



25 May 2010

Taxes on Investment Returns

Following the recent election there has been much speculation about what will happen to taxes on investment returns at the next Budget now timed for 22 June.

In the absence of any hard facts, particularly around the potentially significant reduction in the annual capital gains tax allowance and the timing of any change, we would not recommend any pre-emptive disposals. However if you were planning to sell assets, then we can see no real downside to doing so before 22 June. We hope this advice is in line with that of your tax adviser!

All the speculation suggests that there will need to be a greater focus on tax wrappers that defer tax on income and gains. We are already reviewing a number of options in this area but remain focused on the impact of charges which, with the wrong solution, would seriously erode the tax deferral benefits. The use of tax-free wrappers such as ISAs will also need to be revisited.

On a more positive note the coalition government has indicated that the rules relating to the purchase of an annuity at age 75 are to be relaxed. The exact nature of the changes has yet to be clarified, however any improvements to the current pension structure which enables greater planning opportunities to pass residual funds to beneficiaries has to be welcomed.

We will be analysing the budget and will be in touch with you shortly after.

Best regards

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Managing Director