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Taking Tax Action 2009

For many people, the closest they get to regular tax planning is to fill in an ISA application before the April 5th tax deadline each year. In fact, it's easy to think that this high profile tax break is the only simple way of keeping any of your hard-earned cash away from the taxman.

However, in reality, when it comes to your savings, investments and general financial planning, there is a wide range of straightforward tax-planning measures that can be taken in order to dramatically cut the amount of tax you pay. Not to mention the range of tax credits that you might be entitled to.

Four out of five of UK adults (82%) wasted a staggering £9.3 billion in unnecessary tax payments in 2008 - £1.4 billion more than in 2007. Yet despite 34 million of us claiming to be dissatisfied with the current tax system, 82% of us admit to doing nothing to help reduce the amount they pay. On average, each UK adult will therefore squander £290 this year in tax.

The biggest area of tax waste (£3.6 billion) stems from the tax credits system, which together with inheritance tax (IHT) accounts for the biggest area of waste over the past few years.

Although these huge amounts may seem intimidating, reducing the amount of tax you pay can take very little effort. Here are ten simple ways to set you in the right direction:

- **IF YOU HAVE ASSETS OVER £325,000 (2009/2010):** Plan your inheritance - an extra £1.9 billion could go to chosen heirs by planning properly to avoid IHT liabilities. IHT is often lost through not writing life assurance policies in trust, not thinking about inheritance tax allowances and, worst of all, by not making a will at all.
- **IF YOU SAVE:** Use up your annual ISA allowance - £263 million in tax could be avoided by sheltering investments in ISAs, or moving savings from an ordinary deposit or savings account to an ISA. Also consider a Friendly Society savings account or products from National Savings & Investments as tax-efficient savings options.
- **IF YOU ARE ELIGIBLE:** Claim your tax credits - £3.6 billion of 'free money' is up for grabs from HMRC and the DWP, in the form of Pension Credits, Child Tax Credits and Working Family Tax credits.
- **IF YOU FILL IN A TAX RETURN:** Sort out your self-assessment - £479 million waste could be wiped out by all forms arriving present and correct by the 31st January deadline. Self-assessment forms received after the deadline incur penalties of £100; further penalties and errors make up the balance of tax wasted in this way.
- **ALL TAXPAYERS:** Maximise your personal tax allowances - £474 million goes begging each year through non-taxpayers failing to claim tax back on banks and building society savings accounts, and by taxpayers not transferring savings accounts to non-taxpaying spouses, if appropriate, so that the tax liability on the savings is lower, or none.
- **IF YOU SAVE:** Top up your pension pot - £726 million could be spared by optimising contributions to personal or company pension schemes, or making Additional Voluntary Contributions.
- **IF YOUR EMPLOYER OFFERS AN EMPLOYEE SHARE PLAN:** Take advantage of it - £184 million is up for grabs for staff currently in Profit Related Pay schemes.

- **IF YOU HAVE CAPITAL GAINS:** Use your allowance efficiently, perhaps by transferring assets between spouses to make the most of both of your CGT allowances - £264 million could be saved in this way.
- **IF YOU GIVE TO CHARITY:** £936 million more could go to good causes by using tax-efficient means of charitable giving, i.e. using a deed of covenant, Gift Aid or payroll giving.
- **IF YOUR CHILD OR GRANDCHILD IS ELIGIBLE FOR A CHILD TRUST FUND:** Avoid waste by using up the tax free saving potential - £242 million in tax could be saved in their first year of birth.

Over the past few years, the onus for managing tax affairs has shifted increasingly to the individual. However, our awareness and action is not keeping pace, meaning the mountain of tax waste keeps growing. Tax is no one's friend, so why pay more than you need to? From avoiding fines and charges to claiming what's rightfully ours, everyone should take tax action.

It is important to acknowledge that everyone's financial circumstances are unique, and so too will be the tax-efficient options open to you. Discussing your tax efficient financial planning with an independent financial adviser (IFA) is a great place to start. An IFA will be able to talk you through the ways in which you can keep your tax waste to a minimum.

You can also find details of local IFAs by visiting <http://www.unbiased.co.uk>.