

Planning for the 50% Tax rate

In approximately 3 month's time, changes to the UK tax rates announced in the 2009 Budget and the Pre-Budget report will become a reality.

The changes already announced mean the following:

- 60% top rate of income tax will apply to people earning between £100,000 and approximately £113,000. Income above £113,000 but below £150,000 will remain taxable at 40%.
- 50% tax rate on all income over £150,000.
- Extra 1% on national insurance for most earners on top of the increased tax rates announced in December 2009. Taken together with previously announced changes to National Insurance, a top earner faces an effective rate of well over 50% on his income.
- Claw back of tax relief on pension contributions – from 6 April 2009, incomes of £130,000 could easily be affected by this change.

We understand the pressures that higher taxation imposes on our clients still struggling to beat the recession, now facing even greater burdens imposed by Government.

That is why our tax and financial planning teams have put together a number of strategies to help reduce tax burdens during what will inevitably be a period of severe taxation that is likely to continue for at least 4 years.

The following is a sample of just a few of the possible tax saving solutions:

- Bringing forward dividends and bonuses before 5 April 2010
- Transferring a business to a company to take advantage of the still low Corporation Tax rate of 21%
- Making pension contributions whilst tax relief is still available at full rates, and to increase the threshold for which full relief will be available after 6 April 2010
- Making full use of tax rates and reliefs for both spouses
- Taking advantage of the still low Capital Gains Tax rate of 18%
- Rearranging investment portfolios to minimise the overall tax take and to preserve wealth

If you would like a free consultation to discuss any planning opportunities that might be of benefit to you, please do not hesitate to contact any member of our tax planning or financial services team on 01865 261000.