



Pictured: Lauren Smith, Solicitor
Watson Esam Solicitors

Tax Issues

Tax – a necessary liability or a burden? Whatever you think, you are most likely aware – as are most people – how much Income Tax and VAT you have to pay and when you have to pay it. However, you might not be aware of what other taxes could affect you.

What about Inheritance Tax for instance? The one we usually hear the most complaints about, with people bemoaning the fact that they have worked all their lives, paid Income Tax, VAT, tax on the interest on any savings they have managed to accumulate, Stamp Duty when they buy their houses, not to mention Capital Gains Tax. Then, if they are fortunate enough to leave assets worth more than £312,000 (2008-2009 rates) they are taxed again!

Inheritance tax was once viewed as a tax for the rich, but this is of course no longer the case. Despite house prices and investments falling in value people will still often have assets they haven't even thought about. Life insurance policies, pensions, death in service benefits can all count towards what your estate is valued at when you die. Even life insurance policies costing as little as £5 per month can pay out over £250,000 on death. Add this to the value of even the smallest of houses and straight away the inheritance tax threshold is likely to be exceeded.

If your estate is over the tax threshold of £312,000 (known as the nil-rate band) your estate will be taxed at 40% on anything over that amount. For this reason it is

vitaly important to think about tax planning and how your tax burden can be minimised.

There are many exemptions which people can use during their lifetime to reduce the value of their estate on their death and thus reduce any inheritance tax bill, For example:

- Annual exemptions of £3000
- Small gifts exemptions of £250
- Normal expenditure out of income
- Gifts in consideration of marriage

Some exemptions can also be used during lifetime as well as on death, including:

- Gifts to spouses
- Gifts to charities
- Gifts to political parties
- Gifts for national purposes
- Gifts for public benefits

These exemptions have strict rules which have to be complied with and for this reason you should always take expert advice on how to utilise them.

Watson Esam has many years experience of helping clients with their tax planning and writing tax efficient wills. Contact Lauren Smith for further information on 0114 275 3350 or email lauren.smith@watson-esam.co.uk

Further information:

Watson Esam is one of the oldest established legal firms in Sheffield practising from its offices in Paradise Square. A medium sized firm with 3 partners and approximately 40 staff, it is well known for delivering first class services to businesses in South Yorkshire.

The employment, family and charity departments are recognised in The Legal 500. The family department won the Yorkshire Lawyer Private Client Award in 2007 and in 2005 the firm won the Law Society's Race Equality Award in the category of Best Employer (25 partners or fewer).

Jay Bhayani, senior partner and head of the firm's employment department is a former winner of Yorkshire Lawyer Employment

Lawyer award (2005) and was short listed for the Yorkshire and Humberside Institute of Directors Adviser of the Year Award 2007. Jay sits on Sheffield's Local Economy Board.

The firm is active in the community with partners sitting on Sheffield and Rotherham Chambers of Commerce Representation Councils and various members of staff who are trustees and directors of charities and voluntary organisations in the city.

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