

**RUSSELL-COOKE | SOLICITORS**  
**PRIVATE CLIENT DEPARTMENT**  
**QUICK FACTS GUIDE 2009/2010**

**RUSSELL-COOKE** SOLICITORS

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# PERSONAL TAXATION

## *Income tax*

- Self-Assessment Tax Returns for the previous tax year 2008/2009, need to be submitted to HMRC by no later than 31st October 2009 for paper returns and 31<sup>st</sup> January 2010 for online returns.
- General income tax personal allowance is set at £6,475.
- Income tax bands:

|             |               |              |
|-------------|---------------|--------------|
| Lower Rate  | £0 to £37,400 | taxed at 20% |
| Higher Rate | over £37,400  | taxed at 40% |

## *Capital Gains Tax*

- Capital Gains Tax Annual Exempt Amount is set at £10,100.00.
- From 6 April 2008 net gains have been taxed at a flat rate of 18% irrespective of the length of ownership of the asset with no distinction between business and non-business assets.
- As of 6 April 2008, indexation and taper relief have been abolished.
- For chargeable disposals made in the current tax year, any resulting capital gains tax is payable in one lump sum by no later than 31<sup>st</sup> of January 2011.
- A new relief, **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 ceasing of business;
  - all or part of a trading business where the individual carries the business alone or in partnership;
  - shares in the individuals personal trading company or holding company of a trading group (this also applies to securities);
  - assets owned by the individual and used by his/her personal trading company/group/trading partnership.
- The first £1million of gains qualifying for the relief will be charged at a rate of 10% for capital gains tax purposes. Any gains above £1 million will be charged at a rate of 18% for capital gains tax.
- There is a lifetime limit of £1million on gains made on or after 6 April 2008 so it will be important for records to be kept. Claims can be made on several occasions up to the limit in a person's lifetime.

# TRUSTS TAXATION

- The rate applicable to discretionary and accumulation trusts were increased to 40% (general income) and 32.5% (dividends) from 6 April 2004 and remain the same.
- 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 £5,050.
- The income tax treatment of settlor-interested trusts has been simplified so that beneficiaries will no longer be subject to additional tax on income received from a settlor-interested trust.
- The capital gains tax treatment of settlor-interested trusts has been altered so that settlors will no longer be able to utilise personal losses to offset trust gains.

## INHERITANCE TAX

- Pre-owned asset tax has been effective since 6<sup>th</sup> of April 2005.
- Inheritance tax rates, for deaths occurring on or after 6<sup>th</sup> of April 2009:

|                               |              |
|-------------------------------|--------------|
| Less than £325,000.00*        | taxed at 0%  |
| Balance that exceeds £325,000 | taxed at 40% |

\*NB. The nil-rate band may be reduced by value of gifts made 7 years prior to death.

- Inheritance tax annual exempt amount, £3,000.00. Taxpayers are able to carry forward previous tax years exemption if unused, giving maximum annual exemption of £6,000.00.
- Gifts made in contemplation of a wedding or civil partnership are exempt from inheritance tax up to the following amounts:
  - Parents may each give up to £5,000,
  - Grandparents and other relatives may each give up to £2,500,
  - Anyone else may give up to £1,000.
- Small gifts of up to a total of £250 can be made to as many people as you like in any one tax year.
- Any gifts made out of your net income are exempt from inheritance tax if these are part of your regular expenditure and do not affect your normal standard of living. It is advisable to keep a record of regular gifts and to show an intention that the gift is to form a series of payments.
- Inheritance tax is first payable 6 months after the end of the month of death. Inheritance tax attributable to land can be paid by 10 yearly instalments.
- For taxable estates, inheritance tax is reported on form IHT 200.
- Future nil-rate bands have been proposed as follows:

| <b>Tax Year</b> | <b>Nil-Rate Band</b> |
|-----------------|----------------------|
| 2010/2011       | £350,000             |
| 2011/2012       | £360,000             |

- Business Property Relief has not been affected by recent changes in the taxation of trusts and estates. The main forms of relief are as follows:

| <b>Type of Property*</b>                     | <b>Relief</b> |
|--|---------------|
| Interest in a business                       | 100%          |
| Listed shares giving control                 | 50%           |
| Unlisted shares (still including AIM shares) | 100%          |

\* generally subject to a ownership period of 2 years preceding transfer/death

## STAMP DUTY LAND TAX

### Residential Property

| <b>Purchase Price (£)</b>               | <b>Rate</b> |
|---|-------------|
| Up to £175,000 (Until 31 December 2009) | 0%          |
| Over £175,000 (on the whole amount)     | 1%          |
| Over £250,000 (on the whole amount)     | 3%          |
| Over £500,000 (on the whole amount)     | 4%          |

## Purchase of New Lease (residential)

### Net Present Value

Up to £175,000.00  
Above £175,000.00

### Rate

0%  
1% of the value that exceeds £125,000.00

- Residential properties in 'disadvantaged areas' valued at under £150,000 can qualify for exemption from SDLT.
- SDLT is payable 30 days after completion or substantial performance of the purchase of land.
- A formal SDLT Return is required to be submitted to the Inland Revenue at the same time as any tax is paid.

## CHANGES TO 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.
- However, this charge will only apply to those residents who claim the remittance basis of taxation and have been resident in the UK in the current year and for more than 7 out of the past 9 years.
- The £30,000 charge is payable in addition to any tax due on UK income and gains or foreign income and gains brought into the UK.
- HMRC has indicated that the charge should be creditable for US tax purposes.
- Individuals have the choice between claiming the remittance basis of taxation and paying the £30,000 charge or choosing to pay tax on their worldwide income and gains.
- There has been a relaxation in relation to the rules residence and day counting. After the 6 April 2008, any day that an individual is present in the UK at midnight will be counted as a day of presence in the UK for residence test purposes.

## How can Russell-Cooke assist you?

If you require further information or advice please contact any of the following:

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*This Information sheet is intended to provide general information about current and future taxation allowances. It is not intended to be comprehensive or to provide any specific legal and / or tax advice and should not be acted or relied upon as doing so. Professional advice appropriate to a specific situation should always be obtained. 18<sup>th</sup> May 2009.*