

# Introduction to tax planning

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[www.simplesolutionsifa.com/pdf/introduction-to-tax-planning.pdf](http://www.simplesolutionsifa.com/pdf/introduction-to-tax-planning.pdf)



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## Tax Planning basics:

### ▶ **Welcome**

*Tax planning is too complex to explain it in simple terms, it affects all aspects of your financial planning and it usually needs expert advice from an Accountant or Tax Adviser.*

*Simple Solutions can help you with this, we can identify areas that will benefit from tax planning and work with you and your accountant to ensure that you do not pay unnecessary taxes.*

*Here is a list of some of the areas of tax planning that we can help you with:*

### ▶ **Capital Gains Tax on your savings and investments:**

*Certain investments are subject to capital gains tax when they are sold. We are all allowed to enjoy a certain level of profit in a tax year before we have to pay this tax. For 2011/12 the level is £10,600. The standard rate that will apply if you do have to pay tax is 18%.*

### ▶ **Inheritance Tax on your death or when you make gifts:**

*When you die your assets become known as your estate. Any part of your estate that is left to your spouse or civil partner will be exempt from IHT.*

*Unmarried partners, no matter how long-standing, have no automatic rights under the IHT rules.*

*Where your estate is left to someone other than a spouse or civil partner (i.e. to a non-exempt beneficiary), IHT will be payable on the amount that exceeds the nil rate threshold. The current threshold is £325,000. The threshold usually rises each year but has been frozen at £325,000 for tax years up to and including 2014/15. The rate that will apply is 40%.*

*During your lifetime you may give or receive gifts that could be subject to IHT. Normally if the donor of the gift survives for 7 years after making the gift there will be no IHT payable.*

*There are certain gifts that are exempt, for example you are allowed to gift £3000 each year.*

*A good starting point when IHT planning is making a will.*

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### ▶ **Tax relief on your pension contributions:**

*You pay Income Tax on your earnings before any pension contribution, but the pension provider claims tax back from the government at the basic rate of 20 per cent. In practice, this means that for every £80 you pay into your pension, you end up with £100 in your pension pot. If you pay tax at higher rate, you can claim the difference through your tax return or by telephoning or writing to your Tax Office. If you're an additional rate taxpayer you'll have to claim the difference through your tax return.*

### ▶ **Tax free lump sum from your pension fund on retirement:**

*When you retire, or at any time after age 55 if the pension scheme rules allow it you can take a tax free amount in cash from your pension fund.*

*Personal pensions allow up to 25% of the fund to be taken as a lump sum. Company pension schemes may have different rules that could mean you can take more than 25% as a lump sum.*

### ▶ **Tax free growth on your savings:**

*Everyone can save up to £10680 in an ISA in the tax year 2011/12. The growth on this is tax free. You can save up to £5340 in a cash ISA and invest the balance in a stocks and shares ISA or you can invest the full amount into a stocks and shares ISA.*

*You can transfer existing cash ISA's into a stocks and shares ISA but you cant transfer the other way from a stocks and shares ISA to a cash ISA.*

*You can make regular monthly savings or invest a lump sum.*

*From 1st November 2011 children under the age of 18 can own a Junior ISA. The maximum investment will initially be £3000 pa.*

### ▶ **Summary**

*To make sure your finances are organised in the most tax efficient way we need to work with you to ensure that you enjoy all the tax advantages that are available whilst growing your wealth and then to protect that wealth from being taxed unnecessarily.*

*If your tax affairs are more complex we will work with your accountant to ensure that you are taking advantage of all the tax allowances and reliefs that are available. We also have strategic partnerships with Accountants that we can refer you to if you need their specialist advice.*