

SOLOMON'S

INDEPENDENT FINANCIAL ADVICE



Tax Year End – Get Your Skates On

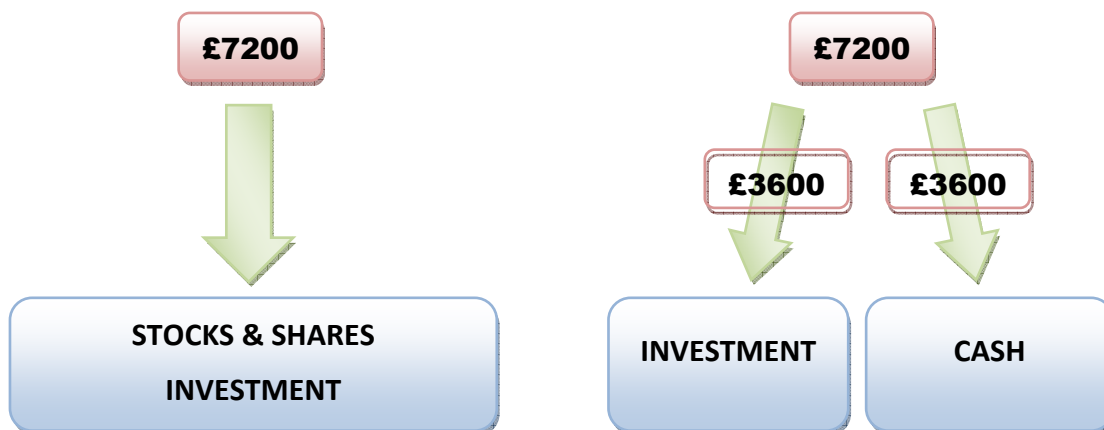
All our clients will have received a copy of the March/April edition of Talking Money. The tax year ends on 5th April, but due to the way the calendar falls this year in essence it is **Friday 3rd April 2009**. Time is running out for those wishing to use their ISA and pension allowances and we really need applications with us no later than the end of March.

ISA Facts

Individual Savings Accounts are little more than holdings that grow free of income tax and capital gains tax. The revised rules mean that it is now possible to invest or save up to £7,200 per person (18+) per tax year (6th April – 5th April). ISAs are a very familiar and basic part of good financial planning as they offer tax-free growth. It is also possible to withdraw money from the investment typically within 5 working days (this would be tax-free). ISAs make great instruments for building money for retirement, education fees, repaying a mortgage – in fact pretty much anything.

Allowance

Every adult is entitled to the £7,200 allowance. This is split so that either all £7,200 is used in a stocks and shares (investment) ISA or this is reduced to £3,600 enabling up to £3,600 to be placed into a Cash ISA. A Cash ISA is little more than a tax-free deposit account – but a useful place to park cash tax free should the full allowance not be needed.



Pension Allowances

Don't forget that under the new pension simplification rules you may invest up to 100% of your earned income subject to a maximum in the 2008-09 tax year of £235,000. Pension contributions receive tax-relief at your highest rate of tax, so someone earning £100,000 could in theory invest £100,000 towards pensions. This would involve writing a cheque for £80,000 and having £20,000 automatically credited to the investment. A further £20,000 should be reclaimed via Inland Revenue self-assessment returns, effectively reducing the cost to £60,000 for a £100,000 investment.

Pensions for Everyone

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The Government will permit anyone under 75 to invest into a pension (and this can be done on behalf of a child or grandchild). There is no requirement to earn an income to pay towards a pension provided that the gross amount does not exceed £3,600 per tax year. Basic rate tax relief is provided automatically so £2,880 is the actual amount invested to which the Government add £720 (20%). For long-term thinkers this is a quick way to make a 20% return on money – in any market. Of course those willing to read between the lines, this provides somewhat alarming evidence of the Government's long-term anxiety over the affordability of the State Pension system.

Carpe Diem

As with most tax-year allowances, the Inland Revenue tend to apply the “use it or lose it” principle, so where appropriate, it makes a lot of sense to use your pension and ISA allowances as fully as possible.