



Market Commentary

Pensions

- **Flexibility:** For those with a modern, flexible defined contribution pensions, freedom and choice will be a reality from 6 April.
- **Annuities:** From 2016/17, new flexibility will enable annuitants to sell their annuities - if their provider allows. The lump sum received can be held within the pension for flexible access, used to buy a flexible annuity or taken as a taxable lump sum. Consultation is underway on the detail and it remains to be seen whether this freedom will be extended to those already locked into a Defined Benefit pension.
- **Allowances:** From 2016/17, the pension lifetime allowance (LTA) will be cut from £1.25M to £1M which will be indexed in line with CPI from 2018/19. Government estimates that this will affect around 4% of pension savers. A new transitional protection option will be introduced to allow savers already above £1M to lock into a higher allowance. There are no plans to revisit the pension annual allowance.

Action Points

- **Check your pension for flexibility:** Only modern, flexible pensions will support the new freedoms fully. Review your pensions to make sure they provide the flexibility you need. If not, move them to a pension that does.
- **Review of death nominations:** Non-dependents can only inherit a drawdown pot if they have been nominated. Existing nominations will not do this and they are likely to distinguish between the treatment of uncrystallised and crystallised rights, which is no longer appropriate from 6th April. Revisit death benefit nominations to ensure your pension fund goes to the right person in the right form.
- **Do it now:** Flexibility is not just about retirement, it is about keeping your options open in every eventually. Do not risk dying with the wrong pension, where inheritable drawdown is not available. Consolidate your pensions funds now.
- **Re-forecast Lifetime allowance:** Pension funding needs to factor in the cut in the LTA to £1M from 2016. You do not need to be close to it now to be affected. Those within 10 years of retirement should re-forecast their projections to see if savings plans need to change.



Personal Allowance

The personal allowance and higher rate threshold for 2015/16 will remain at £10,600 and £42,385 respectively. There are promised increases to both in the next two tax years.

2016/17:

- Personal Allowance increases to £10,800
- Higher rate threshold increases to £42,700
Basic rate taxpayers will be better off by £40 and higher rate taxpayers by £103.

2017/18:

- Personal Allowance increases £11,000
- Higher rate threshold increases to £43,300
Basic rate taxpayers will be better off by a further £40. Higher rate taxpayers will be £160 better off.

Savings Allowance

From April 2015, income tax on savings will drop to zero (from 10%) and the savings rate band will increase to £5,000 (from £2,880). This is a boost to those with low earnings but with a higher level of savings income, as savings income can be received tax free.

From April 2016 a proposed new 'Personal Savings Allowance' will benefit both basic and higher rate taxpayers.

The allowance will be:

- **Basic rate taxpayers:** £1,000. Those with income below £16,800 will not pay tax on savings, those with higher incomes but less than £42,700 will still benefit from £1,000 of tax free savings.
- **Higher rate taxpayers:** £500. Those incomes above £42,700 will be limited to an allowance of £500.
- **Additional rate taxpayers:** will not benefit.

From April 2016 interest will be paid gross, with no deduction of 20% tax at source by banks or building society.

Fully Flexible ISAs

From Autumn 2015, savers with Cash ISAs will be able to dip into their savings and replace them without it counting towards their annual subscription limits. The new contributions would have to be paid within the same tax year as the withdrawal for it not to be counted. These new flexible funding rules are not intended to apply to stocks and shares ISA.



Help to Buy ISA - First Time Buyers

The scheme will provide 25% tax relief on savings up to £12,000. So someone saving £12,000 would see the government add £3,000 to their savings, giving them £15,000 towards the purchase of their first home. This tax relief is added when the saver buys the home. The new scheme will be a form of a Cash ISA, it will not be possible to subscribe to two separate Cash ISAs (Cash & Help to Buy) in the same tax year. Savings will be limited to a maximum single initial premium of £1,000 and regular savings of £200 each month. To get the Government bonus, property values can be no more than £250,000 (£450,000 for properties in London).

IHT: Deeds of Variation...Time's up!

Deeds of Variation may be under threat after the Chancellor announced consultation on their use in IHT avoidance. Consultation will report in Autumn 2015. This is a further measure that scrutinises what individuals do with their money after death. Currently, a Will can be changed after death through a Deed of Variation this is often combined with exemptions or the nil rate band to give an IHT saving. This can be used up to two years after death.

Those thinking of using this flexibility may wish to consider acting now. This would give greater certainty about their tax position. This measure highlights the need for Wills to be drafted during life, with an eye on tax efficiency post-death. After Autumn 2015, the Deed of Variation may not be as effective.

Our Armed Forces

A further £75m from Libor fines to go to charities for regiments which fought in Afghanistan and government will contribute towards permanent memorials to those who died in Afghanistan and Iraq and will help to renovate Battle of Britain memorials. £25m to support army veterans, including nuclear test veterans

Your Business

Tax on "diverted profits" to come into effect next month, taxes multinational profits "artificially moved offshore"

Annual bank levy to rise to 0.21%, raising an extra £900m

Supplementary charge on North Sea oil producers to be cut from 30% to 20% while petroleum revenue tax to fall from 50% to 30%.

New tax allowance to encourage investment in North Sea



Review of business rates

Adult, youth and apprentice minimum wage rates to rise

Farmers to be allowed to average incomes for tax purposes over five years.

The Economy - the numbers

UK grew 2.6% in 2014, faster than any other advanced economy but lower than the 3% predicted in December

2.5% growth forecast in 2015, up from 2.4% predicted in December, followed by 2.3%, 2.3%, 2.3% and 2.4% in the next four years

Record employment in the UK, with jobless rate to fall to 5.3% this year

Trade deficit figures "the best for 15 years"

Living standards "higher" than in May 2010, according to OBR data, with households better off by an average of £900 in last five years

Inflation projected to fall to 0.2% in 2015

Public Borrowing & Deficit

Deficit halved since 2010 as a share of national income

Borrowing set to fall from £97.5bn in 2013-14 to £90.2bn in 2014-15, £75.3bn in 2015-6, £39.4bn in 2016-7, £12.8bn in 2017-8 before reaching a £5.2bn surplus in 2018-9

Debt as a share of GDP to fall from 80.4% in 2014 to 80.2% in 2015-16 before falling in every year, reaching 71.6% in 2019-20

Welfare bills set to be an average of £3bn lower each year than predicted in December, and interest charges on Government gilts £35bn lower

£13bn mortgage assets from Northern Rock and Bradford & Bingley to be sold.

If you would like to discuss any of the above changes or utilise your allowances for this tax year please contact us before 25th March on +44 (0)1923 725 129.

Rory Burrough - rory.burrough@meridianc.com

Jeremy Goodwin - Jeremy.goodwin@meridianc.com