Summer 2024

# The Premier Partnership Limited

## Your Family Office

NEWSLETTER


**Welcome to the Summer edition of our client Newsletter. In this publication we will be looking at Estate Planning, which given a change of Government and a cut in interest rates, since we last engaged with you - could be opportune.**

Chancellor Rachel Reeves has stated, as did Labour in their manifesto, that personal taxes (Income Tax, National Insurance) will not go up under her watch - but she studiously avoided Capital Taxes (Capital Gains Tax, Inheritance Tax, VAT). So she has left herself wriggle room to increase taxes - and she probably will, as Labour's tax and spend colours come more to the front. In reality, the Chancellor has no real need to raise taxes, because the freezing of allowances under the Tories - lasting until 2028 - ensures an increasing tax take from individuals as wages and assets rise. If you want to see the full effect of a 'frozen allowance', witness the rising tax take from Inheritance Tax. Since the tax year 2010/11, the Inheritance Tax threshold has been £325,000 per individual and by straight comparison over 10 years, the tax take by HMRC in 2013/14 was £3.47 Billion. In 2023/24 this is expected to be £7.1 Billion, and rising. In 2020/21 only 4% of estates in the UK (27,000 estates) resulted in an IHT bill. By 2028/29 the estimates are 6.7% or 43,600 estates. (Figures: Office for Budget Responsibility).

It is clear that this will be a profitable source of revenue for the new Labour Government, and as we say - if it ain't broke, don't fix it. So we do not expect any significant changes to IHT just yet.

Capital Gains Tax however, may be a different scenario, despite again, the new Chancellor saying she would not change the current position. The one area she probably will target is closing a loop hole that allows corporate bonuses to be taxed under CGT rules, rather than Income Tax rules (45% Income Tax, 28% under CGT rules) and this would cause nobody any concern. We expect the immediate tax landscape to remain quiet, but there will be a Budget on 30 October, so we may see something then. The Chancellor has reverted immediately to a traditional Labour position of 'tax and spend', so there is undoubtedly a lot of change to come.

# Capital Gains Tax

**The new Labour Government have hinted that they may wish to make changes to Capital Gains Tax, so we thought we would refresh memories on what regime we currently have.**

## Annual Exemption Allowance

The Capital Gains Tax (CGT) exemption has been reduced again in the 2024/25 tax year, so knowing where you are with CGT is vitally important.

Individuals will usually have to pay CGT on their overall gains above their exemption. In the tax year 2023/24 this was £6,000, but this is reduced to £3,000 for the current tax year. There is good news however, in that any losses created by asset disposals in previous years, can still be brought forward to offset chargeable gains in future tax years. This allowance of carry forward losses, is only available if you have registered the loss with HMRC within 4 years of the loss being created.

## Charges

CGT is charged at either 10% for a basic rate tax payer, or 20% for higher or additional rate tax payers. However, there are separate and higher rates payable to gains on residential property, such as rental properties, holiday rentals and second homes. Principal private residence relief (your own home) will continue to apply on disposal of main residences.

From 6 April 2024, individuals and personal representatives will be liable to pay CGT at the following rates:

If you are higher or additional rate tax payer you will pay 24% on gains on residential (rental, holiday home) property.

28% on gains from carried interest if you manage an investment fund.

20% on gains from other chargeable assets.

If you are a basic rate tax payer, you will pay 10% on your gains from chargeable assets (18% on residential property) and 20% on any gain above the basic rate.


Example:

Taxable income minus personal allowance and

Income Tax reliefs - £20,000

Net taxable gain made at £12,600

Deduct personal CGT allowance £3,000

Leaving £9,600 to pay tax on.

Add this amount to taxable income

£20,000 + £9,600 = £29,600

Combined figure is less than £37,700 (basic rate band for 2024/25)

So tax is payable at 10% - £960

This is one area that Chancellor Rachel Reeves may look at in her October Budget. The residential reduction was announced in the Spring Budget 2024, and is an easy one for Labour to reverse. Trustees will pay 28% on gains.

## Summary

Using CGT correctly can bring big rewards when you sell something for a profit. For example, consider how assets are held! In one name - or joint names. Joint names get their own individual allowance and so both allowances can be used on disposal. Or, where married couples or civil partners are in different tax bands, and one or both have exceeded the annual exemption limit - it may be appropriate to transfer assets between each other.

The use of ISA’s and ‘wrappers’ such as investment bonds can also provide tax protection, as can pension schemes for individuals. You can not carry forward any unused CGT allowances, it is a ‘use it or lose it’ allowance. If you are selling a business that you own (separately or with others), you may qualify for a special CGT relief called Business Asset Disposal Relief (BADR), formerly known as Entrepreneurs Relief. BADR could allow you to pay tax at 10%, when selling a qualifying business. There is an individual allowance of £1 Million per person for such disposals, so prior to sale a review of shareholdings may be in order.

**We are not absolutely expecting Labour to change any of these rules, but despite their manifesto promises of not raising other personal taxes, CGT looks like an easy target.**

# Trusts

**Quite often in estate planning the subject of the potential use of a Trust comes up, particularly when we are planning to protect bloodline wealth. We thought that we would do a bit of a refresher course on the basics of Trusts and what they can do.**

## What is A Trust?

A Trust can be a legal agreement or document, or where a simple arrangement occurs. It is essentially where a person has and controls property or assets for the benefit of another. There are various parties involved in such arrangements. The person who creates the Trust is called 'The Settlor'. The term comes from someone 'settling' assets to someone they trust. The property or assets ''settled' become the Trust Fund or Trust Assets. The person who is trusted to do the job is called 'The Trustee' and the person(s) who the Settlor decides can benefit from the Trust Fund is known as 'The Beneficiary'. Normally, the terms of the Trust are written in a document referred to in various ways, including: Settlement; Settlement Deed; Trust Deed; or Trust Document. The word 'Deed' in these instances means a document that is in writing and is signed and witnessed. The document will name all of the above under their titles.

## Benefits

In estate planning, a Trust is used as a vehicle to take assets (houses, land, cash, property) out of an estate to potentially reduce the burden of Inheritance Tax. The tax take from IHT is forecast to top £10 Billion in 2028/29, so the new Labour Government will not be looking to amend the rules anytime soon.

Where assets are placed into Trust, they are (subject to rules), deemed not to be in that person's estate for IHT purposes. The rules are complex and advice must be provided. Under current law - again subject to rules, such assets are also outside of means testing by local authorities. However, word of warning, it is not possible to create a Trust solely to deny a local authority.

## Types of Trust

There are many different types of Trust to accommodate specific requirements, and they vary in terms of use and taxation. A Trust can be created by a Will, a 'Will Trust', where for example beneficiaries are minors and the adult(s) die before the minors reach the age of 18 (or 25). Here the assets would be for the benefit of the children and they will inherit at the appointed age. Whilst a Will Trust as above is created by a person's Will, in lifetime a Settlor may choose after advice to use:

**A Discretionary Trust**
**An Interest In Possession Trust**
**A Bare Trust**
**A Charitable Trust**
**A Disabled or Vulnerable Persons Trust**

All of the above have specific purposes and uses in planning. There are more esoteric versions as well, particularly in the offshore world, but the above are those in common use in the UK.

## Summary

The creation of a Trust is not the be all and end all of estate planning, but they have their uses. They also come with a requirement to report to HMRC and to keep Trust accounts, so the costs have to be taken into account as well. It is impossible to detail every aspect of Trusts in a short article, but hopefully this has provided a brief precis of what a Trust is.

As always, your adviser would be happy to assist.

# Normandy - 80 Years On

**We have many talented clients, none more so than Sue M, our own poet laureate, who has just launched her third book of poetry - Words On Stony Ground - published in 2024.**

In lockdown Sue discovered her creative voice, and it gives us immense pleasure to re-create, as our sign off this quarter, Sue's poem about the Normandy Landings - 80 years on. It's called 'Remember Me?', and we hope you enjoy it.

**Remember Me?**

Remember me?
We hugged, I smiled marched away proud.
So many Union Jacks waving high in the crowd.
A glorious cheer, hue and cry voiced aloud.

Remember me?
Your school pal, sibling, son or maybe good mate,
Last seen drinking down the noisy local on the estate.
Wishing I could be there, getting a round in, now it's too late.

Rember me?
Your loved one sent off to such a strange, foreign place.
Fighting daily for freedom, we all prayed for grace.
Battling across no man's land, there would be no trace.

Rember me?
Mind numb, knee-deep in mud, blooded khaki and bone.
There's me composing letters for sending folks back home.
So many lost but the rest feeling ultimately alone.

Remember me?
Your dear one, who gave their prime adult years to serve.
As private or officer, for the peace we all deserve.
Who knew of the ammo and bullets we'd need to swerve?

Remember us?
We cannot come home, we gave more than we should,
Our hearts, our souls and finally, our blood.
They had to bury us out there, just as best they could.

Remember me!
Seen as a simple cross in a field, amongst rows of many more
Stand tall at the cenotaph, poppies red, all adorned.
Who will ever understand what this cold stone monument is even for?

**If you would like to purchase a copy of Sue's book, contact us and we will send your details on.**



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