CLIENT NEWSLETTER

February 2018

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CONTENTS- brief overview

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INDIVIDUAL SAVINGS ACCOUNTS

Individual Savings Accounts (ISAs) have come a long way since their birth in 1999.
There are now five types of ISA; Standard Cash/Stocks & Shares ISA, Junior ISA, Help to BuyISA, Innovative Finance ISA and Lifetime ISA. ISA contributions are use-it-or-lose-it: there is no carry forward to future years of unused limits. Thus, to maximise the benefits of ISAs, you should aim to invest as much as you can each tax year. For example, had you placed the maximum in ISAs since they first were available, you would by now have sheltered over £185,000 from tax.

Are you utilising your annual ISA allowance? Have you considered Help to Buy or LISA's? What does this mean for the future?

PENSIONS

In recent years, the Treasury has been attempting to cut the cost of pension tax reliefs by reducing the two main allowances, the lifetime allowance (based on total value of benefits) and the annual allowance (based on total contributions in a tax year). Unfortunately for the Chancellor, the Treasury's efforts have been somewhat countered by the Department for Work and Pensions, which has been more successful than many experts expected in encouraging automatic enrolment into work place pension schemes. The latest estimate is that over 9 million people have been automatically enrolled since October 2012.

Have you caught up on your past years contributions? Are you aware of the automatic enrolment contribution rates? An increase to the lifetime allowance? Are you planning on drawing pension benefits in the near term? How will this impact you in the future?

VENTURE CAPITAL TRUSTS (VCTs) AND ENTERPRISE INVESTMENT SCHEMES (EISs)

In the run up to the Autumn Budget 2017, many VCT and EIS promoters sought to raise fresh funds. The managers had rightly anticipated that the Autumn Budget would include changes in the wake of a Summer 2017 consultation paper on patient capital. In the event the Chancellor's revisions were not as radical as some had feared, but they do mean the risk profile of these schemes will increase.

Are you aware of the tax benefits of VCTs and EISs? Is your portfolio well diversified? Are VCTs and EISs a sensible approach in live with your level of investment risk? What action can be taken?

CAPITAL GAINS TAX

2017 was a good year for the world's stock markets. The MSCI World Index rose by over 20%, although the UK stock market was not such a strong performer, partly down to Brexit-related issues. Regular use of your CGT annual exemption (£11,300 rising to £11,700 in 2018/19) is one way to avoid the situation where gains built up over a period of years lead to a tax bill for rebalancing your portfolio or extracting some funds. The 2017/18 annual exemption could save you £2,260 in tax if you pay income tax at more than basic rate and the gains do not relate to residential property (where the saving would be a maximum of £3,164).

Is the timing of when you crystallise gains important? Is deferral of residential property sale a good idea? What impact does this have on your future?

INHERITANCE TAX

Inheritance tax (IHT) receipts have been growing rapidly in recent years. This tax year's IHT payments are projected to be nearly double those of 2010/11. Despite the introduction of the residence nil rate band in 2017/18, the Office for Budget Responsibility (OBR) says future years will see more increases. One reason for that is that the nil rate band has been frozen at £325,000 since April 2009 and is not due to increase until April 2021.

Have you utilised all of your exemptions? Have you carried forward your unused allowances? Is there a best time to use annual and small gifts exemption? Have you reviewed your IHT planning and Wills in the lifht of the residence nil rate band?