

## ALLIANCE TRUST HIGHLIGHTS END OF TAX YEAR PENSION PLANNING OPPORTUNITIES

With the new tax year only days away, Alliance Trust is urging professional advisers to take advantage of 'use them or lose them' opportunities for tax saving to enhance their clients' pension arrangements before the tax-year-end deadline passes. Alliance Trust Savings Pensions Development Manager Steve Latto said, *"These issues provide advisers with opportunities to improve the tax efficiency of their various clients' pension arrangements. However, with the end of the tax year looming, now really is the time to make the most of your clients' tax allowances. As the current tax year ends, the chance to take advantage of today's basic rate of tax and CGT taper relief will be gone for good. By planning quickly and carefully, taking advantage of tactical and long-term opportunities, advisers can help clients preserve and build their wealth."*

### **Cut your clients' capital gains tax bill**

With capital gains set to be taxed at a flat rate of 18% from 6 April, certain long-term investors face the choice of being taxed at the new higher rate on disposal or selling their investment now. However, Alliance Trust highlights two ways in which investors could use their SIPP to hold on to their shares while only paying 10% on gains made so far: either by making an in-specie contribution or by selling their shares to their pension fund.

For example, a client who has made a £100,000 gain on an AIM share holding could sell these shares to their pension fund or use these shares for an in-specie pension contribution before 6 April 2008 and avoid paying an additional £8,000 in CGT. The client would then be free to sell their pension fund holding at any point in the future without incurring any further CGT liability.

If the same client has not used any of their CGT exempt amount for the current tax year (£9,200), this could be used to reduce or eliminate any potential CGT liability.

### **Get back to basics before it's too late**

Advisers with basic rate taxpaying clients should consider whether they are in a position to boost their contributions this tax year, to take advantage of the 22% tax relief currently on offer. With the basic rate of tax set to fall to 20% from April 6, tax relief will also fall by two pence in the pound. The relaxed rules on contributions since A-Day may tempt clients to make a significant one-off lump sum contribution ahead of the April deadline.

This change will also affect clients contributing the maximum allowance of £3,600 gross to a non-earning spouse's pension or child's pension. Currently, they need to pay £2,808. This will rise to £2,880 in the next tax year.

### **Accelerate tax relief for high earners**

Alliance Trust highlights a one-off opportunity around tax year end for high net worth clients to take advantage of input periods to make three years contributions in just a few days.

For example, a client makes a pension contribution of £225,000 gross (£175,500 net) on March 25, 2008, and then nominates to end the input period early on March 26, 2008. The client then makes another pension contribution of £235,000 gross (£183,300 net) on March 28, 2008 and then nominates to end this input period early on April 6, 2008. On April 7, 2008 another pension contribution of £245,000 gross (£196,000 net) is made. Each input period ends in a different tax year, therefore the client has made gross pension contributions of £705,000 between March 25 and April 7 2008 without incurring an Annual Allowance charge.

By manipulating input periods in this way, advisers' clients – if they have sufficient relevant UK earnings to support these levels of contribution – will receive tax relief earlier and, as a result, see returns accumulate more quickly.