



News from Louis Letourneau.

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[Louis Letourneau](#) advises on Tax and Tax Returns

The start of a new year is traditionally the time to make resolutions and having a few days at home over the holidays also gives you the opportunity to sort through your files and papers and put them in order.

One of the most important things to look at is [tax](#). If you have been sent a tax return, you are legally obliged to complete it. Even if you have not been sent a form, you should be completing one if you receive untaxed income (such as rents) or if you are a higher rate taxpayer whose income is not totally accounted for via their PAYE tax code.

The deadline for sending your 2005 return to HM Revenue and Customs is 31 January 2006, so you need to get a move on. The Revenue is getting increasingly impatient with people who don't return the forms. Not only do they charge penalties and interest but they can also estimate the tax you owe (to their advantage, of course!) and this estimate stands until you send your form in. Every year, we get phone calls from people who are worried sick about these estimated bills. They've done nothing about it, hoping that the taxman will just go away – well, he won't! By the time they contact us, they have bills saying they owe thousands and that the bailiffs are coming round. It's usually very easy to sort the mess out – some have even ended up getting tax refunds! So, if you are in that position, don't despair but DO do something about it – it won't go away. Give us a call and we'll sort it out for you.

Don't forget that higher rate taxpayers (people earning more than £36,145 in the 2005 tax year) are entitled to additional tax relief for stakeholder, personal pension or FSAVC contributions and for charitable donations made under [Gift Aid](#). For example, if you pay a net amount of £250 into your personal pension each month, you could be entitled to a tax refund of £692!

For higher rate taxpayers, the same refund would be due if you had paid £250 per month to a charity, provided that you ticked the Gift Aid box on the form. But even if you are a basic rate taxpayer, you should always use Gift Aid – although it doesn't reduce your tax bill, it does boost the charity's income by 28%. So, if you haven't done that already, contact the charity and they can arrange it for you.

While income tax will always be with us, at least inheritance tax will no longer be such a problem now that civil partnership means a person can leave all his assets to his civil partner without his estate having to pay a penny of tax. But you do still need to make a will – that way you can ensure that your wealth is distributed in exactly the way that you want. If you die intestate, your partner may not inherit everything, depending on your circumstances. It's also possible that leaving everything to your partner may not be the

most tax efficient way of distributing your estate – you may want to look at trust arrangements that make use of your IHT ‘nil rate band’.

The introduction of [civil partnership](#) will affect estate planning in many ways. If you are planning to tie the knot, don't forget that civil partnership, like marriage, means that all previous [wills](#) are automatically revoked. So this would be a good time to take a look at your existing estate planning to see if it is still relevant and reflects your current wishes.

While you are sorting through those papers, you might want to check that any [life insurance](#) policies you have are written under trust, so that the proceeds go to the right person and are not subject to inheritance tax. You might also want to check that you have nominated the right person to receive your death-in-service benefits or [pension](#) pot if you die before retirement. You would be surprised how often a client tells me that his nominations are up to date but, when enquiries are made, it turns out that the beneficiary of the policies is the previous partner, whom he never wants to see again, let alone leave money to!

Finally, I return to the point I always make at this time of year. As one official report after another shows, we are not saving enough for the future. One of the most important resolutions you can make this January is to increase your pension contributions. It is almost certain that you are not paying enough. There is no excuse. As I mentioned above, there is generous tax relief for pension contributions. If you get your skates on, you could even make a lump sum payment now and carry it back to the 2005 tax year, reducing the amount of tax you have to pay at the end of January – or maybe even getting a refund! [Why not give us a call to discuss it.](#)

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.

For further advice on [Wills](#), [Life Assurance](#), [Tax](#), [Investments](#), [Pensions](#) and [Civil Partnerships](#), contact Isis Financial Planners:

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