pannells
Financial Planning Ltd

December 2016 | Issue Seven

talkingpoints

Welcome to the latest edition of Talking Points – the newsletter from Pannells Financial Planning Ltd.

In this, our final issue of the year, we reflect on 12 months of unprecedented change and political dissention – both domestically and globally.

How many, at the start of 2016, truly believed that the UK would vote to leave the European Union (EU) or that America would elect Donald Trump to be their next President? Certainly not the pollsters – who have been wrong-footed at every turn - and have wrong-footed global markets in the process.

Fears of financial meltdown following each shock result have not been realised – and despite initial short term falls, the financial markets have rallied and risen swiftly.

However, Sterling has taken a bashing, reaching a 168 year low in October.

Following the Brexit vote, new Prime Minister, Theresa May, pledged to trigger article 50 - starting our two-year countdown to leave the EU before the end of March 2017. A subsequent legal challenge that article 50 could not be invoked without an Act of Parliament was upheld. Although a Supreme Court ruling on this challenge is not due until the New Year, Government lawyers have stated that Westminster's consent is not required and they appear to be pressing ahead with their plans. However, with both the Scottish and Welsh First Ministers joining in the argument, our exit from the EU could yet be a long way off.

Whatever happens, it is clear that we are entering a period of considerable change and uncertainty and only time will tell what the final outcome will be.

However, for now, we are looking at the recent Autumn statement in which the new Chancellor, Philip Hammond, outlined the Government's economic and fiscal policy following the Brexit vote. In this issue we will consider the main policy changes that could affect your personal finances. Please note, all changes are subject to future amendment.

If you need assistance in any area of financial planning, we have experienced and fully independent Financial Advisers situated throughout the UK advising both individuals and businesses. Please contact us for more information on the services we can offer and our charging structure. Our contact details are on the back page.

May we take this opportunity to wish you a happy and peaceful Christmas. We hope that 2017 proves to be a more unifying year for all, with many of the current fears and tensions resolved or alleviated.

autumn statement overview

There were few major revelations in the Autumn Statement. On a positive note, the Chancellor confirmed that the UK economy is forecast to be the fastest growing major economy in 2016, but the Office for Budget Responsibility (OBR) has forecast that growth will slow and inflation rise over the next two years.

We have a £25 billion budget deficit and previous plans to achieve a surplus, where more tax is raised than is spent, by 2019 have been scrapped.

Much of the Chancellor's focus was on making the UK economy "fit for the future" in preparation for Brexit, with £23 billion of additional spending pledged to support the economy and improve long term productivity; major investment is planned in areas such as transport, digital communications, research and development and housing.

The devolved administrations of Scotland, Wales and Northern Ireland will receive more money to spend on their own infrastructure projects, with an increase of over £800 million for the Scottish Government, over £400 million for the Welsh Government and over £250 million for the Northern Ireland Executive.

The Chancellor confirmed that this Autumn Statement and the Budget in March 2017 will be the last – in future the Budget will move to the Autumn and will be followed by a Spring Statement. The Spring Statement will simply be a response to forecasts from the OBR only - with no major fiscal changes.

Taxation and National Insurance

Income Tax

- The personal allowance, which is the amount of income you can receive before you start paying income tax, is rising from £11,000 to £11,500 in 2017-18 and the Government are committed to raising it to £12,500 by 2020-21. Subsequent increases will then be in line with the Consumer Price Index (CPI).
- The higher rate tax threshold is rising from £43,000 to £45,000 in 2017-18 and it will rise to £50,000 by 2020-21. Subsequent increases will also be in line with CPI.

Corporation Tax

- The Government is committed to cutting corporation tax from the current 20% to 17% by 2020 – making it the lowest level in the G20 and benefitting over 1 million businesses.

National Insurance

- From April 2017 employer and employee National Insurance contributions (NICs) are to be aligned – meaning both will start to pay NICs on weekly earnings above £157.

Individual Savings Accounts (ISAs)

- The annual adult ISA limit will rise from £15,240 to £20,000 in April 2017.
- The annual limit for both Junior ISAs and Child Trust Funds will increase in line with the CPI - rising to £4,128 from April 2017.
- As announced in the Spring Budget, a new Lifetime ISA will be introduced in April 2017. The Lifetime ISA will be available to those aged 18 to 40. It will be possible to make contributions of up to £4,000 each year (up to your 50th birthday) and you will receive a Government bonus of 25% - meaning a bonus of up to £1,000 a year. The savings can be used in full, or in part, towards a deposit on a first

home. Further details about the terms and conditions of the Lifetime ISA can be found in Issue Six of Talking Points, which is available via the Resources section of our website at www.pannellsfp.co.uk.

Savings and Investments

- In a bid to help savers, National Savings & Investments (NS&I) will be offering a new Investment Bond with an indicative rate of 2.2%. The Bond is likely to be available for 12 months from Spring 2017. It will be open to anyone aged 16 or over and it will be possible to save between £100 and £3,000 over a three-year period. Further details will be announced in the March Budget.
- Taxation of Life Insurance policies - the Government has announced that Finance Bill 2017 will contain provisions to deal with the disproportionate tax charges that can arise from the part-surrender or part-assignment of a Life Insurance policy. Currently when someone makes a partial-surrender it can generate a tax liability which is disproportionate to the financial gain. From April 2017, where it is appropriate, an individual can apply to HMRC to have the charge recalculated on a "just and reasonable" basis.

Salary Sacrifice

From April 2017 salary sacrifice schemes will be taxed in the same way as cash income.

Salary sacrifice schemes enable employees to exchange some of their salary for a non-cash benefit in kind, such as a mobile phone. Both the employer and employee make a tax saving because the benefit is taxed at less than a salary would be or is not taxed at all.

Arrangements that were in place before April 2017 will be protected for up to a year, and arrangements in place before April 2017 for cars, accommodation and school fees will be protected for up to 4 years

There are certain exclusions such as registered pension schemes, ultra-low emission cars, childcare vouchers and the cycle-to-work schemes, which can continue. Therefore, it will still be possible for employers to use the salary exchange facility to enhance the pension benefits of their employees.

Pensions

- The Money Purchase Annual Allowance (MPAA) will be reduced to £4,000 from April 2017, down from the current £10,000 (this is subject to consultation). The MPAA applies to those aged 55 or over who access their pension fund under the new pension flexibilities. The purpose of the restriction is to prevent an individual from 'recycling' tax relief by making contributions that get tax relief, withdrawing the funds and then making more contributions, thus benefitting from double tax relief. This reduction makes this an area that requires careful planning for anyone who is considering flexibly accessing their pension and who in the future may still want to make further pension contributions.
- State Pension - the Chancellor has committed to keeping the triple lock in the state pension until 2020. The triple lock is the mechanism by which the Government increases the state pension each April by the higher of growth in average earnings, the CPI or 2.5%. In future, the triple lock may be replaced by an earnings link as the Government will need to ensure that they tackle the challenges of rising longevity and fiscal sustainability.
- Following the Autumn Statement the Department for Work and Pensions (DWP) has confirmed that the state pension will increase by 2.5% in April next year, meaning the full new flat rate state pension will rise to £159.55 a week and the basic state pension to £122.30.
- Foreign pensions - the tax treatment of foreign pensions will be more closely aligned with the UK's domestic pension tax regime by bringing foreign pensions and lump sums fully into tax for UK residents, to the same extent as domestic ones.

A Crackdown on Tax Avoidance

Proposals are under consultation for a new penalty aimed at advisers, tax planners and accountants who help an individual with tax avoidance and could result in fines for the adviser of up to 100% of the tax avoided or £3,000, whichever is higher. Tax avoiders will not be able to rely on taking non-independent tax advice as a defence of taking reasonable care.

Insurance Premium Tax (IPT)

IPT will increase from 10% to 12% by 1st June 2017. This is the third rate rise in the last 18 months and will mean that the rate has doubled from 6% in October 2015. Although this is a tax on insurers, it is up to them whether to pass on the costs to customers. However, the likely result is an increase in premiums for insurances such as home, motor and pet insurance.

Help for low earners

- The National Living Wage, for those aged 25 and over, will increase by 30p to £7.50 per hour from April 2017. The National Minimum Wage will increase in April 2017 to £3.50 for apprentices, £4.05 for 16 to 17 year olds, £5.60 for 18 to 20 year olds and £7.05 for 21 to 24 year olds.
- The Universal Credit taper will be reduced from 65% to 63% from April 2017. In Universal Credit, as a person's income increases, their benefit payments are gradually reduced. The taper rate calculates the reduction in benefits as a person's salary increases.

Letting Agents ban on fees

There is to be a ban on letting agents charging fees to renters, for example when they sign a new tenancy agreement. The Government believe that these fees should be paid by the landlord and the measure will save tenants fees averaging £223 per tenancy. The Government are to consult on this in due course. A ban on agents' fees is already in place in Scotland.

In other news . . .

Pension early exit charges to be capped

The Financial Conduct Authority (FCA) has announced that early exit charges on pensions are to be capped at 1% for those who can access their pension from the age of 55 from 31 March 2017. Charges which are currently less than 1% cannot be increased and firms will not be able to apply an early exit charge to new personal pension contracts started after the rules take effect.

The new caps should mean that charges do not deter current and future savers from accessing their pension pots.

The rules are likely to be of most interest to those with personal pensions who face early exit charges when they wish to access their pensions savings at or after normal minimum pension age (but before their expected retirement date).

The rules do not apply to those who have already taken, converted or transferred benefits from a scheme.

Pension Scams

The Pensions Advisory Service (TPAS) has revealed the rise of a new type of pension scam. Known as "double scams" - they target people who have already been scammed once and are looking for help to recover their financial losses.

In one such scam, customers were approached by "claims management firms" which appeared to have knowledge of the company that carried out the scam, and offered a claims service for a fee of 25 per cent.

A consultation before Christmas will look at ways to tackle pensions scams, giving firms greater powers to block suspicious transfers, and making it harder for scammers to abuse small self-administered scheme (SSAS) arrangements.

Once you have transferred your pension into a scam it is often too late to do anything, so if you fear that you have been scammed TPAS recommend the following:

1. Contact your pension provider immediately - they may be able to stop the transfer if it has not already gone through.
2. Contact Action Fraud on 0300 123 2040 and report the scam.

If your money has been transferred and you are unable to contact the organisation or find out where your money is, or if you haven't received any notifications for some time, it is possible that it is a scam and your funds may have been lost. In these circumstances, contact Action Fraud to report it.

Pension sales cold calling to be banned

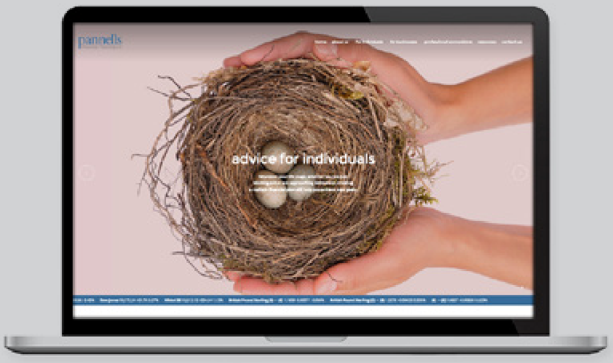
In an attempt to prevent the scams such as the one outlined above, the Government have confirmed their intention to ban pensions cold calling. To defer the fraudsters, under the new plans if a business does not have an existing relationship with a client it will be banned from calling them to sell them pension products. Firms breaching the ban will face fines of up to £500,000.

The ban will also apply to those who have inadvertently opted in to receiving third party communications.

The Government estimates that approximately 250 million scam calls are made each year, with around £19m lost to pension fraud between April 2015 and March 2016.

Take a look at our new website!

We are delighted to announce that the Pannells Financial Planning website has been totally revamped. Please take a look at **www.pannellsfp.co.uk** to find out more about our Company and the services we can provide.



pannells
Financial Planning Ltd

www.pannellsfp.co.uk

Contact us

For Newsletter and General Enquiries:
Sarah Cook on 0121 609 3210
Email: sarah.cook@pannellsfp.com

For Mortgage and Equity Release Enquiries:
John Studman on 0121 609 3247
Email: john.studman@pannellsfp.com