Kudos technical matters

Pensions

Tax Year Opportunities - time to act is now!

Further to our Newsline of 16th December 2010 we are writing to remind you of two specific areas which are of particular current relevance, these being:

- Corporate pension and tax planning
- Individual pension planning

As mentioned in our earlier Newsline, change presents opportunity and this will indeed be the case for many of your clients following the changes implemented by the previous Government and as amended by the current Government in the June 2010 Emergency Budget, ratified on the 14th October 2010.

Corporate pension and tax planning

Corporation tax and pension contributions

- Whilst the temporary extension to the loss of relief has passed, the ability to use a pension contribution to create or increase a trading loss which can be set against profits in the current year, carried back one year, or carried forward indefinitely, remains.
- It therefore continues to be possible to create or increase a trading loss by making an employer pension contribution. In addition trading losses may be offset against the preceding year or carried forward to set against future profits.
- Pension contributions need to be paid before the end of the accounting period.

Individual Pension Planning

How an individual may retain their personal allowance

- For clients whose income is more than £100,000, making a pension contribution can help to maintain their personal allowance and obtain effective tax relief of up to 65%.
- As things stand presently there will be a loss of £1 in personal allowance for every £2 of income earned over £100,000. The personal allowance is lost when earnings equal £112,950 (the personal allowance for 2010/2011 is £6,475 rising to £7,475 from April 2011) – giving an effective 60% tax bill on this band of income, which equates to extra tax of £2,590 - over £200 extra tax every month!
- This extra tax bill can be avoided with careful planning – please see our previous Newsline for greater detail.

Kudos Financial Services
ABERDEEN | GLASGOW | LONDON

Last chance for individuals to contribute in excess of £50,000 - or is it?

- With the impending reduction in the Annual Allowance from £255,000 for 2010/11 to £50,000 for 2011/12 there is a limited opportunity for individuals or their employer to pay contributions up to £255,000.
- Under the anti-forestalling regime, which will last to the end of the 2010/11 tax year, anyone with relevant income of less than £130,000 in the current and previous two tax years can personally contribute up to 100% of their relevant UK earnings with full tax relief. This is provided the input period ends before 6 April 2011.
- Or an employer could contribute to the individual's pension plan, an amount up to the current annual allowance (£255,000 in 2010/11) without the individual suffering any tax charges. Those on relevant incomes higher than £130,000 may have their tax relief restricted.
- One considerable concession introduced is the ability to utilise unused allowance in the form of carry-forward of up to three years previous unused allowances. This is intended to ease or smooth out large one-off spikes in accrual that exceed the annual allowance in a single year. The carry-forward limit for 2008/2009, 2009/2010 and 2010/2011 will be £50,000 therefore if an individual was a member of a UK registered pension for the period from 2008 and made no contributions, they could contribute £200,000 in this tax year with careful planning.
- This change will allow many individuals to pay increased pension contributions after April 2011 to help make up for any potential shortfall incurred as a result of the anti-forestalling legislation.

Should you require further detail on any of the opportunities referred to above please contact either Cameron Millar or Andrew Eason on 01224 652100.

Every care has been taken to ensure that this information is correct and in accordance with our understanding of the law and HM Revenue & Customs practice, which may change. However, independent confirmation should be obtained before acting or refraining from acting in reliance upon the information given. The above should be seen as information only and should not be construed as advice.

Summary

In view of the significant changes for pensions both at corporate and individual level including such things as the reduction in the Annual Allowance from £255,000 to £50,000, the ability to utilise unused Annual Allowances and the increase in NIC's by 1%, coupled with the ongoing opportunities for companies and individuals, there has never been a greater need for careful and considered pension planning.

due diligence
employee benefits
wealth management

8 Queen's Terrace Aberdeen AB10 1XL
Tel 01224 652100 Fax 01224 652101
www.kifs.co.uk

For further information regarding the contents of this newsletter please contact your normal Kudos consultant on **T: 01224 652100**

e: Kudoseb@kudos-ifs.co.uk

Kudos Financial Services
ABERDEEN | GLASGOW | LONDON