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CLIENT NEWSLETTER

November 2017

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INCOME TAX

In their manifesto, the Conservatives reaffirmed their goal of a £12,500 personal allowance by 2020/21. The announcement of a personal allowance of £11,850 for 2018/19 is another step towards this goal, albeit no more than was required by indexation. However, many people do not use the current personal allowance (£11,500 in 2017/18), and in 2018/19 there will be a gap of over £3,400 between the allowance and the starting point for National Insurance contributions (£8,424). At the other end of the income scale, some taxpayers will have no personal allowance in 2018/19 because their income exceeds £123,700, at which point their allowance is tapered to nil.

Does this have any affect on your personal allowance? Are you paying more tax than necessary? Have you considered the starting rate band? What action can be taken?

SAVINGS AND INVESTMENTS

The annual ISA investment limit for 2018/19 is unchanged, so remains at £20,000. There will also be no change in the limit for the Lifetime ISA (LISA), which was launched earlier this year and has so far attracted much comment but only limited interest. The limit for the Junior ISA (JISA), which is attracting more university-fee-planning investors, will rise marginally from £4,128 to £4,260, as will the child trust fund (CTF) limit.

Have you taken advantage of the ISA investment limit? Are you utilising your allowances? What does this mean for the future?

CAPITAL GAINS TAX

Capital gains are currently taxed as the top slice of income, but the rates are lower than those that apply to income not covered by allowances. Gains are generally taxable at 10% to the extent they fall in the basic rate band (£33,500 in 2017/18 and £34,500 in 2018/19) and 20% if they fall into the higher or additional rate bands. An additional 8% applies to gains on residential property and carried interest. For 2018/19, the capital gains tax annual exemption will rise by £400 to £11,700.

What is the most sensible approach to take? Is deferring an option? What action can be taken?

INHERITANCE TAX

The Residence Nil Rate Band (RNRB) came into effect on 6 April 2017 with an initial figure of £100,000. For 2018/19 the RNRB will rise to £125,000, en route to reaching £175,000 in 2020/21, after which increases will be inflation-linked. It does help to ease the burden of IHT for many estates, but it is by no means a panacea. The government's IHT tax take is still expected to carry on increasing according to the OBR projections.

Have you reviewed your will? Have you considered the nil rate band? What impact does this have on your future?

PENSIONS

The pensions landscape has altered dramatically in recent years and the latest change – to the money purchase annual allowance, automatic enrolment and the new state pension. The Budget confirmed the rates for the full single tier state pension have been confirmed for 2018/19 as £164.35 a week in 2018/19 (a £4.80 increase) and the basic state pension will increase under the triple lock guarantee by 3% to £125.97.

Will this affect when you should start drawing an income from your pension plan? Have you integrated your pension choices with your other financial planning circumstances?

COMPANY CARS

The company car benefit scales undergo another uplift in 2018/19, marking another turn of the screw on this still popular fringe benefit. The changes will increase the tax on low-emission cars significantly because the same 3% addition applies to all but the lowest emission vehicles, whether the existing (2017/18) charge is 13% or 37% (where there is no change).

Are you considering changing your car in the next year? What's the most efficient way? Does this have an impact on you?