ST. JAMES'S PLACE
WEALTH MANAGEMENT

TAX GUIDE
2010–2011

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WEALTH MANAGEMENT

TAX GUIDE
2010–2011

WALTER SINCLAIR, FCA
with
BARRY LIPKIN, LLB FCA ATII TEP

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PREFACE

Since the very first edition of the *St. James's Place Tax Guide* was published, I have been involved with people responsible for providing high-quality, long-term, financial advice. Each year the *Guide* has proved invaluable, as it continues to be a handy and reliable source of reference for our advisers, as well as a valuable gift for our clients.

Being a wealth management business it is no surprise that, for most clients of St. James's Place, tax management is a vital part of financial planning. As a taxpayer myself, I also appreciate and benefit from the information that Walter Sinclair, together with Barry Lipkin, provides – and I am sure that you will too.

I cannot be sure which areas will be most relevant to you, but you might want to review Chapter 20, which covers the increase in Capital Gains Tax proposed in the 'emergency budget'.

Of course, in an ideal world, the *Guide* would be very much shorter because our tax system would be much simpler. If we all paid a pound less tax for every time a Government minister or Treasury official deplored the system's complexity, our tax liabilities would be a good deal lower.

But for as long as our system remains as complicated as it is, dealing with its implications will continue to be a critically important challenge for millions of individuals looking for advice. The information contained within this *Guide*, and the knowledge offered by the St. James's Place Partnership, is therefore more important than ever in helping you take the necessary steps to preserve and grow your wealth.

A handwritten signature in dark ink, appearing to read 'Mark Weinberg', written in a cursive, flowing style.

SIR MARK WEINBERG
President

St. James's Place Wealth Management

ABBREVIATIONS USED IN THE GUIDE

A&M	accumulation and maintenance	FA	Finance Act
ACT	advance corporation tax	FID	foreign income dividend
AEI	average earnings index	FIFO	first in, first out
ASP	alternatively secured pension	FOREX	foreign exchange
AVC	additional voluntary contribution	FOTRA	free of tax to residents abroad
BCE	benefit crystallisation event	FPCS	fixed profit car scheme
BES	business expansion scheme	FSAVC	free standing additional voluntary contribution
BPT	bank payroll tax	HMRC	Her Majesty's Revenue and Customs
CAA	Capital Allowances Act 2001	HMSO	Her Majesty's Stationery Office
CASC	community amateur sports club	IAS	international accounting standards
CDFI	community development finance institution	IHTA	Inheritance Tax Act 1984
CFE	controlled foreign company	IIP	interest in possession
CGT	capital gains tax	ISA	Individual savings account
CGTA	Capital Gains Tax Act 1979	ITA	Income Tax Act 2007
CIC	close investment holding company	ITEPA	Income Tax (Earnings and Pensions) Act 2003
COMP	contracted out money purchase	ITTOIA	Income Tax (Trading and Other Income) Act 2005
CPA	Civil Partnership Act 2004	LAPR	life assurance premium relief
CRCA	Commissioners for Revenue and Customs Act 2005	LEL	lower earnings limit
CSOP	company share option plan	LLP	limited liability partnership
CTA	Corporation Tax Act	MIRAS	mortgage interest relief at source
CTC	child tax credit	MSC	managed service company
CVS	corporate venturing scheme	NCDR	non-corporate distribution rate
DLTA	Development Land Tax Act 1976	NRE	net relevant earnings
DPTC	disabled person's tax credit	PAYE	pay as you earn
ECU	European currency unit	PEP	personal equity plan
EEA	European economic area	PET	potentially exempt transfer
EEIG	European economic interest grouping	PHI	permanent health insurance
EIS	enterprise investment scheme	PIBS	permanent interest bearing share
EMI	enterprise management incentive	PPP	personal pension plan
ESOP	employee share option plan	PRAS	pension relief at source
ESOT	employee share ownership trust	PRO	protected rights only
F2A	Finance (No 2) Act	PRP	profit related pay
		PSO	Pension Schemes Office
		QCB	qualifying corporate bond

REIT	real estate investment trust	SSP	statutory sick pay
RPI	retail prices index	TA	Income and Corporation Taxes Act 1988
S (Ss)	section (sections) of an Act	TCEA	Tribunals Courts and Enforcement Act 2007
SAYE	save as you earn	TCGA	Taxation of Chargeable Gains Act 1992
Sch/s	schedule/s of an Act	TESSA	tax exempt special savings account
SDLT	stamp duty land tax	TMA	Taxes Management Act 1970
SERPS	state earnings related pension scheme	UEL	upper earnings limit
SFO	Superannuation Funds Office	USM	Unlisted Securities Market
SI	Statutory Instrument	VAT	value added tax
SIP	share incentive plan	VATA	Value Added Tax Act 1994
SIPP	self-invested personal pension	VCT	venture capital trusts
SME	small or medium enterprise	WFTC	working families tax credit
SSAS	small self-administered scheme	WTC	working tax credit

INTRODUCTION

Originally establishing itself as the *Hambro Tax Guide* 38 years ago, this book has appeared annually ever since, more recently being called the *J. Rothschild Assurance Tax Guide*. The book has been designed to be used both by the professional and non-professional. Solicitors, accountants and company secretaries will find it especially useful as a concise ready reference. Many others, company directors and executives, partners and sole-traders, employers and employees, will find in it much helpful information and advice when dealing with problems of personal and company taxation.

It illustrates the working of income tax, capital gains tax, corporation tax, inheritance tax and VAT in the UK. It is intended to continue revising the book annually in order to keep it up to date in accordance with the annual changes to the law.

This, the 39th edition, deals with the tax system at the time of writing for the 2010–11 fiscal year and in some cases for subsequent years. Every chapter has been amended to reflect the many tax changes which have been made since the previous edition, including those relating to income tax and personal reliefs, investments, pensions, National Insurance, capital gains tax, corporation tax, inheritance tax, VAT, stamp duty and many, many others. To help keep track of the changes, Chapter 1 summarises this year's tax changes and is referenced to the relevant paragraphs in the *Guide*. In addition, tax planning pointers relative to this year's tax changes are included in this chapter.

This book has been appearing since 1972–73 and it is interesting to consider some of the tax changes over its life, comparing that year with 2010–11.

	1972–73	2010–11
Income tax		
Standard/Basic rate	38.75%	20%
Top rate – from taxable income		
£15,000 including surtax	88.75%	
£150,000		50%
Single personal relief	£460	£6,475
Capital gains tax rates (individuals)	30%	normally 18%/28%
Estate duty/inheritance tax threshold	£15,000	£325,000
Top rate at £500,001	75%	
Only rate in most cases		40%
VAT from 1 April 1973	10%	17.5%/20% from 4 January 2011

Previous editions of the book recorded falling rates for most taxes, apart from National Insurance contributions. What is more, many reliefs and taxes have come and/or gone, such as:

- ▶ Capital transfer tax.
- ▶ Development gains tax and development land tax.
- ▶ Surtax.
- ▶ Earned income relief.
- ▶ Investment income surcharge.
- ▶ Stock relief.
- ▶ Life assurance relief on new policies.
- ▶ Mortgage interest relief.
- ▶ Married couples allowance (unless born before 6 April 1935).
- ▶ Stakeholder pensions.
- ▶ Advance corporation tax and the imputation system.
- ▶ Working tax credits and child tax credits.
- ▶ Income tax starting rate going from 6 April 2008.

However, the deep recession resulted in stiffer taxes being imposed from 2010–11 such as the new 50 per cent additional rate and allowances being restricted. Furthermore, the May 2010 General Election has given rise to more changes such as a 20 per cent VAT rate from 4 January 2011. But of one thing we can be sure, there will be very many tax changes to include in the pages of subsequent editions. Furthermore, other tax increases have been indicated in view of the poor economic climate.

Due to the volume of changes, it is not possible to retain in each new edition full information for previous years. Thus for the tax rules for previous years, reference to past editions is occasionally necessary.

Because the book concisely covers a very wide field, it has been necessary to omit some of the exemptions and qualifications with which tax law abounds: to adopt a familiar saying, ‘When I say never, I mean hardly ever and when I say always, I mean almost always.’ The book is intended to be only a general tax guide. If it cannot solve a problem, the time has come to look at one of the multi-volume tax textbooks or to consult a tax specialist.

Ideas on straightforward tax saving appear throughout the book. However, Chapter 26 deals with *tax-saving hints* and has many references to the other chapters for easy location of topics. Furthermore, this chapter contains particular reference to future tax planning in a section entitled ‘The way ahead’ (26.8).

A particular feature to note is that all indexing and cross-referencing uses chapter and topic numbers. Thus 7.6 means the sixth-numbered topic in Chapter 7. Similarly 7.6.3 would mean the third subsidiary topic within that main heading. Cross-references to related chapter and topic numbers appear

throughout the *Guide* in brackets and you will also find references to tax legislation where relevant under the appropriate topic title. Also, a glossary to help with the meanings of certain terms appears at the end of this book.

Since its inception, the *Guide* has included references to the tax legislation. Over the years, this has been consolidated into a number of Acts such as the Inheritance Tax Act 1984 (IHTA), Value Added Tax Act 1994 (VATA), Capital Allowances Act 2001 (CAA), Income and Corporation Taxes Act 1988 (TA), Income Tax (Trading and Other Income) Act 2005 (ITTOIA) and Income Tax Act 2007 (ITA). The book is now referenced mainly to the consolidating Acts, using the abbreviations shown above and following the Preface.

The *St. James's Place Tax Guide 2010–2011* brings together in a single volume all of the main taxes which are operating at present, enabling their total effect to be borne in mind. In planning for the future, however, account should be taken of the various avenues for short-term reform, as well as the longer term possibilities for capital gains tax, inheritance tax, income tax etc. As new developments are crystallised, they will be covered in the future annual editions of this book.

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and
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