

Workshop programme 2005

We are running a new series of workshops for solicitors during 2005 covering the changes in legislation and Inland Revenue interpretations that have taken place over the last 12 months.

Programme of future workshops:

May 12th Private client tax planning including trusts
June 9th Investing for wealthy clients and trustees

All workshops will be held at our Hemel Hempstead office. Refreshments will be served from 8am, presentations will start at 8.30am and finish at 10am. A nominal fee of £35 plus VAT per delegate will be charged for each workshop, which includes workshop notes and refreshments. All workshops are CPD accredited by the Law Society.



Because we aim to provide up to the minute information on these topics, the workshop content may vary to take into account recent changes.

If you would like to attend any of the workshops please email solicitors@hlllp.co.uk or telephone Anna Anderson-Davis on 01442 220718 to reserve your place.

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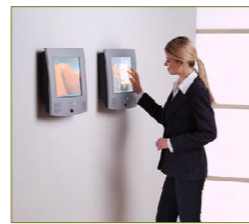
Blue Touch Technologies presents e.v.a. – the e-virtual assistant. Acting as an informed representative e.v.a. promotes your business in a professional and straightforward manner.

e.v.a. is a touch screen, designed to be located in your reception or board room, that allows your clients to browse your professional services on screen.

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An extra function available is the e.v.a. logging-in system, which allows all visitors to log into a diary system on screen.



Hillier Hopkins has recently installed e.v.a. in its office receptions. Karen Winrow, Hillier Hopkins' Marketing Manager, gave us her reasons behind the installation; "We were looking for a more interactive way to communicate with our clients, something that would complement the brochures and printed information we have in our reception.

The touch screen is ideal, it gives our clients the ability to get the information they want in an instant. We are always looking at ways in which new technology can help us to serve our clients better, Blue Touch came up with a solution that worked for us".

e.v.a. – professional, helpful and forward thinking.

If you wish to know more about e.v.a. or arrange for a demonstration then feel free to call the Blue Touch team on + 44 (0) 1442 266630 or email an enquiry to info@bluetouch-online.co.uk

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Trusts and Estates



We are delighted to announce that Carol Howe has passed the STEP Diploma. STEP stands for the Society of Trust and Estate Practitioners. The Diploma involves studying four areas:

- ◆ Administration of Estates
- ◆ Administration of Trusts
- ◆ Taxation of Trusts and Estates
- ◆ Trust and Estate Accounting

Carol achieved the highest marks in England & Wales in three out of the four papers.

Carol has substantial knowledge in the field of estates and trusts. This is a huge resource, which is available to service our clients.

Congratulations Carol! (We hope you enjoyed the Award Ceremony in April!)

Due to our growing experience in estates and trusts, Hillier Hopkins has become increasingly involved in the affairs of clients who have died. We are well equipped to advise on and administer all types of probate work although there are a few areas that only solicitors can deal with. We also have specialist software so we can offer our clients an efficient service in completing Inheritance Tax forms, as well as routine self-assessment returns and accounts.

There is no getting away from the fact that Inheritance Tax is increasingly complicated. Lifetime planning and the use of suitably drafted wills can mean that steps have been taken to minimise tax liabilities on death thus reducing the financial worry for a surviving spouse as well as minimising the overall burden of Inheritance Tax. Carol works alongside David Nye and Ben Sherwood (both private client partners) in advising clients.

Inheritance Tax planning cannot be viewed in isolation from other taxes (Capital Gains Tax and SDLT, to name but two) and the overall financial context. It is vital that the interaction of taxes is taken into account. With years of experience in a wide range of taxes we can offer advice using up to date techniques and products.

The use of trusts in tax planning can be a controversial area, given current government policy. However, trusts remain a very useful tool in lifetime planning as well as via the will. There are some particular (seemingly) anomalies in the legislation that can enable more than the nil rate band to escape Inheritance Tax, where an estate includes business assets and a nil rate band discretionary trust. This can have adverse as well as favourable consequences, unless the situation has been pre-planned. Our experience is available – please ask!

For more information please contact Carol Howe on 01442 269341 or email carol.howe@hlllp.co.uk

New opportunities for holiday homes

Time was when we told clients that there might be opportunities for avoiding capital gains tax (CGT) on a transfer of the holiday home. You can picture the scenario. Client has holiday home in Devon now worth substantially more than the cost and to reduce his estate for inheritance tax (IHT) purposes he really wants to give the property to his children. If there was a possibility that one of the family could eventually move into the property and use it as their home then by the judicious use of a discretionary trust it was possible for the property to be transferred and eventually sold without any CGT liability. Result - a happy client.

Sadly, all that came to a sudden end in December 2003 when the Chancellor stopped these arrangements. So what is the current situation? Are there other opportunities to reduce what can be a fairly substantial CGT burden?

Careful planning centred around the legislation regarding furnished holiday lettings can produce some very interesting and worthwhile benefits. A furnished holiday let does not need to be beside the seaside! It could equally well be a flat in a city centre. To qualify the property must be in the UK, it must be available for commercial letting as holiday accommodation for at least 140 days each year and actually let for at least 70. It must not be in the same occupation for a continuous period of more than 31 days during a seven month period in any 12 months. If these conditions are fulfilled

then many helpful benefits may flow. The income from the property would be treated as a business. It therefore follows that any loss incurred in running the business (provided it is carried on with a view to profit) can be set against any other source of income of the owner for that year. It also means that it will qualify as pensionable income and contributions to a pension fund can be made.



One significant benefit is the CGT advantage. Furnished holiday lettings are assets which qualify for rollover relief. This means that if a taxpayer sells his business and CGT would otherwise be payable, that tax can be deferred by reinvesting the proceeds of the business into a furnished holiday letting. On the sale of furnished holiday lettings, the proceeds can be rolled over into a replacement property or another business. However, if the taxpayer decides not to carry on in business then the

very beneficial rate of business asset taper relief could reduce the effective rate of CGT to 10% (or lower) assuming that the property has been owned for at least two years and was used as furnished holiday letting throughout that period.

In some situations there can also be inheritance tax (IHT) advantages. If it can be shown that the owner is very much involved in running the property and in providing services for the tenants then it should be possible to show that business property relief can be claimed so that the value of the asset is reduced to nil for IHT purposes. It is not always clear when this is likely to apply and it will depend on the particular circumstances. One disadvantage in owning furnished holiday lettings is that VAT will usually apply to rents. If only one property is owned then it is likely that the turnover will be lower than the registration but it could be a problem for owners of several properties.

There is no doubt that where the conditions are met substantial tax advantages can accrue from owning furnished holiday lettings and indeed even if the reliefs have not been claimed in the past it is important that a review of appropriate properties is carried out to determine whether tax can be saved in future.

For more information please contact David Nye on 01442 220712 or email david.nye@hhllp.co.uk

The state of pensions



Just occasionally when preparing newsletters I have had difficulty finding a subject to write about. For the foreseeable future however I have the opposite problem. Right

now there are so many issues of concern to private clients and solicitors that it is tough to select the most deserving one. We are always grateful for feedback – if there are any subjects you would like us to cover do please let us know.

UK Pensions

The UK pension system is by many international standards, relatively well funded. This should be of little reassurance to you and will be of little reassurance to UK plc.

What is the problem? Fundamentally the problem is simple. Life expectancy is rising, we are retiring earlier and the population is ageing. Add in some increasingly unrealistic pension expectations and the cocktail looks particularly dangerous. As a population, working people are struggling to generate enough wealth for themselves and their parents who are living too long.

Statistics

In 1981 a 65 year old UK male had an average life expectancy of 13 years, it is now 17 years. Female life expectancy is also increasing but not quite as fast.

In 1990 there were approximately four 15 – 64 year olds in the UK for every pensioner. By 2030 this will be down to about two and a half.

The FTSE 100 companies have a combined pension fund deficit of c. £63,000,000,000 but if the companies were forced to “buy out” the benefits (what most laypeople and many professionals believe is an understandable measure) the figure becomes £149,000,000,000.

So where does all this leave clients and their advisers?

- 1) Clients need and want advice about pensions
- 2) We can be confident that the state will not provide
- 3) Professional advisers deal with a tiny percentage of the UK population who have particular concerns not just to do with pension provision but with the effective passing down of their hard earned or hard saved assets.

Legislation

Pensions legislation is changing dramatically on 6 April 2006. This date is known as A Day. From this date most clients will have much more freedom to contribute to their pensions and much more freedom in choosing what the pension fund can invest in. This article is far too short to give more than a small flavour of what is contained in the new legislation. We have produced a two sided summary of the current proposals. If you would like a copy please contact us.

Clients will be focussed on:-

- 1) Residential property in pension schemes
- 2) Not having to purchase an annuity at 75

- 3) Pensions as inheritance tax planning vehicles

Further articles will look at each of these in more detail but for now....

- 1) Be careful – the ability to borrow is going to be severely curtailed and there will be tax complications if a scheme member uses the property
- 2) There will probably no longer be a requirement to purchase an annuity at 75 but this looks like a fudge. The alternative to buying an annuity, at the time of writing, really does not look too attractive.
- 3) Pensions have always had IHT planning possibilities and it has always been a complex and sometimes risky area. Remember pensions have no automatic exemption from IHT.

Clients with large pension funds need advice on how to protect these funds before A Day. Post A Day there will be a monetary cap on total pension rights of £1,500,000. The tax cost of breaching this limit will be 55%.

Other current matters –

Deferral of state pension – new more generous rules apply from 5 April 2005.

Two county councils have voted to scrap their final salary pension schemes. Why would they do such a thing??

For more information please contact Ben Sherwood on 01442 220713 or email ben.sherwood@hhllp.co.uk