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Leaders in Wealth Management

Focus on France

Business confidence plunging.
Export growth fallen steeply to nearly flat.
Job seekers up 13%.



Business confidence: Well into hard recession territory.



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**“How did you go bankrupt?”
“Two ways. Gradually, then slowly.”
Ernest Hemingway. The Sun Also Rises**

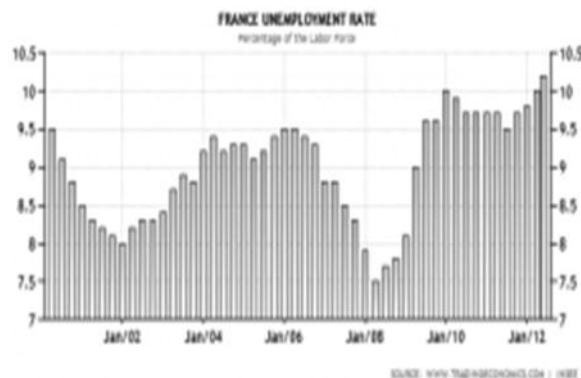
Above 50 is expansion. Below 50 is contraction.
French manufacturing in steep decline.
(And total EU manufacturing in decline.)



French unemployment is at the highest in 20 years.

Anyone who believes this is not coming here is, in our view, looking the wrong way.

Ireland, then Greece, Spain and Portugal. Now France. Soon to the UK. As we have been saying, NO-ONE 'saved the world' in 2009. All they did was EXACERBATE A HUGE PROBLEM and kick the can down the line. We are down the line.



As we believe France is undergoing a severe recession as part of an economic Depression, what will that do to the EU economy and, therefore, investments and pensions? Clue: Is it likely to be positive?

What should you do to secure your finances or help secure those of your friends, family, colleagues or (solicitor) private and trustee clients? Call me personally to discuss how we can help.

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The income quest, three years on

Interest rates look set to remain ultra-low following moves by the US, UK and European central banks.



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Recent initiatives by the UK, US and the Eurozone central banks point to interest rates staying at these levels for the immediate future. For example, the US Federal Reserve has said 'exceptionally low levels...are likely to be warranted at least through mid-2015'. UK money markets expect a similar situation to prevail here.

Another three years of minimal rates is bad news if you depend upon interest from

bank or building society deposits. However, if your primary need is income, there is plenty of scope to boost it, provided you are prepared to forgo the capital security and accessibility offered by deposits.

■ **Corporate bond funds** invest in interest-paying securities issued by companies. While yields on UK government securities (gilts) have been driven down by quantitative easing in the last two years, the fall has not been so dramatic for corporate bonds.

■ **Equity income funds** invest in higher yielding shares. Traditionally these funds have concentrated on UK companies, but there are now a growing number of funds that invest internationally. At the time of writing, the average yield on UK shares was more than double that of ten-year government bonds.

■ **Property funds** invest directly into UK commercial property, such as offices and warehouses. The downward slide in long-term interest rates has not been

mirrored by any fall in property rental yields. As a result average yields are over 6%.

Corporate bond, equity income and property funds are all eligible investments for individual savings accounts (ISAs). In particular, corporate bond funds benefit from being wrapped in an ISA because there is no tax on the interest.

Past performance is not a reliable guide to future performance. The value of your investments and the income from them can go down as well as up and you may not get back the value of your investment. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

If you invest in property there may be a delay in withdrawing your capital, even from a pooled investment. The value of tax reliefs depends on your individual circumstances. Tax laws can change.

Did you know that, if you missed the 31 October deadline to file your paper 2011/12 self-assessment tax return, then with few exceptions you must file online by 31 January 2013? Failure to file by the end of January now incurs an automatic £100 penalty – even if HMRC owes you money. Filing online is relatively straightforward, but you do need to sign up with HMRC first if you have not already done so – another reason not to leave things until the last moment. Once you start filing online, HMRC will no longer send you paper returns. Instead you will just receive a yearly reminder to file online.



Your retirement income options

If you are close to turning your pension fund into a retirement income, your options are changing.

The pensions world never stands still, and 2012 ends with a clear demonstration of this fact. From 21 December 2012 at the latest every annuity provider will switch to quoting 'unisex' rates – the same rates for men and women. Broadly speaking, if you are a man the annuity income you can buy with your pension fund will fall, while if you are a woman it should rise.

Whether you are on the winning or losing side, the annuity rates on offer will still be at historically low levels, reflecting the decline in long-term interest rates and increasing longevity.

That makes it all the more important that you do not just accept the annuity quote from your pension plan provider. In the run-up to your retirement date there are a variety of factors to consider.

■ **Are there better annuity rates available in the market?**

Your pension plan providers may well not be competitive in the annuity market. Remember that annuity tables quoted in the press are only a crude sketch.

■ **Do I qualify for an enhanced annuity rate?** If you smoke, have a chronic condition such as diabetes, or have suffered a serious illness, there are several annuity companies that will offer you special rates.

■ **Would any of the annuity alternatives be more appropriate?** The past ten years have seen a steady development of annuity alternatives, such as income drawdown. However, all involve some degree of investment risk and they are generally unsuitable unless you have other sources of retirement income.

Finding an answer to these questions is best achieved with the help of expert advice, which we can offer. We have access to full annuity market information and can provide you with a range of quotes based on various options. If you wish to consider annuity alternatives, we are able to offer guidance, drawing on external professionals where necessary.

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The days of Pre-Budget Reports are over, but did you know that the Chancellor is still required to make an Autumn Statement on the UK's finances? This year Mr Osborne has pushed the exercise to Wednesday, 5 December. Most commentators are not expecting good news because the economy has been weaker and borrowing higher than forecast in the March Budget. There is a growing consensus that Mr Osborne will acknowledge he cannot meet one of his debt targets. The Governor of the Bank of England has already helpfully said that such a miss would be 'acceptable'.



Anti tax-abuse plans draw protests

Plans to introduce a new General Anti Abuse Rule (GAAR) as an additional anti-tax-avoidance measure have sparked criticism from business groups and trade associations, which say that it will simply further complicate tax planning.

Both the Confederation of British Industry (CBI) and the Association of Corporate Treasurers (ACT) have questioned the potential impact on routine tax decisions of GAAR, which is expected to be included in the 2013 Finance Bill.

The CBI said it supported GAAR but is 'concerned the latest proposal is too broad and could affect not just abusive transactions but also straightforward tax management, which is an essential business function.' The ACT said 'unless the tests for abuse are tightened the danger is that the rule will create massive tax uncertainty, even around perfectly legitimate arrangements.'

GAAR has been the subject of a three-month Government consultation, which closed on 14 September. The aim is to strengthen the Government's anti-avoidance strategy and complement existing tools HMRC has at its disposal to tackle avoidance. The GAAR will apply where both a 'tax arrangements' test and an 'abusiveness' test are met. The tax advantage will then be counteracted on a 'just and reasonable' basis.



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The Government proposes the GAAR should initially apply to income tax; corporation tax, capital gains tax; petroleum revenue tax; inheritance tax; and stamp duty land tax and the new enveloped property annual charge. It will also apply to national insurance contributions, but this is likely to be enacted after the GAAR has been introduced. The GAAR is not intended to apply to VAT.

One of the taxpayer safeguards proposed is an advisory panel, to help identify the borderline of where the GAAR applies. This would be comprised of HMRC and non-HMRC members.

It is proposed the panel would be purely advisory and its decisions would not be binding on either HMRC or the taxpayer. However, how this will work in reality has been questioned as has its independence. The panel would look at written evidence from the taxpayer if it is felt by HMRC that GAAR applies.

Meanwhile, the Association of Chartered Certified Accountants (ACCA), an international accountancy body, has urged the UK not to rush into the change. It says it wants to see a more measured approach to drafting the legislation. The ACCA is also concerned about the panel, especially since its makeup is not yet known. It has also expressed concern that the current draft GAAR legislation runs the risk of increasing the administrative burden on taxpayers.

The Financial Services Authority does not regulate tax advice.

A puzzling employment market

How would your business cope if it lost a key employee next week?

The UK may have just recovered from a double-dip recession, but you would not think so to look at employment numbers. The latest data from the Office for National Statistics show that the employment rate is at its highest level since spring 2009. The resilience of the employment market has puzzled economists, but its impact is much wider.

For example, it could mean that if your business had to replace a key member of staff, suitable candidates might not be that easy to find. The recruitment process could be longer and more expensive than you would expect during a recession. While you may take some comfort from the idea that difficult economic conditions mean your senior employees are less likely to jump

ship, not all employee departures are purely voluntary. A sudden serious illness or death could remove a key employee with no warning and no notice period.

The smaller the business, the more difficult it can be cope with such a disruption. You may need to hire an interim manager or consultant to fill the gap while you search for a long-term replacement, adding to overall recruitment costs.

You probably have insurance in place for other unforeseen events that could affect your business, for example buildings insurance and loss of profits cover would usually deal with fire or flooding of your premises. But have you insured your key employees?

If the answer is 'No', why not ask us to provide you with details of the appropriate cover? This can be structured to provide a lump sum and/or a series of payments to your business in the event of the key person's death or serious illness. As a general rule, premiums will be a fully allowable business expense, while payments would be treated as taxable income. The term of the cover can be selected to suit your requirements, so if the employee is crucial to a project lasting for the next three years, then the insurance need only last three years.

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Services Authority does not regulate tax advice.

Time-out called on NS&I fixed rates

The days of penalty-free fixed-rate savings have come to an end.



The Government does not want National Savings & Investments (NS&I) to raise any fresh money in this financial year. As a result, NS&I have suspended sales of nearly all their fixed-rate offerings, including index-linked and fixed-rate savings certificates.

It was therefore surprising to see a mid-August announcement from NS&I that they were revising the terms of all their fixed-rate range for new issues from 20 September. Only one of the products mentioned, Children's Bonus Bonds (now rebranded Children's Bonds), was on general sale at the time.

The most significant and unwelcome change was the introduction of an across-the-board 90-day interest penalty for early encashment.

NS&I automatically reinvest a maturing product in a new issue unless it receives

instructions to the contrary, so this could come as a nasty surprise to existing investors in future if they fail to receive or act on their maturity packs.

For example, if you have three-year index-linked savings certificates maturing next April, your 'renewed' certificates will have the 90-day interest penalty included in the terms and conditions.

The message here is to keep NS&I up-to-date when you move, and not to ignore maturity packs. You may need to make a decision as to whether you can wait the two, three or five years before the next maturity to access your money.

Please contact us for further advice.

The Financial Services Authority does not regulate National Savings & Investments.

The Dow Jones – this does not compute?

The Dow Jones Index is showing its age.

In August this year, Apple Inc became the most valuable company in the world, with a market capitalisation of over \$600 billion. With the launch of the new iPhone 5 in September and the mini-iPad now on the market, at the time of writing the company shows little sign of relinquishing its top spot.

However, Apple is not a constituent of the widely-quoted Dow Jones Index, and 'the Dow' has thus captured none of Apple's meteoric share price performance. Unless there is a revision in the way in which the Dow is calculated, there is now no way the

company can be added to the index now because its share price is so big – over US\$650.

The Apple-less Dow serves as a reminder that indices – and the index-tracking funds they spawn – are not always as straightforward as they seem.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.



HMRC clamps down on stamp duty avoidance

HMRC is battling those who dodge stamp duty with new rules, and has won a recent court action.

Tighter regulations mean promoters and users of sub-sale avoidance schemes have to disclose them to HMRC so that they can be identified and challenged. Schemes involving residential property with a value up to £1 million, and for commercial property with a value up to £5 million, now have to be disclosed in the same way as schemes for more valuable properties.

The court case involved a Vardy Group company, which acquired property costing £7.25 million, potentially incurring stamp duty of £290,000. The group used sub-sale relief, an exemption designed to protect house-builders from having to pay stamp duty twice when they buy land and then sell houses built on it.

It structured the purchase through an unlimited-liability company, which immediately distributed the property as a dividend to the shareholder company. The group claimed that as the final purchaser had paid nothing for the property it was not liable for stamp duty.

The First-tier Tribunal found the unlimited company had not properly carried out company law requirements for declaring a dividend, and the ultimate owner of the property had indirectly provided the purchase price – and stamp duty was due.

The Financial Services Authority does not regulate tax advice.