



Tax Facts 2008-9

Personal taxation

- The Personal Taxation allowance for 2008-9 is £6,035. This means that the first £6035 of any monies earned is free of Income Tax.
- Income tax bands;
 - Lower rate; £0 to £34,800 is taxed at 20%
 - Higher rate; over £34,800 is taxed at 40%

Capital Gains Tax (CGT)

- The annual exempt amount is £9600.
- From 6 April 2008, net gains are taxed at a flat rate of 18% irrespective of the length of ownership of the assets, and no distinction is made between business and personal assets.
- Chargeable disposals made in the current year, any resulting CGT is payable in one lump sum no later than 31st January 2010
- A new Entrepreneurs Relief was introduced in April 2008. It may be available in respect of gains from qualifying disposals made by individuals on or after 6 April 2008 in respect of the following:
 - Assets of the individual's or partnership's trading business following the easing of business;
 - All or part of a trading business where the individual carries out business lone or in partnership;
 - Shares in the individual's personal trading company or holding company of a trading group. This also applies to securities.
 - Assets owned by the individual and used by his or her personal trading company, group or trading partnership.
- The first £1million of gains that qualify for this relief will be charged at 10% for CGT purposes. Any gains above £1million will be charged at 18% for CGT purposes.
- There is a lifetime limit of £1million on gains made on or after 6 April 2008 so it is very important that records are kept. Claims can be made on several occasions up to the limit in a person's lifetime.



Taxation of trusts.

- The rate applicable to Discretionary and Accumulation trusts were increased to 40% for general income and 32.5% for dividends. This was instituted from 6 April 2004 and has remained the same ever since.
- The standard rate income tax band was increased to £1,000 from April 2006 and remains the same
- Capital Gains Tax annual exempt amount is set at £4,800.
- Income tax treatment of settlor-interested trusts (where the person setting up the trust or their spouse and under new rules a child) has been simplified so that beneficiaries will no longer be subject to additional tax on the income received from such a trust.
- The Capital Gains Tax treatment of these trusts has been altered, so that the Settlor will no longer be allowed to utilise personal losses to offset gains in the trust.

Inheritance Tax (IHT)

- The Nil Rate Band-the maximum that an individual can give away free of IHT on their death is £312,000 for the tax year 2008-2009.
- The Nil Rate Band for 2009-2010 is £325,000.
- The Nil Rate Band for 2010-2011 is £350,000.
- Anything over the Nil Rate Band is taxed at 40%.
- Gifts made over the last seven years before death are added into the amount so that a gift made during that period reduces the Nil Rate Band. This is however on a sliding scale.
- Each individual can give away up to £3,000 each per tax year. If this amount has not been used in the previous tax year then £6,000 may be given.
- Gifts made in contemplation of a Wedding or Civil Partnership are exempt up to the following amounts;
- Parents may each give up to £5,000
- Grandparents and other relatives may give up to £2500
- Anyone else may give up to £1000.
- Small gifts of up to £250 can be given to as many people as you like in a tax year.
- If IHT is due on land, the executors can elect to pay it over ten years.
- Business property relief;
 - Interest in a business-100% relief (provided that the business has been owned for two years or more).
 - Listed shares giving control-50%
 - Unlisted shares including AIM shares-(AIM is the Alternative unlisted market for shares in smaller companies).



Stamp Duty Land Tax

Residential property

Up to £125,000 the rate is 0%
Over £125,000 on the whole amount the rate is 1%
Over £250,000 on the whole amount the rate is 3%
Over £500,000 on the whole amount the rate is 4%

Purchase of a new residential lease

Up to £125,000 the rate is 0%
Above £125,000, the rate is 1%

Residence and Domicile Rules

- As of 6 April 2008, an annual tax charge of £30,000 will be payable by adult UK residents who are either not domiciled or not ordinarily domiciled in the UK.
- This charge will only apply to the remittance basis of taxation and have been resident in the UK for more than 7 out of the last 10 years
- The charge is payable *in addition* to any tax due on UK income and gains or foreign income and gains brought into the UK
- Individuals can choose between claiming the remittance basis of taxation and paying the £30,000, or paying tax on their worldwide income and gains.

This information is provided to give general guidance on current and future tax allowances. It is not intended to be comprehensive and is not intended to provide any specific legal or tax advice, and should not be acted upon as doing so. Professional advice relating to a study of your own circumstances should always be taken before any course of action is decided upon.

The Hertfordshire Will Company provides IHT and estate planning as part of our Will-writing services. We do not provide financial advice as defined by the Financial Services Act 1987.

If you need specialist advice on your Will, please call the number below for a free, no obligation discussion.

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