

# Taxation



“Each year millions of people pay more to the Inland Revenue than they need to. Mardons can help you reduce your tax liability”

Are you paying too much tax?

Research has shown that as many as 30 million people are paying too much tax. A total of over £5 billion, or around 5% of the Inland Revenue's expected income, could have been saved if people had used their money more efficiently.

Almost £1 billion should never have been paid in the first place. A further £1 billion could have been avoided if people had taken the trouble to make minor changes to their savings and investment habits.

Taxation can make a substantial difference to the returns on savings, investments and many business transactions. Paying more tax than necessary can make all the difference as to whether an investment is worthwhile or whether it should be avoided.

This guide will provide a brief overview of the main personal taxes, Income Tax, Capital Gains Tax and Inheritance Tax; along with an introduction to the new system of Self-Assessment and also of tax waste.

Some taxes are called direct taxes because they are imposed directly on the tax payer (e.g. Income Tax, Inheritance Tax and Capital Gains Tax). Others are known as indirect taxes because they are paid indirectly as part of the price of goods or services (e.g. Value Added Tax (V.A.T.)).

Some taxes are not called taxes at all, but nevertheless are in effect just that (e.g. Stamp Duty and National Insurance Contributions).

The tax year or fiscal year as it is sometimes called, runs from 6 April to the following 5 April. Thus the tax year 2003/2004 runs from 6 April 2003 to 5 April 2004 inclusive.



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## INCOME TAX

Income Tax is a single system of taxation designed to tax all of an individual's income during the tax year at gradually increasing rates. Reliefs and exemptions are available depending on an individual's circumstances.

### **Planning For Married Couples**

Couples may have valuable opportunities to save tax, especially where one partner is a taxpayer and the other is not. There are also opportunities to save tax where one partner pays tax at a higher rate than the other.

### **Are Your Children Getting Their Interest Paid Gross?**

Children are entitled to their own personal allowance – this means that income earned on a child's savings may well be tax-free.

### **Do You Hold Investments In A Tax Free Form?**

Some investments provide returns that are free of tax. These can be especially attractive to investors who pay high rates of tax.

### **Setting Up A Pension**

Your pension scheme is probably the most tax-efficient investment you can have. Are you making the most of it? Your contributions can usually be offset against your tax at your highest rate, whilst the pension fund itself grows in a tax efficient manner.

## CAPITAL GAINS TAX

Capital Gains Tax (CGT) is a tax on gains arising from the disposal of capital assets. The tax is levied on the total of all chargeable gains accruing to a person in a tax year, after the deduction of allowable losses.

A Capital Tax bill could arise if you have held an asset for a long time and it has generally increased in value. Fortunately, in very many cases, Capital Gains is avoidable, if you get the strategy right.



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## INHERITANCE TAX

IHT is a cumulative tax applying to transfers during life and any death. It is currently payable at a rate of 40% on transfers in excess of a nil rate band of £231,000.

### **Have You Taken Action To Plan For This Tax?**

When did you last review your will? You may be able to save substantial amounts by reorganising your bequests more tax efficiently.

A number of schemes exist that allow movement of assets outside the taxable estate, while still permitting a level of access and control over funds.

## SELF ASSESSMENT

Self Assessment was introduced by the Government in 1996, as a new system of administration of taxes. The burden of administration now falls entirely upon the individual. This also means that the total tax liability is placed on all sources of income.

With different forms to decipher and the chance to work out your own tax bill, advice from Mardon's is invaluable. Not knowing what allowances you may be entitled to, could mean too much tax is being paid.

Each year millions of people pay more to the Inland Revenue than they need to. Consultation with Mardons in conjunction with your existing tax advisers, utilizing our expert advice will help you mitigate your tax liability, offering advice from simple tax free savings for children to tax strategies when you make your will.

Call now on **01743 285777**

and speak to one of our specialist advisers or  
email us [taxation@mardons.co.uk](mailto:taxation@mardons.co.uk)



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