

# TAKE ACTION ON TAX

## How to make the most of this year's tax changes and what to do by 5 April

**W**ith a new tax year starting on 6 April, we look at some of this year's biggest changes and how you can benefit from them. And we flag up a couple of important things to do by 5 April, the last day of the current tax year.

### TAX CREDITS

From April 2006, if you claim tax credits, you'll have to notify HM Revenue & Customs only if your income increases by £25,000 or more during a tax year (previously the limit was £2,500). This change is great news because it means your income will have to increase significantly before your tax credit award is affected. This should remove many of the problems people have had where small increases in income have led to them being overpaid – something that has caused hardship for those who have been asked to repay the overpayments. Unfortunately, it won't help those who have already been overpaid.

### TAKE ACTION

Check whether you qualify for tax credits – phone the Revenue & Customs helpline on **0845 300 3900** (**0845 603 2000** in Northern Ireland). If you're having problems because you've been overpaid, see code of practice 26, available at [www.hmrc.gov.uk/leaflets/cop26.pdf](http://www.hmrc.gov.uk/leaflets/cop26.pdf) or by phoning the numbers given above.

### CHILDCARE VOUCHERS

Under the childcare voucher system, the first £50 a week of childcare costs is now free from both tax and National Insurance. For basic-rate taxpayers, this means a potential saving of around £858 a year, and for higher-rate taxpayers over £1,000. If both parents work, they can both claim, doubling the overall savings. The number of children you have doesn't affect the amount you can claim.

### TAKE ACTION

For you to be eligible, your employer must offer the vouchers, so ask your employer to offer them if it doesn't already do so. Do bear in mind, however, that some people – especially those on lower incomes – may be better off claiming tax credits than using childcare vouchers. Go to [www.hmrc.gov.uk/childcare](http://www.hmrc.gov.uk/childcare) and [www.daycaretrust.org.uk](http://www.daycaretrust.org.uk) for more information.

### PENSIONS

The tax treatment of pensions is changing radically from 6 April. One of the biggest changes is the amount you can contribute to your pension each year and how much you'll get tax relief on.

### TAKE ACTION

Read our article on p21 to find out what the changes are and what they mean for you.

### CIVIL PARTNERSHIPS

Same-sex couples who register as civil partners are now treated like married couples for tax. If this applies to you, you'll be able to, for example, make gifts or bequests to your partner without paying any inheritance tax. On the flipside, you'll get capital gains tax relief on only one property between you; same-sex couples not in a civil partnership are each entitled to relief on a property.

### TAKE ACTION

You can register a civil partnership at a register office or any venue that has been approved, including some stately homes, hotels and restaurants. The General Register Office at [www.gro.gov.uk](http://www.gro.gov.uk) has more information.

### TAX GUIDE



Our Tax Saving Guide will be published in June this year, and will include changes from the March budget. As well as chapters on all aspects of tax, from National Insurance to inheritance tax, this year's guide also contains tips and advice to help you arrange your affairs in the most tax-efficient way.

## Don't delay...

### USE YOUR ISA ALLOWANCE

You have until 5 April to use up this year's Isa limit. If you can afford to, invest the maximum you're allowed – all cash Isa income and most other income, as well as capital gains, are tax-free. See this month's report on Isas on p28.

### CONTRACTING BACK INTO S2P

You need to act quickly if you want to contract back into the state second pension (S2P) for the 2005-2006 tax year. Ask your adviser for form CA1543 and return it to HM Revenue & Customs by 5 April. For more information on contracting in

(and out) of S2P, see p34 of our August 2003 issue and p10 of our September 2005 issue.

Go to [www.aifa.net/contractingout/home.htm](http://www.aifa.net/contractingout/home.htm) to find an adviser in your area who can advise on whether you should contract out or in.