

Window Tax and the lessons we learned from it

Gerry Jackson

**Content is for information only. No action should be taken without
seeking professional advice.**

Saving tax

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1998 – 2004 version



Saving tax

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Partner

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2004 – 2008 version



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2008 – 2010 version



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2010 – ? version



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Saving tax

Current situation

- New additional rate of Income Tax from 6 April for high income individuals
 - ie 50% rate for income over £150,000
- Loss of personal allowances as income goes over £100,000
- Complications with pension contributions
- Rise in NIC rates from 6 April 2011

So what's happening?

- Lots of businesses are looking at using companies
- Potential tax savings

Using a company

- Benefit from CT rate of 21% on accumulated profits
 - 22% from 2011?
- Pay profits out without NIC
 - simply Income Tax
- Potential to fragment income with spouses
 - since “Arctic Systems” result

Not always beneficial

- Not good for investments
 - including property investment
- Complicated for businesses that own their own premises
- Large businesses may not save tax and NIC
 - company tax rate shoots up on profits over £300,000
- Succession issues

Further refinements for partnerships and LLPs

- Don't transfer business to a company
- Instead incorporate the partners separately
 - stays a partnership
 - but partners are companies, not people

- We're following our own advice!

And the future of Window Tax?