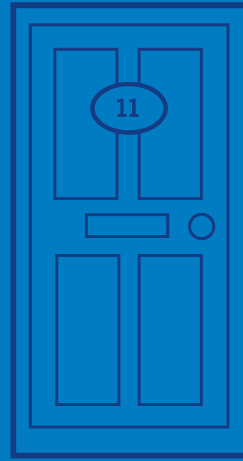


Pre-Budget Report 2007



“ Following the Chancellors recent Pre Budget Report there has been much comment in the press on the impact of the proposed changes. We have identified 10 key proposals which may affect individuals and trusts.

As experience has shown with the previous Chancellor, the devil is always in the detail and until draft legislation is issued we can only comment on the broad details contained in the original proposals.

In particular the proposed changes to Capital gains tax are wide sweeping but, as with the other proposals, there is a window of opportunity because the proposals do not come into effect until 6th April 2008. Planning opportunities should exist for many and we welcome contact with you in the coming weeks in order to discuss how you may be personally affected and whether you should take any action to reduce future tax charges. ”

SARAH AXE
Partner – Private Clients

Proposals

Our initial response

CAPITAL GAINS TAX

1. Withdrawal of Taper Relief

“The withdrawal of taper relief will particularly affect those owning business assets, potentially increasing the rate of capital gains tax (CGT) from 10% to 18% and this will be exacerbated by the loss of indexation. Whilst this may be good news for those who hold investment assets, as CGT will reduce from a top rate of 40% down to 18%, those who have invested for the long term may well be penalised with the loss of indexation.

2. Loss of indexation allowance

The new rules (if they become enacted) apply from 6 April 2008 and we believe there may be planning opportunities, for the following assets, to protect the reliefs currently available:

3. Flat rate of 18%

- Business Assets
- Loan notes
- Earn outs
- Second Homes
- Long term investments
- EIS/VCT”

INHERITANCE TAX

4. Transferring the £300,000 Nil Rate Band

“Without doubt the ability to transfer the unused nil rate band to a surviving spouse/civil partner will benefit many, especially where the main asset is the family home.

For those who have already implemented planning within their Wills to utilise both bands, for example by using a nil rate band discretionary trust, this may still be beneficial. Depending on your circumstances it may be appropriate to review the position.

Existing widows, widowers and surviving civil partners may also benefit and should review their Estate Planning in light of the new rules.”

5. Taxing Pensions

“Further anti avoidance rules have been introduced to stop pension schemes being used as vehicles to reduce inheritance tax.”

Proposals

Our initial response

RESIDENCE & DOMICILE

6. Changes to the “Residence” test

“From 6 April 2008 days of arrival and departure into and from the UK will count as days of presence for the UK residence test.

This will affect those who work and live abroad but regularly visit the UK”

7. Tax charge for non-domiciled individuals

“The current position is that if you are UK resident but non UK domiciled you are only taxed on offshore income or gains if it is brought into the UK. This will no longer apply from 6 April 2008. Once you have been here for 7 years the choice will be either to pay UK tax on worldwide income and gains as they arise, or pay a single payment of £30,000 each year.

The latter would normally be beneficial if your offshore income and gains are at least £75,000.

The good news is that if you choose to pay tax on your worldwide income and gains any foreign tax already paid should be capable of being offset against UK tax.”

8. Equal treatment for Irish domiciles

“Currently Irish domiciles are not able to claim remittance basis for certain types of income. This is clearly unfair and from 6 April 2008 this will be rectified.”

OTHER MEASURES

9. Hike in Fuel benefit charge

“From 6 April 2008 the multiplier for fuel benefit on company cars increases from its current level of £14,400 to £16,900. For a higher rate taxpayer this could be an additional tax & national insurance charge of approximately £460.

In many cases it may be appropriate to look at alternatives.”

10. Increase in Payment on Account Threshold

“Currently taxpayers are usually required to make payments on account where their income tax liability exceeds £500. From 2009-10 this will be increased to £1,000”

If you have any issues you would like to discuss then please telephone or email your usual contact or alternatively any of the Private Client Team below:

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