

News from Louis Letourneau.
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Gordon's finally done the right thing and [Louis Letourneau](#) is out to celebrate long-awaited tax equality.

So, Gordon Brown came through with the goods. I must admit that, given his record of plugging loopholes and trying to collect as much [inheritance tax](#) as humanly possible, there were times over the last few months when I wondered if the Treasury really would voluntarily give up all those easy pickings from the estates of dead gay men and lesbians. But the Government's done the decent thing. It was [announced on Budget Day](#) that all existing tax laws would be amended from December 5th to take account of the new status of civil partners.

Just in case any of you have been living on Mars for the last few months, I'll explain. The new [Civil Partnership Act](#) comes into force on that date and means that, from December 21st, same-sex couples will be able to register their partnerships and obtain legal recognition as partners for the first time ever in this country. Yippee!

The new legislation brings a whole raft of rights and responsibilities in its wake. Most of these were spelt out in the main legislation, which was passed by Parliament at the end of last year, but the Government said that the tax implications would be dealt with in the Finance Bill, the details of which were announced in the recent Budget.

I'm happy to say that the new rules bring total tax equality to registered couples, who will be treated in exactly the same way as married couples. This means that a gay man can, in future, leave all his assets to his civil partner without the estate having to pay a penny of Inheritance Tax. How very different from the current situation. I'm sure you all know about such high-profile cases as that of Sir Nigel Hawthorne. When the distinguished actor died a few years ago, his partner, Trevor Bentham, had to foot a substantial tax bill at a time when he was grieving.

And it's even worse for people who don't have that kind of money behind them. As an [adviser](#), I often get distraught phone calls from people whose partners have died and who are faced with the prospect of having to sell their former home, with all its precious memories, in order to pay the tax bill. It's heart-rending when there's nothing you can do but sympathise. But soon such sad stories will be history. Of course, as I mentioned at the outset, this Chancellor loves collecting Inheritance Tax – but at least from now on, he'll be collecting it from gay and straight people on equal terms. And it'll be possible to use the kind of estate planning techniques which married couples have used for years to mitigate the tax. For example, a nil-rate band discretionary trust could be set up on the first death in such a way that your joint estates could keep tax of up to £110,000 out of Gordon's hands. Extra careful planning will be required in cases where one of the partners was not born in

the UK; in such circumstances, only £55,000 can be passed tax-free on top of the nil rate band.

Same-sex couples will, in future, also be able to do the kind of everyday tax planning that involves the higher-earning partner passing income-producing assets to the other partner to make use of his lower tax rate. In the past, this was difficult to do with anything other than cash, as most other assets attracted an immediate Capital Gains Tax charge. But, from December, civil partners will be able to transfer assets between themselves without CGT coming into the picture at all. For example, if you are thinking of selling an investment property which is in your sole name, you could gift half of it to your partner before sale and make use of his £8,500 exemption as well as your own! This is something married couples have always been able to do and is an excellent way of saving tax.

Of course, there are drawbacks as well. Up until now, if partners in a gay relationship each owned a separate residence, each could claim the principal private residence exemption from CGT on sale of their property. From December, a registered couple will only be able to have one PPR between them. If they own more than one residence, they will have to choose which one is to be treated as the couple's PPR – once again, careful planning will be required. But it is a small price to pay for equality.

Couples will have to consider very carefully the financial pros and cons of registering. It will be important to take proper [advice from professional advisers](#) who know the way the new rules will work. My own company will be offering this service – something tells me I'm going to have a very busy summer.

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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