PULESTON
WEALTH MANAGEMENT

Springside, 21 Arley Road, Appleton Thorn,
Warrington, Cheshire, WA4 4RN
Telephone 01925 341 947

6 Collinson Court, Church Street, Frodsham,
Cheshire WA6 6PN
Telephone 01928 733 412

Mobile 07887 722 750
Website www.pulestonwm.co.uk
Email info@pulestonwm.co.uk

Autumn Statement 2016

We weren't expecting too many financial planning surprises in today's Autumn Statement – and we weren't disappointed by the new Chancellor, Philip Hammond. Much of the focus was on infrastructure and unlike his predecessor there was no big reveal.

Pensions

Combatting pension scams

The Government will publish a consultation shortly on options to tackle pension scams, including banning cold calling in relation to pensions, giving firms greater powers to block suspicious transfers, and making it harder for scammers to abuse 'small self-administered scheme (SSAS) arrangements.

Salary exchange

Following a consultation, the tax and employer national insurance advantages of salary sacrifice schemes will be removed from April 2017, except for arrangements relating to a registered pension scheme (RPS) (including advice), childcare, cycle-to-work, and ultra-low emission cars.

Therefore, it will still be possible for employers to use the salary exchange facility to enhance the pension benefits of their employees. The employee would pay lower income tax and national insurance contributions (NICs) and the employer would pay lower NICs, or redirect their NICs savings into their employee's pension.

However, for any employee with a threshold income of more than £110,000 in either 2016/17 or 2017/18, any employer contribution into a money purchase RPS, or benefit accrual for a defined benefits or cash balance RPS, would count towards the employee's adjusted income. If their adjusted income was greater than £150,000 in either of those tax years, they would lose £1 of their annual allowance for each £2 of adjusted income above £150,000, down to a minimum annual allowance of £10,000 (for those whose adjusted income is £210,000 or more).

Money Purchase Annual Allowance (MPAA)

The MPAA will be reduced to £4,000 from April 2017, as the government does not consider that earners aged 55 and over should be able to enjoy double pension tax relief, such as relief on recycled pension savings, but does wish to offer scope for those who have needed to access their savings to subsequently rebuild them.

The Government has issued the following consultation regarding the details.

GOV.UK – Reducing the money purchase annual allowance

Foreign pensions

The tax treatment of pension income and lump sums arising from a foreign pension scheme will be brought into line with the treatment of some payments from a UK registered pension scheme.

At the moment, foreign pension income in the hands of a UK resident for tax purposes is taxed on 90% of the amount that would apply if they had received income from a UK registered pension scheme.

The Government will also:

a) close, to new saving, specialist occupational pension schemes operated by UK employers in respect of employees who are employed abroad set up under section 615(3) of the Income and Corporation Taxes Act 1988;
b) extend the taxing rights over recently emigrated non-UK residents' foreign lump sum payments from funds that have had UK tax relief after 05/04/2006 from 5 to 10 years;
c) align the tax treatment of funds transferred between RPSs; and
d) update the eligibility criteria for foreign schemes to qualify as overseas pensions schemes for tax purposes.

Consequently, the recent trend to reduce the number of overseas pension schemes on the Government's recognised overseas pension scheme (ROPS) list is likely to continue.

Authorised investment funds: dividend distributions to corporate investors

The Government will modernise the rules on the taxation of dividend distributions to corporate investors in a way which allows exempt investors, such as pension funds, to obtain credit for tax paid by authorised investment funds and will publish proposals in draft secondary legislation in early 2017.

This appears to relate to reversing the pensions legislation introduced by the Labour Government after it came to power in 1997.

However, we are awaiting full details of the above proposals and the draft legislation relating to them.

Life Insurance/Capital Redemption policies

Chargeable Events

Following the part surrender and part assignment consultation, the Government will legislate in the Finance Bill 2017 to allow applications to be made to HM Revenue and Customs to have the charge recalculated on a just and reasonable basis. This will lead to fairer outcomes for policyholders. The changes will take effect from 6 April 2017.

Personal Portfolio Bonds

Following the personal portfolio bond consultation, the Government will legislate in the Finance Bill 2017 to amend the list of assets that life insurance policyholders can invest in without triggering tax anti-avoidance rules. The changes will take effect on the Royal Assent of Finance Bill 2017.

Insurance Premium Tax

Insurance Premium Tax will increase from 10% to 12% from 1 June 2017.

Income tax

Personal allowance

The tax-free personal allowance is being increased to £11,500 in 2017-18.

For higher rate taxpayers, the Government will also increase the threshold above which higher earners start paying 40% tax. It will increase to £45,000 in 2017-18.

The Government is committed to raise the personal income tax allowance to £12,500 and the higher rate threshold to £50,000 by the end of this parliament.

Once the personal allowance reaches £12,500, it will increase in line with inflation.

ISAs

The ISA subscription limit is being increased to £20,000 with effect from 6 April 2017.

NS&I Investment Bond

NS&I will offer a new 3-year Investment Bond with an indicative rate of 2.2% from spring 2017. Savings of between £100 and £3000 can be made to savers aged 16 or over.

Corporation tax

The Government intend to cut corporation tax to 17% by 2020.

Salary sacrifice

The tax and employer National Insurance advantages of salary sacrifice schemes will be removed from April 2017. There are a few exceptions to this rule:

Arrangements relating to

- pensions
- childcare
- cycle to work
- ultra-low emission cars

The result of these changes mean employees swapping salary for benefits will pay the same tax as those who pay for them out of post-tax income.

Existing arrangements are protected until April 2018 with arrangements for cars, accommodation and school fees protected until April 2021.

Non-dom reforms

As previously announced, the deemed domicile test will be amended from 17 out of 20 years to 15 out of 20 years from April 2017. Also, UK domiciles of origin will be considered UK domiciled at any time where they are resident in the UK.

UK property held indirectly by a non-domiciled individual through an offshore structure (for example a company or trust) will become liable to IHT from April 2017, as expected.

The Business Investment Relief scheme will also be simplified from April 2017 to encourage offshore money investing in UK businesses.

Tax Avoiders

A new penalty is being introduced for those helping someone else to use a tax avoidance scheme. The penalty is intended to ensure that those who help people tax avoiders whose tax avoidance schemes are defeated by HMRC also face the consequences.

Tax avoiders will not be able to use the defence of taking reasonable care by relying on non-independent tax advice.

The information provided in this article is not intended to offer advice.

It is based on Old Mutual Wealth's interpretation of the relevant law and is correct at the date shown at the top of this article. While we believe this interpretation to be correct, we cannot guarantee it. Old Mutual Wealth cannot accept any responsibility for any action taken or refrained from being taken as a result of the information contained in this article.

Source

https://www.oldmutualwealth.co.uk/Adviser/literature-and-support/knowledge-direct/uk-budget/autumn-statement-2016/