Flemmings

2010/11

Tax and Investment Planning Focus

Investor Update

Paying Too Much Tax?

Dear Client,

I trust this issue of our Newsletter finds you in the best of health despite the choppy seas that we are trying to sail through!

We are witnessing the first coalition government, in peace-time Britain, implementing severe budget cuts. It is unsurprising that, due to the staggering debt on the state's books, we find ourselves in a highly-taxed environment.

It is of paramount importance that your hard-earned wealth is preserved and grown wisely by adopting appropriate tax-efficient investment strategies. Timing could also make a world of difference!

Flemmings is an organisation providing a full and integrated service to our clients in all aspects of their financial well being and enhancing their wealth.

As experienced tax, financial and property advisors to our clients, we have sourced some interesting and exciting investment opportunities within the UK and abroad to help mitigate tax and / or build a diversified investment portfolio.

I would like to invite you to one of our seminars, details of which are at the back of this Investor Update. If you wish to attend, then please complete the form and fax it back to us, or alternatively email us to reserve your place.

I look forward to seeing you at the seminar.

Hitesh Shah

Hitesh Shah
Managing Director

Inside this Issue :

Emergency Budget

The coalition government delivered its first budget on 22nd June 2010 and as a pre-cursor to this Tax and Investment Focus, below are some of the key points that may affect your position. Please note that the Chancellor of the Exchequer, George Osborne, will make his Budget Statement to the House of Commons on Wednesday 23 March 2011 at 12.30pm.

Brief Summary of Tax rates and reliefs for 2010/11

Loss of Personal Allowances – for every £2 of income over £100,000, one would lose £1 of their personal allowance. Therefore, the highest marginal rate of tax for an income between £100,000 to £112,950 is 60%.

Top rate tax of 50% - the highest marginal rate of tax for incomes over £150,000 is 50%.

Capital Gains Tax rises from 18% to 28% - for disposals on or after 23 June 2010, the rate of CGT is increased to 28% to the extent that the gain, when added to the income for the year, exceeds the basic rate band. The Annual Exemption remains unchanged at £10,100.

Entrepreneur's Relief increased – with effect from 23 June 2010, the lifetime limit of Entrepreneur's Relief is being increased to £5m. Gains on qualifying assets up to the threshold will be chargeable at only 10%.

Pension Contribution Restrictions – currently allows a maximum annual contribution of up to £255,000 and from 6 April 2011 this has been repealed. The anti-forestalling provisions will continue to apply into 2010/11. From 06 April 2011 the annual allowance will be £50,000.

Value Added Tax – the rate of VAT has been increased on 4 January 2011 to 20%.

National Insurance Contributions – the thresholds for NIC liability are being increased with effect from 5 April 2011. In an effort to assist in job creation outside the South East there is to be an NIC holiday for new businesses of up to £5,000 for each of the first 10 employees employed after Budget Day.

Inheritance Tax – the nil rate band of £325,000 is frozen until 2015.

Corporation Tax – the rates to remain unchanged until 1 April 2011. The small companies rate on profits up to £300,000 will be reduced to 20% on 1 April 2011. The main rate of corporation tax on profits over £1.5m will be reduced from 28% to 27% on 1 April 2011 and will go down a further 1% pa down to 24% by 1 April 2014. The marginal rate between £300,000 and £1.5m will remain at 29.75% for the current year and will go down next year to 28.75%.

Capital Allowances – the annual allowances for plant and machinery are to be reduced with effect from April 2012. Please contact us for further details.

CASH

As the global financial markets rocked, we witnessed a “flight to safety” and realised the importance of CASH as a component in any asset-allocation-strategy; but cash is usually held with banks and our confidence in the banking sector has been thwarted with the way the banks carried on their business.

We live in a historically low interest rate environment - the Bank of England Base Rate has now remained unchanged at 0.5% for a near record of 2 years and many savers are squeezed by such low rates on deposits, the value of which is eroded away by a rising inflation rate;
Sitting back and doing nothing is not an option.

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How can Flemmings help?

We offer proactive advice to enhance returns on deposits to make your cash work hard for you.

Flemmings and Bank of Baroda UK

Bank of Baroda is a long established bank incorporated in India, in which the Indian government holds a majority stake.

Flemmings have an “***exclusive arrangement***” with Bank of Baroda UK to introduce and facilitate banking facilities for individuals, businesses, companies and also pension schemes which includes SIPPs.

Withdrawals are permitted with no minimum deposit requirement.

We have negotiated with the Bank to fix the interest rates as below until 31st December 2011:

	AER
Individual Account	3.1%
Business / Company	3.1%
Pension Scheme (i.e. SIPP, SSAS & etc)	3.1%

The Financial Services Compensation Scheme

- Bank of Baroda UK is a FSA regulated and authorised Bank and a member of the Financial Services Compensation Scheme (FSCS) established under the Financial Services and Market Act 2000.
- If the bank cannot pay any amount that they owe on your savings accounts, you (and the Trustees if the pension scheme) will be able to claim compensation.
- Deposits held with the UK branch are protected by the Financial Services Compensation Scheme. Payments under the UK scheme are limited to £85,000 of your total deposits with the bank.
- In practice, this means that each of the Bank’s Customers with deposits at the UK branch is protected up to a maximum of £85,000. Where two depositors hold a joint account, each depositor may receive a maximum of £85,000 compensation in respect of the claim, giving a total of £170,000.
- Although most depositors, including individuals and small firms, are covered, certain customers are not covered.

**** Terms & Conditions apply.***
**** The exclusive rates are only offer for those applications via Flemmings.***
**** Please contact Flemmings for the application pack.***

Please contact us on 0208 665 7050 for details.

Individual Savings Account

“Tax free gains and no further tax to pay on the income”

- Introduced on 6th April 1999
- Medium term savings
- Tax Efficient returns
- Ability to access equity markets with controlled risks by investing in mutual funds

An opportunity to make a real difference to your savings!!

Why Pay Tax on your Hard Earned Savings?

The current tax year provides each investor with an ISA allowance of £10,200 – that’s a total of **£20,400** for a couple, all protected from the clutches of the **taxman**. The earlier you start investing in an ISA, the sooner your tax efficient investment begins to work for you. This means that you will benefit from not paying any tax on any capital and/or income growth that your ISA investment generates.

it’s important that as investors you look beyond the current economic uncertainty and continue to make full use of your ISA allowance.

Types of ISAs

Stocks and Shares ISA
Should you be an investor that doesn’t mind taking on a higher level of risk in order to achieve a higher level of income? Then investing in the ‘Stocks and Shares ISA’ is an ideal opportunity for you to shelter any returns that you gain against the taxman.

Cash ISA
Cash is an important part of any portfolio, and should you invest in a Cash ISA, your interest will be tax-free which will help to boost your return.

Please note the deadline for the 2010/11 ISA is 05th April 2011

Please contact our Financial Services Team on 0208 665 7050 for details

Enterprise Investment Scheme

The Enterprise Investment Scheme (EIS) was introduced in 1994 to encourage individuals to invest in smaller unquoted businesses as a means to help alleviate the problems faced by such companies in raising equity finance.

"Since 6 April 2004, VCTs no longer provide CGT deferral. Hence, EIS is, for most investors, the only means of deferring capital gains tax liabilities."

Why SME's?

Focus is moving to the **Small-to-Medium-Sized Enterprise** (SME) which has the following advantages:

- resilient business structures with lean management
- prudent growth strategies and relatively low gearing
- hands-on approach
- SMEs contribute to over 33% of UK GDP and to over 50% of UK Employment

play a key role in the UK Economy

EIS Reliefs

In order to qualify for EIS relief a company must be engaged in a qualifying trade into which it must invest all of the proceeds of the issuance of shares for which EIS treatment is sought.

The scheme transforms EIS-eligible companies into compelling investments for many, largely due to a range of tax reliefs:

Income Tax Relief
20% Income Tax relief on amount subscribed up to a maximum total subscription of £500,000 pa to investors who do **not** control the business

Carry Back of Income Tax Relief
Investors can make a claim to carry back part of the sums against their tax liability for the previous year (2009/10), to the extent that the relief for the previous year has not been utilized.

Capital Gains Tax (CGT) Deferral
Deferral relief against CGT is available for investments made between one year before and three years after a gain is realised. However an investor will be subject to tax on the deferred gain when he disposes of his EIS shares or if he ceases to be UK resident within 3 years of the issue of the shares.

Business Property Relief (BPR)
100% BPR for Inheritance Tax should be available after 2 years of holding the EIS shares

Tax Free Gains
Gains made on an EIS shares are free of Income or Capital Gains Tax if shares are held for a minimum of 3 years. Dividends are not tax-free.

Loss Relief
If EIS shares are disposed of at any time at a loss (after taking into account income tax relief) such loss can be set against the investor's capital gains or his income in the year of disposal or the previous year.
For gains offset against income tax, the net effect is to limit the investment exposure to 48p in the £1 for a 40% tax payer or to 40p in the £1 for a 50% tax payer, if the shares become totally worthless.

Please contact our EIS Team on 0208 665 7050 for details

Enterprise Investment Scheme

Our EIS Proposal

- We are currently looking at an EIS Proposal which will provide the above mentioned tax reliefs (*subject to individual circumstances*).
- We are looking to raise £10m in equity capital, and a further £15m (60%) of bank funding.
- The proposal has a simple business model;
- It will trade in a sector which is viewed to be defensive and hence could assist with capital preservation; and
- It has the potential for attractive returns.

If you are interested and would like to learn more about this ***limited-release*** Proposal, then please contact us immediately on 020 8665 7050. Please note that you should seek professional advice before considering such an investment.

Venture Capital Trust

The Background

VCTs' were introduced by the Conservative Government to encourage investors to invest in the UK's smallest and potentially fastest growing companies.

In the current tax year, income tax credit of 30% is available on subscription, provided the VCT is held for at least 5 years. If you make a £10,000 investment in a VCT for the current tax year, you will be eligible for a £3,000 reduction in your tax bill.

The tax relief available and the qualifying investment criteria for investment companies have changed over the years. However VCTs' continue to provide a valuable asset class for addition to an investor's portfolio.

You do not even have to be a higher-rate tax payer to benefit from this tax relief. Basic rate tax payers (20% tax rate) are also eligible for the 30% rebate.

The Benefits and Risks

- Tax free dividends paid on VCT shareholdings
- Gains made on the sale of VCT shares are free from CGT.

Although holding a stake in a private business is risky, Venture Capital Trusts help to diversify this risk.

Note that your capital would still be tied up for a number of years in a relatively illiquid investment.

VCTs' should therefore be thought of as a medium to long term investment. The appropriate time horizon should ideally be over 7 years.

"With many potential VCT funds open for investment in the market, the key decision should be one of selection."

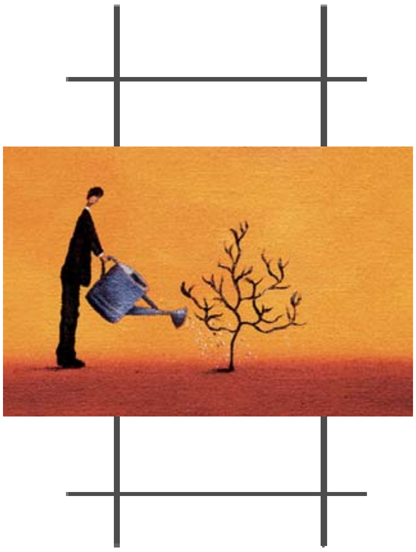
How can Flemmings help?

Flemmings selects a small number of VCTs' every year after evaluating all the VCT offerings available in the market against our stringent criteria. This ensures that our clients and investors benefit from our investment selection experience and invest in products that offer the best opportunity for positive growth. For more information on our VCT selection for 2010/11, please contact our Investment Team for more details.

Please contact our VCT Team on 0208 665 7050 for details

PENSIONS

"Greater life expectancy means that, for the current generation, retirement could last for more than 30 years and the cumulative effect of this shift in demographics is a challenge that affects us all."



- It is a well documented fact that Britain is entering a serious retirement savings crisis,
- The Government is encouraging all individuals to make some sort of own provision for retirement,
- A *'relevant UK individual'* is eligible to receive tax relief if he / she makes a contribution of up to £3,600 or 100% of UK 'relevant earnings' into the pension scheme,
- For those who have no earnings, they can contribute up to £3,600 gross per tax year (on the contribution of £2,880, the government will top up to make it £3,600 – which means £720 from the Government),
- The pension scheme itself is tax exempt and therefore can produce better returns.

Is your Income in a above £130,000 in any tax year, since 5 April 2008?

- To cover the budget deficit, the previous government has introduced some measures to restrict the pension tax relief for those people with an income over £130,000.
- This anti-forestalling rule is still applicable until 5 April 2011.

Reduction in the Annual Allowance ('AA')

- Annual allowance is the maximum 'tax privilege pension savings' that can be made by you or on your behalf into all pension schemes in a year.
- In October 2010, The Chancellor announced that the 'AA' is being reduced from £255,000 to £50,000 per year from tax year 2011/12.
- For the purpose of testing against the pension 'annual allowance', an individual's pension provision under a registered pension scheme is to measure against the pension input period for the tax year in which that period ends, as the pension input period for a pension arrangement is not necessarily the same as the tax year.
- For some pension investors, this change could impact their pension savings for the year ending 5 April 2011. However, there could be some planning involved to avoid the tax charge.
- It is worth noting that for those members in the final salary scheme (e.g. NHS Superannuation Scheme), for annual allowance purposes, the accrued benefits could be much more than your actual contribution.

Build a retirement fund, reduce your higher rate income tax bill and boost the performance of your pension fund - all using a SIPP.

Please contact our Financial Services Team on 0208 665 7050 for details

PENSIONS

"Rising life expectancy and rising cost of living, places stress on many pensioners. The UK pension system has failed to provide a decent retirement income for many people. The earlier you want to retire, the more savings you will need to provide the level of income in retirement"

Following 'A Day', "Simplification" has removed the complex rules and regulations that were previously seen as barriers to investment diversification, allowing greater flexibility for long-term asset allocation strategies.

Self Invested Pension Plans

You should look to pension simplification as a liberalising moment whereby you will be able to plan to contribute significant amounts towards your retirement. The obvious question is why you would want to restrict your investment regime to that of a constrained personal pension. That's where a SIPP comes in to play. A SIPP is a personal pension scheme which provides you greater flexibility, greater choice and control over where you invest your money suit you.

A SIPP is only as good as the investments it holds!

Benefits

- Wider investment choice i.e. funds, shares, investment trust, commercial property, cash, exchange traded funds and others which are permitted by the HM Revenue & Customs.
- Control – you decide where and how to invest
- Tax efficient – free of income tax and any growth is free of capital gains tax
- Amalgamate all your pension into one – allow you to develop your investment strategy and ease for administration

Investing in Commercial Property via SIPP

- Especially useful planning tool for owners of small businesses
- The rental income received by the pension scheme (landlord) is tax free, while the rental is a deductible expenses for the business (tenant)
- Growth of property value in the SIPP is free of CGT
- The property is 'ring fenced' from the business owner, which is:
    - ⇒ The SIPP buying the property (the owner can sell the property to the pension and hence, recycle cash from pension), or
    - ⇒ Contributing the property into the pension plan to obtain tax relief. This can preserve cash while boosting the pension pot.

How Flemmings can play a role in your retirement planning?

Tax Planning – assisting to maximise the pension relief and comply with the complex tax and pension rules,

Investment Advice – to develop an investment strategy and portfolio which is tailored for your personal circumstances,

Pension Advice - choosing the right retirement plan that suits your objective,

Retirement Advice – retirement options include annuity purchase, income drawdown, phased retirement and tax free lump sums.

We strongly recommend that professional advice be taken before a pension contribution is made.

Please contact our Financial Services Team on 0208 665 7050 for details

Enterprise Zone Property Syndicates

"Invest in commercial properties with 50% Tax Benefits"

What is an Enterprise Zone Property Syndicate

- Government sponsored initiative (*one of the very few remaining*)
- to incentivise investors to invest in commercial property
- in Enterprise Zones designated by way of legislation
- by offering statutory tax relief known as Industrial Buildings Allowance
- which can be relieved at the highest marginal rate of income tax, say 50%
- and the investment has to be held for at least 7 years to preserve the tax benefits.

Absolute Last date for Enterprise Zone tax relief – 5th April 2011, after which they are being abolished

"An opportunity to shelter your high rate tax liability by investing in a property backed UK Government Approved Scheme"

History of Enterprise Zones

Enterprise Zones were established in 1981 by the government with the foresight of regenerating and stimulating business activity in economically depressed areas. The best know example of an Enterprise Zone is the London Docklands.

The choice for Tax payers is simple, pay the Income Tax or invest it in commercial property via a syndicate and look to make medium to long term return.

However, such investors do need to consider the implications of the property investment and not concentrate on the tax relief alone.

Key considerations include:

- *Location*
- *Return from rental yield*
- *Potential from Capital Appreciation*

Incentives attached to such an investment includes:

- *100% initial allowance available on qualifying expenditure*
- *Can be offset against income for current tax year*
- *'Lesser Interest' can be sold after 7 years without loss of tax benefit*

"Our past experience shows that such schemes tend to be oversubscribed rapidly. To ensure your participation, you are advised to act promptly."

Please contact our EZ Team on 0208 665 7050 for details.

Enterprise Zone Property Syndicates

Enterprise Zone Illustration

For a 50% tax payer which can also be invested tax-efficiently

EXAMPLE OF NET CASH INVESTMENT

Gross Investment	£100,000.00
Less: Scheme Loan	(£70,000.00)
Initial Cash Investment	£30,000.00
Tax relief @ 100%x50% Qualifying Expenditure	(£50,000.00)
Net Cash Benefit	£20,000.00

Please note that this is an example used for illustrative purposes only. Please refer to the Information Memorandum for further details.

"If you are interested to learn more about this Scheme, attend one of our seminars. Please see last page for details."

Please contact our Property Team on 0208 665 7050 for details.

Inheritance Tax

"Taxation is one of the preoccupations of UK government and the governed. The cycle of taxation can start from birth and continue to adulthood and finally to death."

What and Why?

- One of the most important taxes that will have a deciding impact during an individual lifetime and up to the individual's death is known as the Inheritance Tax (IHT). IHT, also known as 'death duty', has been with us for centuries and was originally designed as a means of distributing and balancing the wealth between the rich and the poor.

Homes in excess of the Nil-Rate Band

You don't have to be super rich for your estate to be subject to IHT after you die. In UK, IHT is currently levied at a rate of 40% on estates which exceed the Nil-Rate Band (Nil-Rate Band for 2009/10 and 2010/11 = £325,000). For many people, the value of their home alone may exceed the Nil-Rate Band. As a result, IHT may be chargeable on the deceased individual's estate and may well be indirectly chargeable on the beneficiaries of the deceased's estate.

A shock to many

IHT no longer affects only the wealthy. It will undoubtedly come as a shock to many who discover that a large proportion of their wealth/estate which includes all their worldwide assets such as family home, investments, life policies not in trust, cars, antiques, jewelleries and heirlooms, would fall within charge to Inheritance Tax. Also, the tax liability would have to be settled first in order to receive grant of probate and only then would the executors be able to distribute the assets.

Are you aware? Need to act…

Most people are aware of the existence of IHT but very few people have given it much consideration and therefore no planning about their potential future IHT liability has been done. As a result, increasing number of people are being caught by surprise and saddled with potentially huge tax bills.

The FT reported on the 27th April 2010 that 'UK taxpayers will waste nearly £2 billion this year due to poor IHT planning'. This is likely to worsen as IHT threshold remains frozen at £325,000, rather than rising in line with inflation for the next 4 years.

There are a number of ways in which you can reduce your IHT liability through careful planning – but it is important that you act now. Before any planning is undertaken, it is important that some fundamental considerations are incorporated into your strategy:

- be realistic,
- ensure the arrangements are flexible and
- keep the planning simple.

IHT Planning is a client-focussed exercise and we can offer bespoke solutions to meet your specific needs. Please contact us as soon as possible so that we can help you preserve your hard-earned within your family.

Please contact our IHT Team on 0208 665 7050 for details

Our Service

Flemmings Chartered Accountants is a three Partner practice specialising in wealth management for high net worth individuals. Our client base consists mainly of UK qualified professionals running owner managed businesses as Doctors, Dentists, Pharmacists, Lawyers, Barristers and even Accountants. The firm also has a large international client base where we provide extensive wealth management services. We have an outsourcing arm based in Chennai, India, which carries out the bulk of the processing work so that the staff based in the UK can perform more high value work for our clients.

The firm's approach is to provide a holistic **"one-stop"** service for its clients, starting with the Auditing, Accounting and Corporation and Personal Tax services. Further value is added with our Tax Planning, Financial Services, Property and Corporate Finance Services. The Tax Planning services involves advising clients on Income tax, Inheritance Tax and other Capital Taxes, whilst the Financial services involves providing advice on the future pensions, savings and investments for our clients. The Property services involves providing advice on the acquisition, management and disposal of high value commercial properties and is interlinked with the Corporate Finance services.

Over the years, we have built up a large clientele consisting of trading businesses and professionals for whom we provide business and personal services, some of which are listed below:

Business Services

- Book keeping & Payroll services
- Preparation of Annual Accounts, Management Accounts, Cash Flow Statements & Budgets
- Preparation of the Annual Certificate of Pensionable profits.
- Property related aspects

Personal Services

- Preparation of Tax Returns and Tax planning with a view of mitigating tax
- Investments in both a Tax Free & Taxable Environments
- Pensions Advice, Personal Pension Plans
- Life Policy, Critical Illness, Private Medical Insurance, Key man insurance
- Income protection, Mortgages
- Property Investments
- Equity Investments

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving, please let us know by telephoning Mr Hitesh Shah in the first instance.

We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. If you feel that we have given you a less than satisfactory service, we undertake to do everything reasonable to address your concerns. If you are still not satisfied, you may of course take up matters with the Institute of Chartered Accountants in England & Wales (ICAEW) and/or the Financial Services Authority (FSA).

Fax Back Form

TAX AND FINANCIAL PLANNING SEMINAR

We would like to invite you to attend any one of the seminars listed below. The seminar will include a Presentation, consultation time and dinner. If you wish to attend a seminar, kindly fax back this form, email or telephone our offices on the below given numbers confirming which one of the locations you will be attending.

Please Note that Dinner will be served from 6:30pm to 7:15pm

Fax No **020 8665 6601**
Telephone **020 8665 7050**
Email **events@flemmings.co.uk**

Date	Time	Venue	
Friday 18 March 2011	6:30pm to 9:30pm	Flemmings Offices, 76 Canterbury Road, Croydon, CRO 3HA Telephone: 0208-665-7050	☐
Friday 25 March 2011	6:30pm to 9:30pm	Flemmings Offices, 76 Canterbury Road, Croydon, CRO 3HA Telephone: 0208-665-7050	☐

Please indicate below your full name, contact details and the number of colleagues you will bring to the seminar.

I would like to attend the above indicated seminar (Please Tick)

Name .... Company Name ....
Email .... Mobile ....
Home No .... Work No ....
Address ....
....
....

I will bring _______Colleagues to the seminar and their full names are as follows.
....
....

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