Money@IFA Ltd

Newsletter Summer 2019

# Are you Tax-Wise?

Check out our top tips and get yourself tax-wise

## In this issue:

# Inside this issue

## Top tips to get you tax-wise

We know the tax year runs from 6 April 2019 to 5 April 2020, yet effective tax planning needn't be left until the end of the tax year.
We've included some tips to help you get you ahead.

## Protect yourself from Scams

Financial scams are on the increase. If you think you've been the victim of a pension scam, call Action Fraud on:
0300 123 2040

If you've been unexpectedly contacted by someone about your pension, speak to The Pensions Advisory Service .

## Protecting your estate

Changes are afoot with the Government proposing to change the current probate fee structure from a flat rate fee to one based on the value of your estate and the Chancellor Philip Hammond ordering a review of the Inheritance Tax system.

## Further changes to the State Pension Age

Bringing you up to date with the latest Pension Age changes.

## Welcome to the summer edition of our quarterly client newsletter, which provides topical financial articles.

Please let us know if you'd like to discuss your financial situation or would like to find out more about our services.

Whatever your financial need, we are always pleased to speak with you.

# Our top tips to get you tax-wise

We know the tax year runs from 6 April 2019 to 5 April 2020, yet effective tax planning needn't be left until the end of the tax year. Here are some tips to get you ahead.

## 1. Consider topping up your pension.

Normally, between you and your employer, you can pay a maximum of £40,000 (or 100% of earnings) into your pension in a tax year (it's called your annual allowance) before it becomes subject to tax. Carry forward of your annual allowance may be available.

Although a lower limit of £4,000 may apply if you have already started accessing your pension.

### Steps to consider when you're looking at maximising your pension pot:

i There may be ways to increase your basic State Pension if you aren't eligible for the full amount (£168.60 per week). So, you could be eligible to boost your basic State Pension by paying voluntary Class 3 National Insurance Contributions (NICs).

ii If you don't manage to make full use of your £40,000 pensions annual allowance this tax year, you can carry it forward for up to three years.

iii. Everyone is entitled to a tax-free Personal Allowance. This is the amount of income you don't pay any tax on, and currently stands at £12,500. But you begin to lose this when you have a total income over £100,000 (and you don't get anything if you have an income of £125,000 or more). By increasing your pension contributions, you could get some of your allowance back.

## 2. Limiting your inheritance tax.

One way you can do this is by giving away up to £3,000 worth of gifts (such as money or possessions) each tax year, so they are no longer included when the value of your estate is calculated. This is known as the annual exemption.

The exemption applies to individuals, so as a couple you can make £6,000 worth of gifts. It can also be carried forward for one year so, if you didn't do this last year (2018/19), then you can, as a couple, make £12,000 worth of gifts before 6 April 2020.

You can act at any time to help reduce a potential inheritance tax (IHT) bill. An IHT bill only applies if your estate is valued above £325,000 (see our article on page 6 for further details on inheritance tax).

## 3. Your ISA allowance: It's nearly always worth using it if you can!

Make sure you make good use of your tax-efficient ISA allowance. The allowance for 2019/20 is £20,000 per person, whilst the Junior ISA allowance (or Child Trust Fund - CTF) is now £4,368 for children under 18.

But did you know, 16 and 17-year-olds actually get two ISA allowances? They're able to open a Junior ISA (or pay into their existing CTF but you can't have both and can no longer open a new CTF) which for 2019/2020 has a limit of £4,368 and an adult cash ISA (which for 2019/2020 has a limit of £20,000).

## 4. Benefits of making charitable donations.

Will you be donating to any worthwhile causes during the 2019/2020 tax year? If you are, you can receive tax relief on your contributions through Gift Aid (or straight from your wages or pension via Payroll Giving). Your donations will qualify as long as they're not more than 4 times what you have paid in tax in that tax year (6 April to 5 April).

Another concession for taxpayers who give to charity is that you can donate now and have the tax relief applied to last year's return.

## 5. Be smart with your Capital Gains Tax allowance

Capital Gains Tax (CGT) is a tax on the gains (i.e. profit) you make when you sell something, such as an investment portfolio or second home.

But everyone has an annual allowance before CGT applies, of £12,000 (in 2019/20). Couples will have a joint allowance for 2019/20 of £24,000.

It may be worth considering transferring an asset into your joint names (as long as it represents a genuine gift) so you both stay within your individual allowances.

If you're looking for a tax-efficient way to invest, a Stocks and Shares Individual Savings Allowance (ISA) could be ideal. If you do make a profit due to share price increases or growth in other assets, you won't be required to pay CGT on it.

## 6. Check you aren't exceeding your dividend allowance.

It's £2,000 for 2019 to 2020 but was £5,000 in earlier tax years (April 2016/2017 and April 2017/2018).

## 7. Landlords and tax relief changes

By April 2020 all tax relief for finance costs will be restricted to the basic rate of income tax, (currently 20%). Relief will be given as a reduction in tax liability instead of a reduction to taxable rental income.

During the 2019-2020 Tax Year you can still claim higher rates of tax relief on your finance costs.

It may be worth getting some financial advice regarding your current mortgage arrangement.

# Protect yourself from being scammed

## Pension Scams

It is now illegal for any firm to 'cold call' you about your pensions. If contacted by someone other than your own adviser firm offering to review your pension plans, it is almost certainly an attempt to steal your pension money.

Do not provide any information or be tempted by what may appear to be high returns or special terms. Some of these scams may cause the loss of most if not all of your pension fund and leave you with a large tax bill to pay (even if the fund has gone).

## Bank details scam

Always phone your provider if you receive an email saying that they have changed their bank details and want you to make payments into a new account – this is almost always a scam.

## HMRC Scams

The tax office will never phone you directly unless you have arranged for them to do so.

If you do get a call that you were not expecting purporting to be HMRC (the subject used is usually a tax refund or tax owing, court proceedings, demanding payments and/or for details of your bank or tax account) this is almost certainly not genuine.

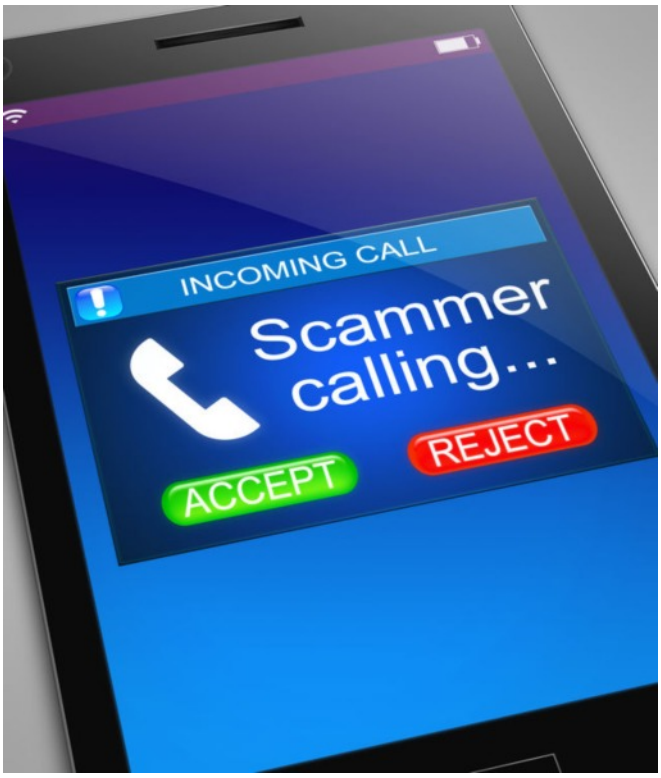
## State Pension Department for Work & Pensions (DWP)

DWP will not call you directly regarding the annual state pension increase - If you get a call you were not expecting, purporting to be from DWP, this is almost certainly not genuine.

## How to avoid a pension scam

A pension scam – when someone tries to con you out of your pension money, will often start by someone contacting you unexpectedly about an investment or other business opportunity that you've not spoken to them about before or taking your pension money before you are 55.

If someone contacts you unexpectedly and says they can help you access your pot before the age of 55, it's likely to be a scam.




If someone calls you out of the blue about your pension, the call is illegal and likely to be a fraudster. You should end the call immediately and alert the Information Commissioner's Office (ICO).

You may be offered a tempting way to invest your pension pot, e.g. investing it in a new hotel being built in an exotic location.

Most of these offers are fake but can appear very convincing. Their aim is to get you to cash in your pension pot and transfer the money.

## If you've been targeted

If you think you've been the victim of a pension scam, call Action Fraud on:
0300 123 2040

Speak to The Pensions Advisory Service if you've been unexpectedly contacted by someone about your pension.

The Pensions Advisory Service
Telephone: 0800 011 3797
Monday to Friday, 9am to 5pm

**If anyone cold calls you claiming to be from the government and asks for your personal or financial details, don't reveal them. Hang up if you need to.**

# Make sure loved ones benefit most from your estate

With the Government proposing to change the current probate fee structure from a flat rate fee to one based on the value of your estate and the Chancellor Philip Hammond ordering a review of the Inheritance tax (IHT) system; you can't be too careful.

Only a small percentage of estates are large enough to incur Inheritance Tax (IHT), but as property prices rise more are being affected. There are ways to limit the amount of Inheritance Tax your family may potentially face if it looks like you may be liable. Inheritance Tax (IHT) is a tax on the estate of someone who has died, including all property, possessions and money.

## Gifting early to avoid IHT

With the Government proposing to change the current probate fee structure from a flat rate fee to one based on the value of the estate, many people are considering reducing the size of their estate to minimise the Inheritance Tax (IHT) and probate fees that will be payable on their death.

## Using trusts and life policies

Many families are using trusts to ring fence assets, effectively removing their value from their estates. However, anyone considering giving away assets in their lifetime should take professional advice. Inheritance Tax is complex and lifetime gifts can end up being taken into consideration for tax purposes if all the conditions applying to these types of gifts aren't fulfilled.

## Inheritance Tax rates

The standard Inheritance Tax rate is 40%. It's only charged on the part of your estate that's above the threshold (Nil rate Band - NRB).

The NRB is fixed at £325,000 until 2021.

The Residence Nil Rate Band (RNRB) – also known as the home allowance has been introduced fairly recently.

The RNRB is available where a qualifying property is inherited on death by direct descendants and your threshold can increase to £475,000 in 2019/20.

If you are married or in a civil partnership and your estate is worth less than your threshold, any unused threshold can be added to your partner's threshold when you die. This means their threshold can be as much as £950,000 if second death occurs in 2019/20.

# Further changes to the State Pension Age

## The age at which you can get your State Pension is changing.

The State Pension Age has already passed 65 for women, it is currently progressing for men and women between 65 and 66 in order to reach 66 for all late next year

The exact date that you can claim your State Pension depends on when you were born.
The State Pension age is regularly reviewed to make sure that the State Pension is affordable and fair. People are living longer, and spending a larger proportion of their adult life in retirement than in the past.

From 2019, the State Pension age will increase for both men and women to reach 66 by October 2020.

The Government is planning further increases, which will raise the State Pension age from 66 to 67 between 2026 and 2028.

The State Pension age is going to be kept under review, which means that it could change again in the future, depending on different factors, such as changes in life expectancy.

## The proposals

Under the current law, the State Pension age is due to increase to 68 between 2044 and 2046. Following a recent review, the government has announced plans to bring this timetable forward. The State Pension age would therefore increase to 68 between 2037 and 2039.

It's not all bad news. Since the default retirement age (except for certain occupations) has been phased out; older workers can now choose when they want to retire. This means they can reduce their hours and work part time. The law also protects you against discrimination if you're over State Pension age and want to stay in your job or get a new one.

You might decide that you do not want to stop working when you reach State Pension age.
If you do, you'll no longer have to pay National Insurance.

| Your date of birth | How the proposals affect you |
|---|---|
| On or before 5th April 1970 | No change from the current position (66 from October 2020, moving to 67 between 2026 and 2028). |
| Between 6 April 1970 and 5 April 1978 | Your State Pension age is currently 67. It would increase to between 67 years and 1 month, and 68 years depending on your date of birth. |
| After 6th April 1978 | No change. Your State Pension age remains 68. |

# Money@IFA Ltd

Suite 1c
Fairfax House
Wool Gate, Cottingley
Business Park, Bingley
BD16 1PE

Tel: 01274 751224
info@moneyifa.co.uk

www.moneyifa.co.uk

# Newsletter Summer 2019



Published By IFA Web Pro