run your business from day to day and year to year. We build tax planning in to the package of services we offer so that it happens as an integral part of your business plan.

When you take your profits out of your business, our aim is that you should pay as little tax and National Insurance as can be arranged within the law. We will help you to identify the alternatives which are available to you and show you the tax consequences of each method of profit extraction.

Our services include:

- Profit forecasting and Corporation Tax liability planning.
- Dealing with accounting issues and optimising tax relief on business expenditure.
- Salary, bonus and dividend planning.
- National Insurance planning.
- Benefits planning for you and your employees.
- Identifying restructuring opportunities.
- Reorganisation of the ownership of the business.
- Examining your borrowings and reviewing restructuring opportunities.
- Short and long term planning - profit extraction versus accruing income and capital profit alternatives.
- Tax-effective capital gains and distribution alternatives.
- Possible use of employee benefit trusts and specific tax planning strategies for large bonuses and single dividends extractions.
- Use of corporate trusts and other planning techniques.

*We can bring many years' experience in the planning of the tax liabilities of family companies to bear and have access to structured tax planning specialists where large tax liabilities on company profits may be an issue.*



## Children and family tax planning

---

Every member of your family has entitlement to tax allowances and reliefs, therefore using your family members to receive business profits can sometimes be part of your tax planning strategy. The use of family trusts is also a well established means of wealth and capital taxation planning.

Our services include:

- Suggesting how to set up tax-effective pension strategies for children from birth to employment, even if they have no income!
- Use of school fees planning techniques to mitigate tax liabilities where appropriate.
- Tax-effective university fees planning strategies.
- Ensuring proper tax compliance and planning for vacation work.
- Property ownership during education and capital tax advice.
- Use of family trusts to defer or mitigate capital tax liabilities.
- Involving the younger generation in your business and tax-effective remuneration strategies.
- Planning for major events such as weddings and identifying tax opportunities.

*Children are not a panacea for tax savings but judicious attention to the detail of their financial affairs can often pay significant dividends with Income Tax savings and capital tax planning opportunities over the longer term. Many of our clients have used our tax planning services in this area to their advantage.*

## Using trusts to save tax

---

Trusts need not be complicated or difficult to understand. They are just another asset ownership vehicle and have an important part to play in tax planning for wealthier families or those with specific planning problems to overcome. They can also be an important means of wealth protection and longer term tax planning for business owners looking to pass their business wealth on to the younger generation or key employees.

Our services include:

- Identifying situations where trusts will be useful and/or appropriate.
- Suggesting assets which may be suitable for transfer to tax-effective trust structures.
- Advice on the use of trusts to save Inheritance Tax.
- Advice on the capital tax implications of establishing trusts.
- Dealing with legal advisors on setting up tax planning trusts.
- Trust tax compliance services including dealing with all HMRC correspondence and returns.
- Drafting hold-over relief documents for trust transfers.
- Tax planning with trusts for company shares or business assets.
- Tax strategies for trusts as asset protection structures.
- Dealing with trusts for vulnerable beneficiaries.
- Advice on Will trusts to direct assets to intended beneficiaries.
- Using trusts to help key employees participate in company ownership schemes.
- Possible use of “conduit trusts” to avoid Capital Gains Tax on private investments.

*Whenever you have a conflict between different tax planning objectives and a need to retain some control over your assets trusts come into their own. This strategy can often be combined with tax planning techniques which can save considerable sums for the benefit of your estate either on death or during your lifetime.*





## Value Added Tax (VAT)

---

VAT is charged on most goods and services provided by VAT-registered businesses in the UK. It is also charged on goods and some services that are imported from other countries.

You will need to register for VAT if the annual turnover of your business exceeds the registration limit. If your turnover is less than this, your business could still benefit from registering.

Furthermore, some businesses may be better off operating within the flat rate VAT scheme, as long as their annual turnover is less than £150,000.

You might also be better off choosing to account for VAT on cash as opposed to invoice basis.

You have to ensure that you complete a VAT return and make any payments at the end of each VAT period – usually every three months.

Other areas of VAT we can help you with:

- Deciding on the best scheme for your business to embark on
- Annual Accounting Scheme for VAT – for ease of cash flow management
- Cash Accounting Scheme for VAT – a popular scheme as it allows you to not pay VAT until your customers pay you.
- VAT Margin Schemes – Applicable to second hand goods including art and antiques
- VAT Retail Schemes – As a retailer, your methods of paying VAT may be more difficult, considering the volume of sales. Find out from us how you can opt for a more straightforward scheme.
- Advising on VAT on property transactions, which can be a complex area.
- Considering the VAT implications of the Capital Goods Scheme.

*Although often viewed as the “simple” tax, VAT can be extremely complex and difficult to calculate. Proper planning can help reduce the overall impact of VAT.*

## Tax and the high net worth individual

---

If you are a high net worth individual, we have developed specific strategies for helping you mitigate your income and capital tax liabilities. We work closely with you to identify opportunities and help you to plan your affairs to save you money. As your wealth grows, so the tax planning techniques you may need to assist you will become more specialist and potentially more complex. We can advise you in detail on these.

Our services include:

- Reviewing your wealth profile in detail and identifying potential income and capital tax liabilities.
- Annual wealth and income planning reviews to keep your tax liabilities to a minimum.
- Regular information about the available tax saving products and tax-efficient investments as they come on the market.
- Advise on bespoke and tailor-made tax planning products.
- Advice on dealing with HMRC and disclosure of your tax planning techniques and strategies.
- Advice on all capital taxes; Capital Gains Tax, Inheritance Tax and Stamp Duties and identifying tax planning opportunities.
- Advice on maximising your annual allowances and reliefs.
- Advice on family wealth spreading to mitigate your capital tax liabilities.
- Identifying opportunities via the use of trusts to save you taxation over the longer term.
- Preparing regular and detailed tax planning reports to show where your tax exposure lies and advising on possible planning and tax saving strategies as required.

*Our specialist team of tax planners are here to deal with the tax affairs of our wealthier clients and have a long track record and many years' experience in advising in this field.*



## Tax and the business angel – investing effectively

---

Investing in someone else's business is a risky decision. Putting your hard-earned wealth into another person's new venture can, however, bring tax relief so the choices you make on how you invest and what sort of business structure you invest in are very important. There are a variety of tax reliefs available and we can advise you on these tax saving opportunities.

Our services in this area can include undertaking a business viability review and then advising on:

- Enterprise investment scheme shares.
- Venture capital trust shares.
- Ordinary share capital or partnership investments.
- Business borrowings and obtaining tax-effective interest relief.
- Special reliefs for loans to traders.
- Loan guarantee tax reliefs.
- Deferred share ownership schemes and redeemable preference share investments.
- Using limited liability partnerships or joint venture investment structures.

Choices on the type of business structure you invest in can also determine the eventual tax liabilities you will face on exit from the business venture and the ease with which you get your capital back in a tax-effective manner.

We can also advise on:

- Capital Gains Tax reliefs such as Entrepreneurs Relief and Roll-Over Reliefs.
- Special incorporation reliefs and tax charges on disincorporation.
- Winding up tax charges on distributions.
- Purchase of Own Shares and Reduction in Share Capital exit routes.

*Whatever the business you are investing in, it will be important to ensure that you get the best tax relief up front and then that the structural choices you make at the start facilitate a smooth and tax-effective exit route later on. We can advise on all these choices to help you maximise your business investment.*

## Preparing your business for sale

---

Whether you are approaching retirement, looking to move into another area of business activity, or simply planning to realise the profits for your hard work over the previous years the sale of your business is a critical tax planning time. We have helped many clients get the best out of the tax system on selling the business and have saved many of them large amounts of capital taxes on disposals by planning their sales carefully with them well in advance.

Our services include:

- Structuring the ownership of the business tax-efficiently.
- Restructuring in advance of a sale to optimise use of capital tax reliefs.
- Reviewing your Entrepreneurs Relief position to ensure you get your entitlement.
- Considering pre-sale planning techniques to reduce the taxable value where appropriate.
- Apportionment of the sale proceeds to ensure maximum use of exemptions, reliefs and non-taxable elements of a sale.
- Reviewing the capital allowances position on a business sale to optimise the available sale proceeds apportionment opportunities with plant and machinery, fixtures and fittings etc.
- Advising you and, where appropriate, the buyer on joint claims to mitigate tax liabilities.
- Timing the sale to your best advantage to defer tax liabilities.
- Timing the sale to get the best out to the tax cessation provisions and to ensure optimum use of special reliefs such as overlap reliefs and other cessation reliefs where available.
- Consideration of deferred payment or earn-out and paper-for-paper alternatives to defer or mitigate capital gains tax liabilities.
- Advice on emigration techniques to avoid capital gains tax if appropriate.

*Over the years, we have advised many clients on the sale of their businesses, both large and small, and in particular how to structure the sale agreement and what to agree/negotiate on with the buyer. We can bring many years' experience in the planning of the Capital Gains Tax to bear in this area and we also have access to structured tax planning specialists where large Capital Gains Tax liabilities may be in prospect on a business sale.*



## Tax and the expatriate

---

The UK tax regime for dealing with ex-patriates and in particular non-residents and non-domiciled individuals has become increasingly compliance driven in recent years. HMRC has become increasingly aggressive in its tactics when reviewing such individuals and recent court case judgements have indicated that the climate has undergone a sea-change to the extent that many individuals who thought they were safely beyond the UK's tax net can no longer rely on this with any degree of certainty.

We have advised many ex-patriates on their tax status and dealt with numerous Revenue challenges over the years and have specialists in this area who are up to date with all the latest guidance and HMRC practices notes. We can advise on what to do if you are going overseas or how to retain your non-domiciled tax status if you are living in the UK.

Our services include:

- Identifying and advising on the day-counting rules.
- Advice on how to make the currently required “clean break” for UK tax purposes.
- Updates on UK tax rules and changes whilst you are overseas.
- Advice on the seven of nine year rule for non-domiciled clients.
- Advice on the annual remittance basis charge.
- Advice on elections for claiming the remittance basis.
- Planning emigrations for UK Capital Gains Tax purposes.
- Possible uses of overseas trust and company structures to mitigate your tax liabilities.
- Claims to forgo UK allowances to save tax on investments.
- Dealing with non-resident landlord issues and ensuring UK tax compliance on rental income.

*The ex-pat and inward bound tax regime in the UK is now more complex than ever. Recent changes mean that this is an area fraught with difficulty for clients, especially those going overseas for short periods only. We can give you the latest and most up to date advice so that you know the tax issues involved and can plan to reduce your tax liabilities.*

## Inheritance Tax planning

---

### Introduction

Estate planning can only be considered on an individual basis to suit the particular requirements of each person. The size of the estate, nature of assets, interaction with other taxes, available income, family circumstances and the willingness of the individual to make lifetime gifts are all factors to take into account. We have many years of experience advising clients on Inheritance Tax Planning and our services here will involve detailed consideration of all the following areas:

### Transfers between spouses

Transfers between UK resident/domiciled spouses and civil partners are exempt from Inheritance Tax without any limit.

### Annual exemption

An individual may transfer £3,000 per annum every tax year. If the exemption is not fully used in one year, then it can be carried forward for one year only and used in that year.

### Small gifts

Gifts of up to £250 may be given each tax year outright to any number of different individuals.

### Gifts out of income

Normal expenditure out of income is exempt, provided that it is from income, habitual and does not adversely affect the transferors' standard of living. There is no maximum amount and the gifts do not have to be made to the same person or persons each year.

### Marriage

Gifts in consideration of marriage or civil partnerships are exempt within the following limits:

- £5,000 in the case of gifts by a parent of a party to the marriage
- £2,500 in the case of gifts by a grandparent or remoter ancestor
- £1,000 for others

### Charities

Gifts to charities are wholly exempt.

### Political parties

Gifts to certain political parties are exempt.

### National Purposes

Gifts to certain public bodies such as the National Trust are wholly exempt.

### Business Property Relief

Shares in unquoted trading companies, an interest in unincorporated trading businesses, commercial woodlands and agricultural property held in a qualifying business for at least two years are exempt from IHT.



## Inheritance Tax planning (continued)

---

### Nil rate band

The first £325,000 of chargeable assets (2011/12) or chargeable transfers are charged at nil rate. After seven years, a lifetime chargeable transfer is excluded from the cumulative total and provided the individual survives, there will be the benefit of another nil rate band.

The unused portion of the nil rate band of a pre-deceased spouse can be transferred to be used against the estate of the surviving spouse.

### The Discounted Gift Trust

The Discounted Gift Trust offers a way to plan effectively for Inheritance Tax, whilst being able to retain regular payment.

The Discounted Gift Trust is designed for people who:

- Are UK domiciled.
- Have an estate worth more than £325,000 per individual or may have an Inheritance Tax (IHT) liability in future,
- Want to reduce or avoid any IHT liability, and
- Are able to give away a lump sum, as long as they can still get regular payments.

The key aspects of a Discounted Gift Trust are:

- You give up access to a capital sum and any growth from it, but you have a right to regular payments.
- You choose the amount and frequency of the regular payments. You will continue to receive these for your lifetime, or until the trust fund is exhausted. The amount and frequency, once established, cannot be changed.
- There will usually be an immediate reduction in your estate for IHT purposes (as long as your health is reasonably good).
- Growth on your investment will be outside your estate.
- You have a choice of trust:
  - Absolute: the beneficiaries and their shares of the trust fund are fixed at the outset
  - Discretionary: there is flexibility over who benefits, by how much and when
- After your death, the money in the trust fund is held for your beneficiaries, with either a reduced Inheritance Tax liability or none at all.

## Will planning – tax-effective clauses and planning techniques

---

Your Will is the first step towards an effective and flexible Inheritance Tax plan. It is also an essential family protection document which can be used to ensure that your wealth ends up precisely where you want it to go. Dying intestate on the other hand can have disastrous tax and non-tax consequences so having a good Will drafted early to include a sound structuring of your assets for tax purposes can save you the worry of such problems and ensure that your heirs end up with what you want them to.

Our services include:

- Carrying out a detailed wealth and capital taxes review to identify the size of your estate and the potential size of your Inheritance Tax (IHT) liability.
- Advising you and your lawyers on tax-effective clauses for inclusion in your Will.
- Reviewing your draft Will to ensure that it is effective and minimises your IHT liability.
- Reviewing your family asset ownership structure and ensuring that it is arranged to optimum effect.
- Advice on planning to maximise the use of the lifetime IHT thresholds in your Wills.
- Advice on optimising the use of all available IHT tax reliefs where appropriate.
- Advice on lifetime giving to be carried out in tandem with sound Will planning techniques.
- Advice on the possible use of Will trusts or lifetime trusts to save Inheritance tax.
- Advice on the possible uses of Deeds of Variation or disclaimers in conjunction with sound Will planning.
- Ensuring that your Will optimises all available reliefs for your business assets to mitigate Inheritance tax.
- Advice on how best to structure your business and private borrowings to assist with IHT mitigation.
- Use of special clauses in your Will, such as survivorship clauses to minimise IHT liabilities.
- Advice on special reliefs such as Quick Succession Relief and how to avoid potential clawbacks of reliefs.

*Over the years, we have advised many clients on what to include in their Wills and what not to include. We can bring many years' experience in the planning of the Inheritance Tax liabilities of our clients' families regarding both their business and non-business wealth to bear in this area and we also have access to structured tax planning specialists where large Inheritance Tax liabilities may be in prospect.*





## Notes

---

A series of horizontal dotted lines for taking notes.

## Our services

- Business start-ups
- Compliance
- Consultancy and systems advice
- Corporation Tax
- Financial services
- HMRC investigations
- Insolvency
- Payroll
- Personal tax
- Service charge accounts
- Support services
- Tax protection
- VAT
- And much more...

### Harrow Office

Lynwood House  
373/375 Station Road  
Harrow  
Middlesex  
HA1 2AW

Tel: 020 8357 2727

Email: [accounts@rdpnewmans.com](mailto:accounts@rdpnewmans.com)

### Southend-on-Sea Office

457 Southchurch Road  
Southend-on-Sea  
Essex  
SS1 2PH

Tel: 01702 466 886

Email: [southend@rdpnewmans.com](mailto:southend@rdpnewmans.com)

RDP Newmans is the trading name of RDP Newmans LLP. Registered to carry on audit work in the UK and regulated for a range of investment business activities by The Institute of Chartered Accountants in England and Wales.