

## IIMIA LAUNCHES A NEW DIVISION

### IIMIA CORPORATE SERVICES

iimia Investment Group plc has launched a new division, iimia Corporate Services, specialising in the design, management and communication of company pension and employee benefit schemes to companies of all sizes and in all sectors of the economy.

With ever-changing legislation as well as increasing pressure for employers to offer attractive and flexible staff benefits, the demand for sensibly priced, high quality advice is greater than ever.

The Corporate Services division offer the following services:

- Independent assessment of existing employee benefit arrangements
- Company pension schemes
- Group insurance schemes
- Key person/Shareholder protection
- Retirement Services – comprehensive advice to retiring employees/directors/executives

### NEW IIMIA WEBSITE

The iimia website has been revamped and can be accessed by clicking below [\[click\]](#)

### INHERITANCE TAX MITIGATION & DISCOUNTED GIFT SCHEMES – NEW DEVELOPMENTS

Having allowed some time to elapse since the issue of the Finance Bill we would like to take the opportunity of providing an update on how 'Discounted Gift Schemes' can operate.

#### Potential benefits:

- Tax efficiency – Discounted Gift Schemes provide an immediate reduction in potential Inheritance Tax liability and if someone survives for more than seven years after starting the scheme, their investment will no longer be accountable in their personal estate.
- Regular tax efficient 'income' – It is possible to defer any tax on withdrawals up to 5% p.a. of the premium paid for up to 20 years.
- Control – There is flexibility over how the money is passed to the beneficiaries on death.
- Investment Choice – It is possible to choose the investment funds that reflect the level of someone's attitude to investment risk.

### What are Discounted Gift Schemes?

These schemes are Capital Redemption Bonds that are combined with either a Discretionary Trust or an Absolute Trust depending on estate planning requirements. They are designed to provide an "income" (via withdrawal of capital) whilst minimising their potential Inheritance Tax liability. Income payments are a return of capital from the Bond and cannot be changed after commencement. All investment returns immediately fall outside of the estate.

Money gifted to an Absolute Trust is a Potentially Exempt Transfer (PET) so, provided someone survives for at least seven years, the whole of the investment will be outside their own estate and will not be liable to any other potential Inheritance Tax charges.

Money gifted to a Discretionary Trust is a Chargeable Lifetime Transfer (CLT), which if, when added to any other CLTs in the previous seven years exceeds the nil rate band (2006/2007 £285,000), will be subject to Inheritance Tax at the lifetime rate on the excess amount. After seven years the CLT will no longer be in the persons estate but it is potentially liable to Inheritance Tax within the trust if the value of the trust fund at each ten year anniversary exceeds the nil rate band at that time.

If this applies, the value of the trust fund is the value of the underlying policy minus the value of the retained income rights for the Settlor at that time assuming they are still alive. If a periodic charge has been paid then a subsequent withdrawal of capital following the death of the Settlor(s), will be subject to an Inheritance Tax exit charge.



## DWP ANNOUNCE ADDITIONAL TWO MONTHS FOR PENSION SCHEMES TO ADJUST TO NEW AGE DISCRIMINATION RULES

From 1st October 2006 new Age Discrimination regulations come into effect in the UK making it unlawful for employers to discriminate on the grounds of age and introduce remedies for employees who have been discriminated against.

However, pension provisions, forming part of this new age-discrimination legislation, will not now come into force until 1 December 2006. This will give schemes more time to adjust to the new rules. Minister for Pensions Reform James Purnell announced the measure in response to concerns voiced by industry and employers.

The additional period will give schemes more time to adjust to the new regulations following significant activity in the pensions sector. It will also allow a short informal consultation period to assess whether any amendments are required to provide greater clarity for schemes and employers.

## AN ALTERNATIVE TO HOLDING MONEY ON DEPOSIT WITH HIGH STREET BANKS

Both companies and private clients like to have money invested in deposit accounts for various reasons and we all know that high street cash rates are not particularly exciting. They are even less tempting if you have to pay tax on the interest.

For those that genuinely need to hold cash then it is now possible to invest through an International Capital Redemption Bond whilst holding deposit/cash funds.

### What are the potential benefits?

- No immediate liability to tax
- Potentially increased interest rate (currently able to offer rates up to 5.6%pa for 12 month fixed rate)
- Peace of mind that their funds are still secure
- No initial charge or exit penalty so flexibility to invest and disinvest is available to assist with cashflow

This idea could be particularly appealing for Pension Trustees, SIPP clients, Individuals with funds in offshore accounts and Companies.

Please contact us if you require further information on any matters covered in this newsletter.

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