

talkingpoints



Autumn
Budget
Edition

Welcome to the latest edition of Talking Points.

In this issue we bring you the main announcements made by the Chancellor in his recent Autumn Budget and highlight areas which may affect your personal or business finances.

The Chancellor chose to call an early Budget, bringing it forward to Monday 29th October to avoid clashing with important Brexit negotiations in November. He promised to deliver a Budget for Britain's future, stating that the era of austerity was finally coming to an end.

In a turnaround from the Spring Statement, the Office of Budgetary Responsibility (OBR) gave a more upbeat prognosis for the country; forecasting that Government borrowing this year will be £11.6 billion lower than previously forecast and is then set to fall annually to £19.8 billion by 2023-24, its lowest level for more than 20 years.

Meanwhile, national debt peaked in 2016-17 at 85.2% of Gross Domestic Product (GDP) and is forecast to fall from 83.7% this year to 74.1% by 2023-24.

With stronger than expected tax receipts, the Chancellor was uncharacteristically generous, opting to distribute the funds rather than use them to reduce the deficit.

As part of his proposals he announced increased funding for the NHS, Social Care in England and Defence spending, along with money to improve the roads and a bonus for schools.

A new Digital Services Tax is being introduced in April 2020, aimed at profitable online businesses with a turnover in excess of £500 million. The details are subject to a consultation prior to implementation, but the tax is expected to raise over £400 million a year.

An additional £500 million was also set aside to prepare for a "No Deal" Brexit scenario, and there will be a commemorative 50p Brexit coin available from the Spring of 2019.

It should be noted that if we have a "No Deal" Brexit there could be an emergency Budget in March.

With this in mind, those who can, should consider making use of any unused tax reliefs, allowances or exemptions before they are lost, either due to future Budgetary changes or at the start of the new tax year in April 2019.

If you require guidance with any of your financial planning needs, we are here to help.

We have experienced and fully independent Consultants throughout the UK, advising both individuals and businesses. Please contact us for more information about our services and charging structure. Our contact details are on the back page.



autumn budget overview

News for Individuals

Personal Taxation and Benefits

Please note, the income tax rates and bands for Scottish taxpayers will be announced in the Scottish Budget on 12th December 2018.

- The tax-free Personal Allowance will be increased from £11,850 to £12,500 on 6th April 2019 – a year earlier than originally planned. The allowance will remain at this level for the 2020-2021 tax year and future annual increases will then be in line with the Consumer Prices Index (CPI).
- The threshold for paying Higher Rate tax (40%) will be increased to £50,000 in 2019-20. Again, this is a year earlier than planned and the threshold will remain the same for 2020-21.

These changes will result in a tax cut for 32 million people and mean that since 2015 the Government will have taken 1.7 million people out of tax altogether, and nearly 1 million out of Higher Rate tax.

- The zero percent starting band for savings income is unchanged at £5,000.
- The National Living Wage will rise in April 2019 from £7.83 to £8.21 and will give full time workers affected an additional £690 per annum.
- The Universal Credit Work Allowance is to be increased by £1,000 from April 2019. This is the amount that working parents and people with disabilities can earn before their Universal Credit award begins to be withdrawn. The effect of this change is that 2.4 million households will keep an additional £630 of income each year.

Pensions

- The standard Lifetime Allowance (LTA) will rise to £1,055,000 from April 2019 in line with the Consumer Prices Index (CPI).

- There were no changes to pension Annual Allowances (AA). The standard AA remains at £40,000 and the money purchase annual allowance (MPAA) at £4,000 (with no carry forward).

The earlier Personal Allowance and tax threshold increases announced in the Budget are positive news, but do mean that those who see their income fall back into the Basic Rate tax bracket from 6th April 2019 will no longer be able to claim any Higher Rate tax relief on their pension contributions.

For this reason, anyone affected and who is intending to make pension contributions should, if it is possible to do so, consider bringing forward their contributions to this financial year to take advantage of any available Higher Rate tax relief.

For personal pensions, Basic Rate tax relief of 20% is usually reclaimed at source by the pension provider. Higher and Additional Rate tax payers can claim any further tax relief via their Self-Assessment tax return

If you need assistance with this or any other area of your financial planning, we have specialists who can help - please contact us for more details about our services and charges.

Individual Savings Accounts (ISAs) and Child Trust Funds (CTFs)

- The ISA annual subscription limit for 2019-20 will remain unchanged at £20,000.
- The annual subscription limit for Junior ISAs and CTFs for 2019-20 will be increased in line with CPI to £4,368.

CTFs were available to children born between 1st September 2002 and 2nd January 2011 but have now been replaced by Junior ISAs (JISAs). However, existing CTF accounts can continue until a child is 18. As the first round of CTF maturities approach the Government announced in the Budget that it will publish a consultation in 2019 on draft regulations for these accounts.

National Savings and Investments (NS&I)

The Government wants to make it easier for more people to save at all stages of their lives. NS&I will therefore allow people other than parents and grandparents to gift Premium Bonds to a child and the minimum investment amount is being reduced to £25.

Inheritance Tax (IHT)

- The IHT nil rate band will remain at £325,000 until April 2021.
- The residence nil rate band will increase from £125,000 to £150,000 from April 2019.

Capital Gains Tax (CGT)

- The annual exempt amount for Capital Gains Tax (CGT) will increase to £12,000 for individuals and to £6,000 for trusts from April 2019.
- Private Residence Relief - currently where a property has at some point been used as the owner's main residence, gains made in the final 18 months of ownership are exempt from CGT. From April 2020 lettings relief will only apply when the owner of the property is in shared occupancy with the tenant. The final period exemption will also be reduced from 18 months to 9 months. These changes will not affect those who are moving into a care home or people with a disability, who are entitled to a longer exemption period of 36 months.

Stamp Duty Land Tax (SDLT)

- SDLT first-time buyers' relief will be extended in England and Northern Ireland to all first-time buyers purchasing residential property worth up to £500,000 through a qualifying shared ownership scheme. The measure will be retrospective, so a first-time buyer who has made a purchase since 22 November 2017 will be able to make a backdated claim for this relief.
- SDLT for non-residents - a consultation will be issued in January 2019 on a SDLT surcharge of 1% for non-residents buying residential property in England and Northern Ireland.



News for Businesses

Business Rates

In a bid to help the high street the Government is cutting business rates by one-third for retail properties with a rateable value below £51,000 for 2 years from April 2019. This will benefit up to 90% of retail properties.

VAT for Small Business Owners

Business owners with a turnover of less than £85,000 a year will be exempt from registering for VAT until at least 2022.

Annual Investment Allowance (AIA)

The Annual Investment Allowance will increase from £200,000 to £1 million for two years from January 2019. The AIA is a special allowance that provides 100% tax relief on assets qualifying as plant and machinery

Structures and Buildings Allowance (SBA)

New non-residential structures and buildings will be eligible for a 2% capital allowance where all contracts for the physical construction works are entered into on or after 29th October 2018. This addresses a significant gap in the UK's current capital allowances regime and will improve the international competitiveness of the UK's tax system.

Off-payroll Working Rules in the Private Sector

Off-payroll working rules are known as IR35. The changes made to the IR35 rules for public sector bodies are to be extended to large and medium sized private sector firms from April 2020.

IR35 rules relate to organisations which engage workers on a self-employed basis and usually through an intermediary, rather than on an employment contract, so they become "disguised employees".

Disguised employees can save the engaging organisation a significant amount of money as they no longer have to pay employers' National Insurance Contributions (NICs), and it also means they do not have to offer any employment rights or benefits.

To clarify, the rule does not affect the self-employed, as their gross profit less expenses are taxed under income tax rules already.

Private sector firms will have to assess if contractors fall into this category, criteria such as having contracted hours and agreed "overtime" payments are details which classify a contractor as an employee.

It will be up to the contracting firm to establish the tax and national insurance status of whomever they hire. If a contractor does fall into this category, the private sector firm will have to pay employers NICs to HMRC and to deduct employee national insurance and income tax from these payments.

Employment Allowance (EA) Reform

The EA provides businesses and charities with up to £3,000 off their employer NICs bill.

From April 2020 only those employers with a NICs bill below £100,000 in the previous tax year will be able to benefit from this allowance.

Entrepreneurs' Relief

Entrepreneurs' Relief is a reduction in the rate of CGT payable by a sole trader or business partner when they sell all or part of their business. The relief means that CGT on qualifying assets is payable at a reduced rate of 10%.

To support longer-term business investments, from 6th April 2019 the minimum period throughout which the qualifying conditions for relief must be met will be extended from 12 months to 24 months.

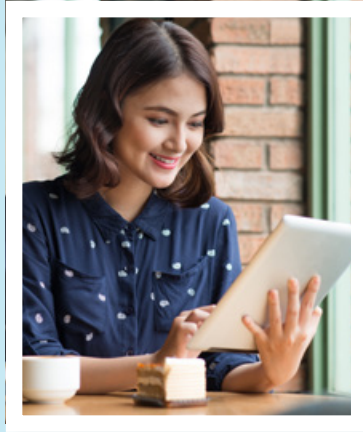
Tax Payments on Insolvency to Fund Public Services

From 6th April 2020, when a business enters insolvency, more of the taxes paid by its employees and customers, and temporarily held in trust by the business, will go to fund public services rather than being distributed to other creditors. This reform will only apply to taxes collected and held by businesses on behalf of other taxpayers (VAT, PAYE Income Tax, employee NICs, and Construction Industry Scheme deductions). The rules will remain unchanged for taxes owed by businesses themselves, such as Corporation Tax and employer NICs.

In other news...

Pensions Dashboards

The Government is providing extra funding to support the launch of Pensions Dashboards, innovative tools that will allow an individual to see their pension pots, including their State Pension, in one place.



The Search for Lost Pensions

According to research from the independent Pensions Policy Institute (PPI), the UK has an estimated £20 billion of unclaimed pension funds.

The PPI surveyed half of firms in the private defined contribution (DC) pension market, looking at 12 large insurers, and found 800,000 lost pension pots worth around £9.7 billion.

From this research the PPI estimated there are 1.6 million lost, or unclaimed, pots in the UK today worth £19.4 billion, and said the figure could be even higher as it did not look at trust-based schemes or public sector pensions.

The issue of lost pensions is likely to get worse as workers are now changing jobs more regularly – the PPI say the average person will now change jobs 11 times in their lifetime.

If you think you have an unclaimed or lost pension, you can use the free online service at www.gov.uk/find-pension-contact-details.

Inheritance Tax (IHT) Review

A review of IHT will be published before the end of the year.

Earlier this year the Chancellor wrote to the Office of Tax Simplification asking it to review IHT because of concerns that the system was “particularly complex”.

The Office of Tax Simplification has now confirmed that it will be publishing the outcome of the review before the end of 2018.

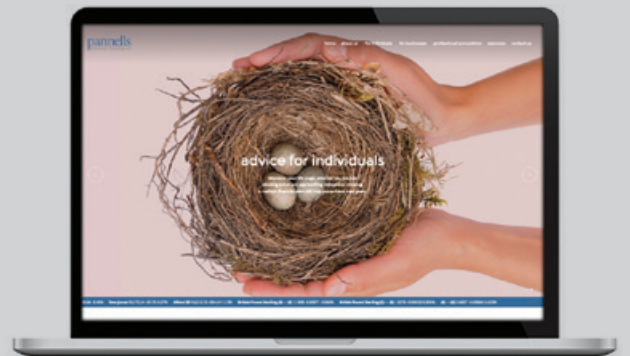
The amount of money HM Revenue & Customs (HMRC) has received from IHT has been rising in recent years. The latest figures from HMRC showed that £5.2bn was paid in IHT in 2017-18, the most since the current system was introduced in 1986. The rise has been largely attributed to increasing asset values, despite measures to address this, such as the introduction of the residential nil-rate band and that make pension death benefits exempt from Inheritance Tax other than in exceptional circumstances.

We will keep you informed about the outcome of this review in future issues.



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www.pannellsfp.co.uk

Contact us

For Newsletter and General Enquiries:

Sarah Cook on 0121 609 3210

Email: sarah.cook@pannellsfp.com

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