



## **Marshall Roche Newsletter**

**Christmas 2004**

### **Don't have a taxing Christmas!**

If you have still to let us have the information to prepare your tax return for 2003/04, please do so now without delay. As usual, the deadline is the end of January and the penalty for missing the deadline is £100.

As always, we cannot guarantee that the deadline will be met for everyone if we get too many come in at the last minute. ***Let us have it before Christmas, so you can forget about it over the break!***

The payment date for any tax owing for 2003/04 and the first instalment for 2004/05 is 31 January 2005. Tax not paid by then will incur interest. Any tax for 2003/04 still owing at the end of February 2005 attracts an additional 5% surcharge. If you believe that you have a liability but have not had a tax demand or payslip by the middle of January, please contact us.

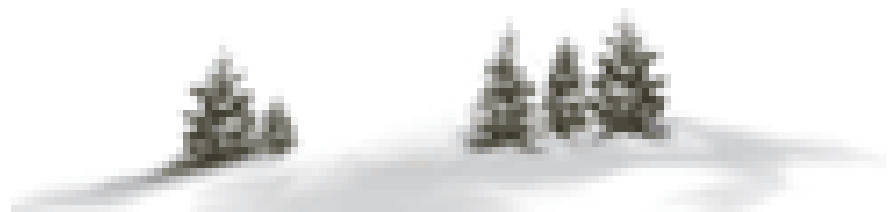
**Leave your tax headaches to us!**

# Merry Christmas

*and a  
Happy & Prosperous New Year  
from everyone at  
Marshall Roche*

This year we have donated our Christmas card fund to  
**Cancer Research.**

***Thank you***



## **Inheritance Tax planning**

Inheritance tax can be avoided by giving away an asset more than seven years before death. However, the biggest asset owned by most people is their home. Over the years, there have been many schemes for transferring someone's home out of their estate while they are still living there. Gradually, these schemes have been closed down, but the government has now played a masterstroke to catch all of those who thought that they had got away with it.

*As from 6 April 2005, anyone enjoying an asset (such as their home) which they used to own, but which now belongs to someone else, will pay income-tax on the benefit enjoyed. This will be calculated as a percentage of the asset value.*

There will be some exclusions, but not many, and those who wish to avoid the charge will have the option of electing (by 31 January 2007) for the asset to be treated as if it was once again part of their estate. This avoids the income-tax charge, but of course, undoes the original tax planning...

**However, it remains possible for husband and wife to put their house in joint names as "tenants in common",** so that when one of them dies, their half can be left to the family, rather than being added to the estate of the survivor. This remains an effective way of saving up to £105,200 in tax by using both spouses' tax free allowance, currently £263,000 each.

## **Contracted out of SERPS?**

For many years it was beneficial for most people (not in a company pension scheme) to contract out of SERPS, the State Earnings Related Pensions Scheme. However, changes in the expectations for the growth of personal pension funds and the loss of many of the incentives provided by the government to contract out, mean that many people are now better off in SERPS than contracted out through a personal pension.

Because the future is uncertain, it is not possible to say exactly who should be in and who should be out, but the older you are, the more likely it is that you should be contracted in. ***Some calculations suggest that anyone in their thirties or older should be contracted in.***

If you are contracted out and would like to contract back in, you need to complete form CA1543, obtainable from the Contributions Agency. This must be submitted by 5<sup>th</sup> April in order to have effect for the next tax year.

## **Pre-Budget Comment**

*Earlier this month, the Chancellor of the Exchequer gave his pre-budget speech which, as expected with an election just around the corner, was very upbeat.*

*Economics tends to go in cycles -- there is optimism, then satisfaction, followed by complacency. Everybody spends wildly and this continues to fuel the boom.*

*Then comes doubt, then serious doubt followed by a collapse of confidence. This brings a reality check and everyone is more careful with their money, so there is less money all round, so things get harder and down we go.*

*Then people pick themselves up, become more efficient and get back on their feet. Optimism is rekindled and the whole process starts again.*

*Let's just hope that the Gordon Brown is not becoming complacent...*

## **NIC on dividends**

*As expected, the Chancellor has moved towards charging NIC on dividends drawn by company owner/managers. He published a discussion document, highlighting the difference in tax/NIC treatment between companies and sole traders.*

*The exercise will inevitably conclude that change is required and it won't be to reduce NIC for sole traders! Whether this will be next year or the following, who can say...*

***Happy New Year!***

### **Waterlooville Office**

77 London Road, Cowplain,  
Waterlooville PO8 8UJ  
023 9234 0775  
Cowplain@MarshallRoche.co.uk

### **Gosport Office**

1 Portland Buildings, Stoke Road,  
Gosport PO12 1JH  
023 9234 0770  
Gosport@MarshallRoche.co.uk

### **Fareham Office**

1.b Fareham Park Road,  
Fareham PO15 6LA  
01329 505035  
Fareham@MarshallRoche.co.uk

**Marshall Roche Chartered Accountants**      **Web-site: [www.MarshallRoche.co.uk](http://www.MarshallRoche.co.uk)**  
Registered Office: 61 Warsash Road, Warsash, Southampton, SO31 9HU