ASSET Advantage

Your quarterly newsletter from ASSET Investment Management Ltd

wealth management specialists

Making The Most from New Tax-Free Allowances

From 6 April, the new tax rules for bank deposits will see banks pay interest gross, rather than after a deduction of 20 per cent income tax. These new rules for taxing dividends and allowing payment of ordinary bank deposit interest tax-free will fundamentally change what assets savers and investors hold in different wrappers.

Under a new personal savings allowance, the first £1,000 of interest will be tax-free for basic rate taxpayers and the first £500 for higher rate taxpayers. Additional rate taxpayers will receive no allowance. Non-taxpayers will no longer need to fill out the R85 form to receive interest without tax deducted.

Even at an interest rate of 1.5 per cent, basic rate taxpayers will be able to shelter nearly £70,000 in an ordinary bank deposit account and higher rate taxpayers will be able to shelter £30,000. This effectively creates another ISA-like home for cash savings - assuming that interest from other investments hasn't used up all of this allowance of course.

This means that ISA allowances can be left free for other assets. Another change, allowing ISAs to be replenished in the same tax year, also takes effect from April. This will allow investors to move cash currently within their ISAs into normal bank deposit accounts in order to benefit from the new personal savings allowance.

They can then restock their ISA within the same tax year with other assets, such as non-ISA OEICS and Unit Trusts, up to the amount they had in their ISA before taking cash out, without using up their annual ISA allowance of £15,240.

Meanwhile, the new dividend tax rules will change the basis of taxing dividends from direct shareholdings and from collectives such as OEICs and Unit Trusts. The first £5,000 of dividend income is received tax-free for both basic rate and higher rate income taxpayers. At the end of 2015, the dividend yield on the FTSE All Share was 3.7 per cent. Up to £135,000 of shares in limited companies or collective funds with a similar yield can therefore be held outside of an ISA or pension without incurring income tax on the dividend.

Using these allowances to their fullest alongside ISAs and pensions should mean the vast majority of UK savers and investors pay no tax on their savings and investments, except for taxable withdrawals from pensions (which should be more than compensated by tax relief and tax-free cash).

Spring 2016

2016 has got off to an awful start in respect of the financial markets caused by fears of a global slowdown. The price of oil has tumbled, largely down to oversupply, yet this is seen as a negative whereas for most people, reduced energy costs are a bonus!

Markets are fickle and whilst there are issues, the fundamentals of many markets are sound and good stock picking funds will take advantage of this volatility.

As usual, If you have any requests for articles or information, or want this to be sent to any friends and family, then please let us know.

Our Services

We are able to offer qualified advice in areas other than pure investment, such as:-

- Equity Release
- Care Fee Planning
- Income Protection
- Life & Critical Illness cover
- Pension Planning
- Inheritance Tax Planning
- Wills and Estate Planning
- Lasting Powers of Attorney

Making Contact

Most clients will have only ever seen Kevin in his travels. However, if you want to withdraw cash or make any changes to portfolios etc., then please call the office number or email enquiries@asset-im.co.uk because if Kevin is away your request may be missed and in any event it is Paul who will be making any changes and amendments anyway.

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Buy To Let Changes

In addition to the 3% extra Stamp Duty to be introduced on additional home purchases from April, the Chancellor also took the unusual step to restrict mortgage interest relief to the 20% basic rate. This is the only area I can think of where turnover rather than profit is taxed. Strangely this system will not apply to MPs expenses.

Equity Release

A few companies will allow up to 50% of a property's value to be released as an interest only mortgage with monthly repayments.

This could be useful where parents have a property and a good income but want to raise a deposit for their children to get onto the housing ladder.

At a later stage the capital could be repaid from a charge on the purchased property once sold, or converted to a lifetime equity release scheme

VCTs and EIS

Venture Capital Trusts and Enterprise Initiative Schemes have, in the past, been seen as quite esoteric tax planning tools. They have offered significant tax breaks (up to 30% income tax relief up front) for sophisticated investors willing to take some extra risk.

With the changes to buy to let taxation, some landlords may feel that it is time to sell all or part of their property portfolio. This bring with it the imposition of Capital Gains Tax (CGT) at 28% (over and above the annual exemption)

The EIS gives not only immediate income tax relief to counter the increased income tax payment, but also allows deferral of CGT gains indefinitely and falls out of the estate for Inheritance Tax purposes after two years.

A pretty attractive exit strategy for some. We would be delighted to discuss this further with clients or friends of clients who may be affected.

What's In The FTSE 100?

We have seen dramatic falls and rebounds in the FTSE 100. Bear in mind this is an index of the top 100 companies on the UK stock exchange by market capitalisation - they are not necessarily representative of the thousands of other quoted companies, many of whom, especially at the smaller end of the market, are doing quite well but tend to get dragged down by market sentiment. The following chart shows just how a few sectors and companies dominate this index:-

HSBC Holdings (8.00%)	AstraZeneca (2.45%)	SABMiller (1.88%)
Vodafone Group (5.76%)	BG Group (2.40%)	Standard Chartered (1.78%)
BP (5.46%)	Barclays (2.26%)	Prudential (1.73%)
Royal Dutch Shell A (5.02%)	BHP Billiton (2.24%)	National Grid (1.71%)
British American Tobacco (4.07%)	Rio Tinto (2.11%)	Tesco (1.68%)
Royal Dutch Shell B** (3.52%)	Unilever (2.02%)	Lloyds Banking Group (1.67%)
Diageo (2.98%)	Reckitt Benckiser (1.89%)	BT Group (1.53%)