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WINTER 2017

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The second Budget of 2017

The Chancellor was generally more cautious in his Autumn Budget than in his Spring announcements.

Back in March this year, Philip Hammond's Budget debut as Chancellor almost marked his simultaneous finale in the role because of a failed attempt to raise national insurance contributions for the self-employed. This time around seems to have gone more favourably.

Stamp duty land tax (SDLT) and first-time buyers For first time buyers (other than in Scotland), from 22 November the first £300,000 slice of their property's purchase price is exempt from SDLT, provided their home costs no more than £500,000. That could mean a tax saving of up to £5,000.

Income tax The personal allowance will rise to £11,850 and the higher rate tax threshold (excluding that for non-savings, non-dividend income in Scotland) will rise to £46,350 for 2018/19. The missing Scottish threshold awaits finalisation of the Scottish Budget.

Pensions Despite the many pre-Budget rumours, thankfully the Chancellor made no changes to reduce pension tax benefits.

ISAs The overall ISA annual subscription limit of £20,000 and the Lifetime ISA (LISA) of £4,000 will remain unchanged for 2018/19. The Chancellor may have decided that the forthcoming cut in the dividend allowance from £5,000 to £2,000 was enough of an incentive to invest in ISAs.

Capital gains tax The annual exemption will increase to £11,700 for 2018/19 – worth a tax saving of up to £3,276 to a higher rate taxpayer on property-related gains. Buy-to-let investors using property-holding companies were less lucky as, from January 2018, a technical change means more of any future capital gain being subject to corporation tax. The change will also affect UK life companies and could reduce future returns on UK endowment and single premium policies.

If you have any question about the financial planning implications, please talk to us as soon as possible.

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

Investing for children – not just for Christmas

National Savings has closed one option, but there are others to consider.

In September, National Savings & Investments withdrew the Children's Bond and launched an online-only junior ISA (JISA), paying a variable interest rate of 2%. Funds in any JISA become immediately available to the child/adult at age 18, which some feel is inadvisable. There are several ways to address this potential problem.

One is to contribute to a personal pension rather than a JISA. The maximum contribution is lower, at £2,880 rather than the JISA limit of £4,128 for 2017/18 (or £4,260 in 2018/19). However, contributions benefit from basic rate tax relief, even though the child will almost certainly be a non-taxpayer. So the £2,880 becomes £3,600 in their pension plan. The tax treatment throughout the investment period is the same as for a JISA, although the fund cannot be drawn upon until the 'child' is within ten years of their state pension age, probably around age 60.

In between these two age extremes, trusts can be used to make gifts to children while still retaining some control. If you choose this route, there are no constraints on the investment size or type.

For more information on all children's investment options, do get in touch – this is an area with some tricky tax traps for the unwary.

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Planning for long term care

The UK care system is complex, fragmented and expensive, with many elderly people funding care costs themselves.

Those worried that they – or a close relative – might need care in future should arm themselves with as much information as possible. Discuss options with family early to avoid making rushed decisions at a potentially traumatic time.

Your local council is a good place to start. They have a duty to assess care needs and provide information on local services and funding options. Councils also assess an individual's ability to pay. This will look at people's income and assets. In England, those with assets of more than £23,250 pay care costs in full. This 'means-test' typically includes the value of any property, although it is excluded if a spouse or partner continues to live there. Even those without savings but with good pensions can end up paying care fees themselves.

Those needing care should also look at annuity options. These pay a fixed sum for life, meaning it's less likely you'll have to move somewhere cheaper if funds are exhausted. With residential care costing hundreds of pounds a week, financial planning can help. It isn't possible to insure against this cost, so save what you can and, if necessary, take specialist advice.

Tax return time

Wednesday 31 January is the deadline for submitting your 2016/17 self-assessment tax return online – the paper return deadline was 31 October.

Miss the deadline and you could face an immediate £100 penalty, even if HMRC owes you money. Since September, HMRC has started to remove some taxpayers – mainly pensioners – from the self-assessment return regime by the introduction of 'simple assessment'. Under this system, HMRC uses data it already holds to calculate the tax due and issues the taxpayer with a tax calculation. Be warned: if you receive an HMRC calculation, you have only 60 days to raise any queries.

The Financial Conduct Authority does not regulate tax advice and tax laws may change.

New auto-enrolment changes

Auto-enrolment moves to the next stage in April: are you ready?

In the last three years, over 8.5 million people have begun saving for their retirement and almost 800,000 employers have successfully complied with their automatic enrolment duties.

From 6 April 2018, auto-enrolment moves on to the next stage. To date, the requirement has been a minimum total contribution of just 2% of band earnings (earnings between £5,876 and £45,000 a year in 2017/18). Of this, the employer must pay at least 1%. So the typical 1% contribution by an employee earning £25,000 a year currently works out at £12.75 a month after basic rate tax relief.

Contribution levels rising

Next April, the minimum contribution will rise to 5%, with the employer paying at least 2% of this total. Most employees' contributions will triple to 3%. A year later, there's another 3% increase, meaning the employer will pay a minimum 3% and most employees 5%. Based on this year's rates (which may change), that £12.75 a month in March 2017 will have increased to £63.75 a month by May 2019.

The choice of April for the increase date was deliberate because it coincides with likely revisions to the personal allowance and national insurance contributions at the start of a new tax year. Both generally boost employees' net pay and so may help disguise any increased deductions from earnings.

If you are an employer, you would be well advised to alert your employees to their contribution increase before it takes effect. You should also ensure you have budgeted for your increased contribution in 2018/19 and then again in 2019/20. For further advice and information, please talk to us – well before April 2018 arrives.

Occupational pension schemes are regulated by The Pensions Regulator. The Financial Conduct Authority does not regulate tax advice, and tax laws may change.

Refresh your New Year resolutions

It's that time of year again, but with so many good intentions falling by the wayside after the new year, why not try a new approach that might stick?

For 2018, try adopting a different type of New Year resolution – a financial one. Here are three possibilities to consider:

- **I will review my will** Ensuring your will is up to date is one way to make sure your assets are dealt with in the way that you want when you are not around. Relying on the intestacy rules can create unpleasant surprises for those left behind.
- **We will review our ownership of investments** The past few years have seen a steady flow of changes to the tax treatment of investment income, such as the introduction of the personal savings allowance and the reform of dividend taxation. Couples may be able to share the tax burden.
- **I will obtain an estimate of my current pension benefits** The changes to pension rules over recent years, across both state and private pension provision, could well have altered your retirement income and even when you will receive some of your pension.

This trio are one-offs, so why not call us now and start 2018 the right way?

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax, will writing, trust advice and some forms of estate planning.

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