



From Austerity to Prosperity?

George Osborne said in his 2015 Budget on March 18th, that they will use whatever resources they have to get the deficit down. That this is a Budget that takes Britain on one big step on the road from austerity to prosperity.

In this budget are some new proposals such as the “Help to Buy ISA”, the new “Personal Savings Allowance” and further changes to the pensions regime.

The last Budget was seen as the “Pension Budget” this one is seen as the “Savers Budget”.



Help to Buy ISAs

The government has announced that savers will be able to open an ISA to save for their first home, and the government will boost it by 25%. The maximum initial deposit will be £1,000 and the maximum monthly savings thereafter will be £200. The maximum bonus will be £3,000 on £12,000 of savings. The government bonus is available on homes up to £450,000 in London and up to £250,000 outside London.

Personal savings allowance

From 6 April 2016 the government proposes to introduce a new personal savings allowance to remove tax on up to £1,000 of savings income for basic rate taxpayers and up to £500 for higher rate taxpayers.

Annuities

Pension annuity sale : The government is to extend the pension “freedoms” announced at last year’s Budget to existing annuity holders. From April 2016, an individual who is already receiving income from a pension annuity will be able to sell that income to a third party.



Savings

Personal Savings Allowance



From 6 April 2016 the government proposes to introduce a new personal savings allowance to remove tax on up to £1,000 of savings income for basic rate taxpayers and up to £500 for higher rate taxpayers. Additional rate taxpayers will not receive an allowance. As part of these reforms, HMRC will introduce automated coding out of savings income that remains taxable through the PAYE system from 2017/18, with pilot schemes starting in autumn 2015.

ISAs

Help to Buy ISAs

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The maximum bonus will be £3,000 on £12,000 of savings. The government bonus is available on homes up to £450,000 in London and up to £250,000 outside London.



ISA flexibility

Individuals will be able to withdraw money from their cash ISA and replace it in the year without it counting towards their annual ISA subscription limit for that year. The change will be introduced from autumn 2015.

ISA Investments - List to be expanded

The chancellor also announced an expansion of eligible ISA investments.

According to Budget documents, the government will extend the range of ISA eligible investments in 2015-16 to include listed bonds issued by a co-operative society and community benefit society and small to medium-sized enterprise securities issued by companies trading on a recognised stock exchange.

Pensions and Annuities

Lifetime Allowance

From 6 April 2016 the lifetime allowance for pensions will be reduced from £1.25 million to £1 million. Transitional protection for pension rights already over £1 million will be introduced alongside this reduction to ensure the change is not retrospective. The lifetime allowance will then be indexed annually in line with CPI from 6 April 2018. There is no change to the annual allowance, which remains at £40,000.

Taxation of inherited Annuities

Beneficiaries of individuals who die under the age of 75 with a joint life or guaranteed term annuity will be able to receive any future payments from such policies tax free where no payments have been made to the beneficiary before 6 April 2015. The tax rules will also be changed to allow joint life annuities to be paid to any beneficiary. Where the individual was 75 or over at death, the beneficiary will pay income tax at their marginal rate(s).

Flexibility with Pension Annuities

From April 2016, an individual who is already receiving income from a pension annuity will be able to sell that income to a third party, subject to agreement from their annuity provider. The proceeds of the sale can then be taken directly or drawn down over a number of years and will be taxed at the individual's marginal rate(s). The facility will not be available for annuities bought by the trustees of occupational pension schemes.

Extra Funding Pledge

Pension Wise is set to receive more government funds after a pledge for an extra £19.5m in 2015/2016 to help meet the demands of the new Pension Freedoms.

Pensions Freedom



April 5th 2015

The rules are changing on 5th April 2015 where there will be new opportunities to turn your pension into cash.

Income Tax

Income Tax Changes

George Osborne announced the income tax and national insurance rates for 2016/17 and 2017/18 in his Budget. The National Insurance Threshold for 2015/2016 has remained unaltered.

The personal allowance will rise from £10,000 this tax year to £10,600 on April 6, which was previously announced. This means an additional £600 of earnings will be tax free for most workers. This will rise to £10,800 in 2016/17 and £11,000 the following year.

The starting level of the 40pc tax will also rise from £41,865 to £42,385 on April 6. It will then rise to £42,700 in 2016/17 and £43,300 in 2017/18.

Highest earners benefit the most

A £1bn tax giveaway from rises in the personal allowance and the starting point for the 40% tax band will leave higher-rate taxpayers better off by around £185 a year, although lower earners will only see a gain of around £132.

The chancellor proclaimed that more than four million people have been lifted out of income tax by his increases in the personal allowance, which was £6,475 in 2010 but will rise to £11,000 by 2017-18.

But higher rate taxpayers will benefit more because the chancellor also raised the starting point for 40% tax, which goes up from £42,385 in 2015-16 to £42,700 in 2016-17 and then £43,300 by 2017-18.

Osborne said the typical working taxpayer would be over £900 a year better off from the cumulative rises in the personal allowance since he became chancellor: "It's a tax cut for 27 million people and means we've taken almost four million of the lowest paid out of income tax altogether." "For the first time in seven years, the threshold at which people pay the higher tax rate will rise not just with inflation – but above inflation."

In previous years, the chancellor has frozen or reduced the point at which people start paying the 40% higher rate tax. But that has meant more people have been dragged into the higher-rate band – 4.6 million compared to around 3.3 million when Osborne first became chancellor.



Business Taxation

Corporation and business tax

George Osborne said during the Budget that he would make cuts to both corporation tax and business rates for small firms in the coming year.

Corporation Tax

Corporation tax will be cut from 21% to 20% in two weeks time to make it "one of the lowest rates of a major economy in the world".

Corporation tax is a tax levied on the profits made by companies and permanent establishments of non-UK resident companies and associations that trade in the European Union.

Business Rates

Corporation tax will be cut from 21% to 20% in April 2015 to make it "one of the lowest rates of a major economy in the world".

Small businesses had the relief on their annual rate doubled until next year while rate increases were capped at 2% as announced in last year's Autumn Statement.

Business rates have increased by 25% in the past six years and many companies say the tax is their biggest burden.

Digital Tax Account

Firms will be able to pay tax at any time via a new digital tax account, which will replace the annual tax return next year.

HMRC will automatically collate the tax affairs of millions of UK taxpayers from employers, banks and investment firms into a single digital tax account which can be checked at any time online.

The accounts will simplify the payment of various levies for businesses.



Inheritance Tax Review

Deeds of variation (Inheritance Tax)

The government will review the use of deeds of variation for inheritance tax planning to clamp down on inheritance tax (IHT) avoidance.

A deed of variation is used to rearrange Wills, and the most common rearrangements are disclaimers and written variations. Corporation tax is a tax levied on the profits made by companies and permanent establishments of non-UK resident companies and associations that trade in the European Union.

Venture Capital Trusts and Enterprise Investment Schemes

From 6 April 2015 companies benefiting considerably from subsidies for the generation of renewable energy will be excluded from also benefiting from EISs, SEISs and VCTs, as announced previously. There will be an exception for community energy generation undertaken by qualifying organisations, which will in future become eligible for the Social Investment Tax Relief.

Further amendments have been proposed for venture capital schemes. These will include new qualifying criteria in certain cases; in order to limit relief to companies where the first commercial sale took place within the previous 12 years. There will also be a cap on the total investment a company can raise under EISs and VCTs of £15 million, or £20 million for companies that meet certain conditions demonstrating that they are 'knowledge intensive'.

Miscellaneous

Personal Tax Allowance was raised but the National Insurance Threshold for 2015/2016 remained unaltered.

The government proposes to abolish self-employed Class 2 national insurance contributions some time in the next parliament.

Self-employed farmers will be able to average their profits over five years instead of just two from April 2016.

Charities will benefit by the proposed increase in the Gift Aid Small Donation maximum amount from £5,000 to £8,000 from April 2016.

Better Financial Planning

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Budget Report 2015

Are your financial plans still on track following
the Budget 2015?

There may have been a number of changes announced in the Budget 2015 that could effect your financial plans, particularly concerning savings and pension freedoms

If you would like to review your current financial situation to make sure that your plans are still on track, please contact us.

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