



Time to Gain Some Capital

The Chancellor of the Exchequer stands up on 9 December to deliver his Pre-Budget Report for 2009. We all know the gist of it; the country is heavily laden with debt so we need to cut back on our spending and somehow increase our revenue.

As we are all painfully aware, revenue is generally raised through taxation. One area in particular is widely tipped for special attention - Capital Gains Tax (CGT).

In April 2008, a new flat rate of CGT was introduced, reducing the rate of tax from a top rate of 40% to a much more benign 18%.

However, given the need to raise revenue, and the need to counter the creative use of capital gains likely to result from the introduction of the new 50% income tax rate, the prediction is that the rate of CGT will be increased from 18% to 25% or even 30%.

With this in mind you should be looking at your investments with a view to re-organising them sooner rather than later to take advantage of the current rate of 18%.

Another talking point is a restriction on the ability to carry forward capital losses. Currently you can carry forward losses indefinitely to offset them against future gains. This may not continue and, again, it may be a good idea to review your investments in this light.

On the other side of the coin, UK taxpayers pay £3.2bn every year in excess taxes due to mistakes¹. Add that to lost tax opportunities totalling £6bn and we find that HMRC are over £9bn richer because of our poor financial husbandry.

The question is what can the average taxpayer do about this? Most people don't need to complete a tax return, nor do they want to. Many people who do complete tax returns opt for the DIY approach and do not seek expert tax advice. For the sake of claiming £50 of overpaid tax, why would you?

¹ Source TaxAction Report produced by Unbiased.co.uk Feb 2009

However, for many taxpayers seeking advice is worthwhile.

There are many common mistakes that people make when it comes to taxes, for example:

- Not claiming your Gift Aid relief
- Not claiming higher rate tax relief on pensions
- Assuming your tax code is right – after all the Government couldn't get it wrong ... could they?
- Using ballpark figures and over-estimating them ... just to make sure.

Remember that if the shoe is on the other foot and HMRC think that you owe them money – they won't hesitate to come knocking.

As the great Jim Steinman² says, "Life Is A Lemon And I Want My Money Back".

Contacting WJM could be your first step to keeping more of your hard earned cash in your pocket.

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² Writer of the seminal rock album 'Bat out of Hell'