



News from Louis Letourneau.

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First it was the New Year, then it was Chinese New Year, and now it's the new tax year. A chance for some financial spring cleaning

Start by checking that you've made use of all your tax-free allowances for the 2006 tax year before it ends on 5 April. For example, have you used your ISA allowance for the current tax year? You can put up to £7,000 a year into a maxi ISA (or divide it between two mini ISAs, one investing in equities and the other a cash account) so that interest isn't taxed and any gains are free of Capital Gains Tax (CGT) when you cash in the investment. It makes sense to put in the maximum each year to build up a tax privileged fund. You can make the investment at any time in the tax year, but most of us leave it to the very last minute. So, why not be proactive this year? When you're sorting out your ISA for the current tax year, why not sort out your ISA for next tax year too? That way, you know it's done and you won't need to panic this time next year.

The same applies to pensions. For a higher rate taxpayer, pensions are one of the best investments around. You pay in £78 and HM Revenue & Customs top it up to £100 with basic rate tax relief. Then you claim an additional £18 on your tax return or through your PAYE tax code so the cost to you is actually only £60 – for £100 investment. It can't be beaten. The pension system is changing in the new tax year and you'll be able to put more money into a pension fund. In the 2006 tax year, there are still different rules for the different types of pension, but it's worth checking if you can pay some more into your fund in the current tax year to make use of that generous tax relief.

Another way for a higher rate taxpayer to reduce the 2005/06 tax bill is to make a donation to your favourite charity using Gift Aid. The charity reclaims the basic rate tax, but you get to claim back the higher rate tax. So, if you give £100, the charity gets £128 in total and you get £23 tax relief – again, claimed through your tax return or PAYE coding. Wouldn't you rather give it to your favourite charity than to Gordon Brown?

On the subject of giving, maybe you're now in the position of gifting assets regularly in order to reduce the Inheritance Tax payable by your estate on your death. You have an annual allowance of £3,000 which you can gift without any IHT consequences. Furthermore, if you didn't make use of your allowance in the *previous* tax year (the one ending on 5 April 2005) you can gift £6,000 in this tax year. There are several other Inheritance Tax exemptions – one even covers modest gifts to people in contemplation of their Civil Partnership (CP).

The new tax year will be the first that many of us start as civil partners. This means that many of the tax advantages previously only available to married couples are now available to us too. So, if you've registered your partnership already, you can look at transferring assets between you in the way that most reduces tax. For example, if one of you is a

higher rate taxpayer and the other isn't, it would make sense to transfer bank accounts and investments into the name of the one who isn't. That way, as a unit, you will pay less tax overall. Of course, there must be no strings attached to the arrangement – the partner who ends up owning the shares, etc, must have a full right to enjoy the capital and income.

One of the most valuable tax advantages of Civil Partnership is this ability to transfer assets without incurring either CGT or IHT charges. For example, say one of you owns shares and wants to sell them before the end of the tax year. If your gain is more than £8,500 (the personal exemption), you'll be liable to pay CGT on the excess. But, if you transfer half of the shares to your registered partner before they're sold on to a third party, he'll be able to set *his* personal exemption against the gain also. And, if it's a really large gain, you can sell some of the shares in this tax year and some in the next tax year, thus making use of four personal allowances.

So, as well as sorting out your ISAs and pensions for both 2005/06 and 2006/07 and giving generously to charity, you should think about making use of the tax breaks associated with Civil Partnership to save a bit of money as a couple. I know it's not about the money, but married couples have never been shy about taking advantage of the tax breaks, so why should we? This is the time to have a thorough review of your joint finances to see if you can arrange matters more tax efficiently – as always, you should consult qualified, independent financial advisers who understands gay lifestyles.

Louis Letourneau, MA is an experienced independent financial adviser (IFA), specialist in financial planning and wealth management. He founded Rainbow Finance in 1995 and has consistently challenged financial companies and Government on their attitudes to gays, lesbians and same sex couples and was instrumental in the Inland Revenue to changing its guidance notes to recognise unmarried couples in pension benefits. His work has also resulted in life insurance companies starting to relax the discriminatory underwriting criteria toward gay men and people living with HIV. He was a founder of the Rainbow Research Project which surveys and educates private pension schemes in how they recognise unmarried couples on death benefits. He was also a founder member of the Stonewall Immigration Group (which campaigned for Immigration rights for same-sex couples, achieving a significant victory in April 1997) and helped set up the gaypartners.org initiative with gay.com in early 2001, campaigning for same-sex partnership rights. He speaks regularly on national and local radio.

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