



## SEPTEMBER 2004 NEWS UPDATE

### **NATIONAL MINIMUM WAGE**

The National Minimum Wage was introduced in 1999 to prevent unduly-low pay. The rates applicable from 1st October 2004 are as follows:

|                          |                |
|--------------------------|----------------|
| Workers aged 22 and over | £4.85 per hour |
| Workers aged 18-21       | £4.10 per hour |
| Workers aged 16-17       | £3.00 per hour |

Workers exclude self employed and voluntary workers but include part-time workers, casual labourers, agency workers and piece workers including homeworkers.

### **OFFSHORE PROPERTIES**

If you are contemplating utilising all those extra business profits in purchasing an overseas residential property through your business by setting up an offshore company in a “tax haven”, then beware! The Inland Revenue have created a centre of information to specifically focus on offshore company bank accounts and investments (which include holiday homes overseas). If you are contemplating such an investment, please ensure that you take specialist advice from the out-set.

### **COMMERCIAL PROPERTIES AND PENSION SCHEMES**

Talking of properties, it has usually been tax efficient for a director/shareholder or a self employed person to buy trading premises using a Self-Invested Personal Pension (SIPP). The rules are changing – surprise, surprise. Up to April 2006 the borrowing levels rule means that the fund can borrow up to maximum of 75% of the value of the property. For example a property costing £300,000 could be purchased through a SIPP provided that there was a “pension fund” of at least £75,000 (the balance of £225,000 being financed with a mortgage). After April 2006, the borrowing rules change so that a SIPP will only be allowed to borrow up to 50%, not of the value of the property, but of the pension’s fund.

In the example given, the fund would need to have a value of £200,000 in order to purchase a property costing £300,000. To work out the value of the pension fund you’d need under the new rules, here’s a handy formula:

Cost of property divided by 1.5 = value of fund needed.

### **ADVANCE WARNING!**

Peter will be having his summer holiday in November and will be away from 6<sup>th</sup> November until 25<sup>th</sup> November. Moira, Sarah, Sheila and Sharon will be looking after the office and tending to your every need!

**Peter**

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