ASSET Advantage

Your quarterly newsletter from ASSET Investment Management Ltd

wealth management specialists

Summer 2015

July 2015 Budget - what this could mean for you.

The Chancellor promised a radical Budget. But will it radically change the advice that you need? The following is a summary of those items which could affect our clients.

Pensions

The Government has started a fundamental review of the pension tax framework. The Treasury is seeking views on a range of open questions around what changes would reduce complexity and increase transparency, make best use of available tax reliefs and increase engagement and aid retirement planning.

In other pension news the proposed reduction in the lifetime allowance from £1.25m to £1m will go ahead as planned from the 2016/17 tax year. It will be indexed in line with the Consumer Prices Index (CPI) from 2018/19.

On death, the tax on pension lump sum death benefits paid after 5 April 2016 in relation to a death at age 75 or above will be taxed as the recipient's income (removing the flat 45% tax that applies in the 2015/16 tax year).

Annuities

The facility for people to sell their annuities will be delayed until 2017. This is stated to be in order to allow more time to ensure the related consumer safeguards are in place. It is more likely that the botched way in which the current round of pensions changes were introduced means that perhaps the government will realise that it has to discuss these issues with all the parties involved, such as the actual pension providers. More details will be announced in the autumn.

Regarding State Pensions, the Chancellor has reaffirmed the Government's commitment to retainingthe 'triple lock' State pension increase promise, giving more security to older people.

Tax Allowances

Increases are on the way to meeting government pledges to raise the personal allowance to £12,500 and the higher rate threshold to £50,000 during this Parliament.

Individual tax allowances

Both the personal allowance and higher rate income tax thresholds will increase over the next two years

2016/17 - Personal Allowance increases to £11,000 and Higher rate threshold increases to £43,000.

A basic rate taxpayer will be better off by £80. Higher rate taxpayers will be better off by £203.

2017/18 - Personal Allowance increases to £11,200 and Higher rate threshold increases to £43,600.

A basic rate taxpayer will be better off by a further £40, and higher rate taxpayers by £160.

Well, we've had the General Election and the first wholly Conservative budget for many years.

This newsletter focuses on the salient points as we see them affecting our clients. Consequently it doesn't cover things such as "non-doms" and the like.

As we prepare this newsletter the Greek government have approved the new bailout terms and we will have to wait and see quite what this means; less volatility for our investments certainly, but at what cost to the Greek people?

Our Services

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

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

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Independent Financial Advisers

Authorised and Regulated by the Financial Conduct Authority No 462797.

Tax advice is not regulated by the Financial Conduct Authority.

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New dividend allowance

The system of dividend tax credits will be replaced in April 2016 by a new tax free dividend allowance of £5,000. Dividends in excess of this allowance will be taxed at the following rates, depending on which tax band they fall in.

Basic rate - 7.5%
Higher rate - 32.5%
Additional rate - 38.1%

This means that from April 2016, a basic rate taxpayer could have tax free income of up to £17,000 pa when added to the personal allowance of £11,000 and the new 'personal savings allowance' of £1,000 as announced in the Spring Budget.

Certain individuals may also have savings income falling into the £5,000 savings rate 'band', currently taxed at 0%

Inheritance Tax (IHT)

The Government will introduce a new IHT nil rate band of up to £175,000 where the family home is passed to children or grandchildren. This is in addition to the current nil rate band of £325,000 which has been frozen since 2009 and will remain frozen for the next 5 tax years, until the end of 2020/21.

Who will benefit?

The extra nil rate band will be available to anyone who passes the family home to their children or grandchildren on death or had a family home, then downsized (passing on assets of equivalent value to children/grandchildren) and has an estate below £2m. The full £175,000 won't be available until 2020/21, first becoming available in 2017/18 at £100,000 and increasing to £125,000 in 2018/19, £150,000 in 2019/20 and £175,000 in 2020/21.

Like the existing nil rate band the new property nil rate band can be transferred between spouses or civil partners. This means a married couple could pass £1m in 2020/21 to their children tax free on death provided the family home is worth at least £350,000, saving £140,000 in IHT. It will only apply to transfers to children and grandchildren, meaning those without children will miss out.

Clients who could benefit from the property nil rate band may need to revisit their existing wills to ensure they continue to reflect their wishes and remain as tax efficient as possible.

ISA changes

The proposed changes to ISA, allowing savers to dip into the savings and replace them without it affecting their annual subscription limits will go ahead from 6 April 2016. The new contributions would have to be paid within the same tax year as the withdrawal for it not to be counted. These new flexible funding rules will only apply to cash ISAs and any cash element within a stocks and shares ISA.

There will also be available a Help to Buy ISA aimed at first time home buyers, who will get help from the Government when saving to get their foot on the property ladder.