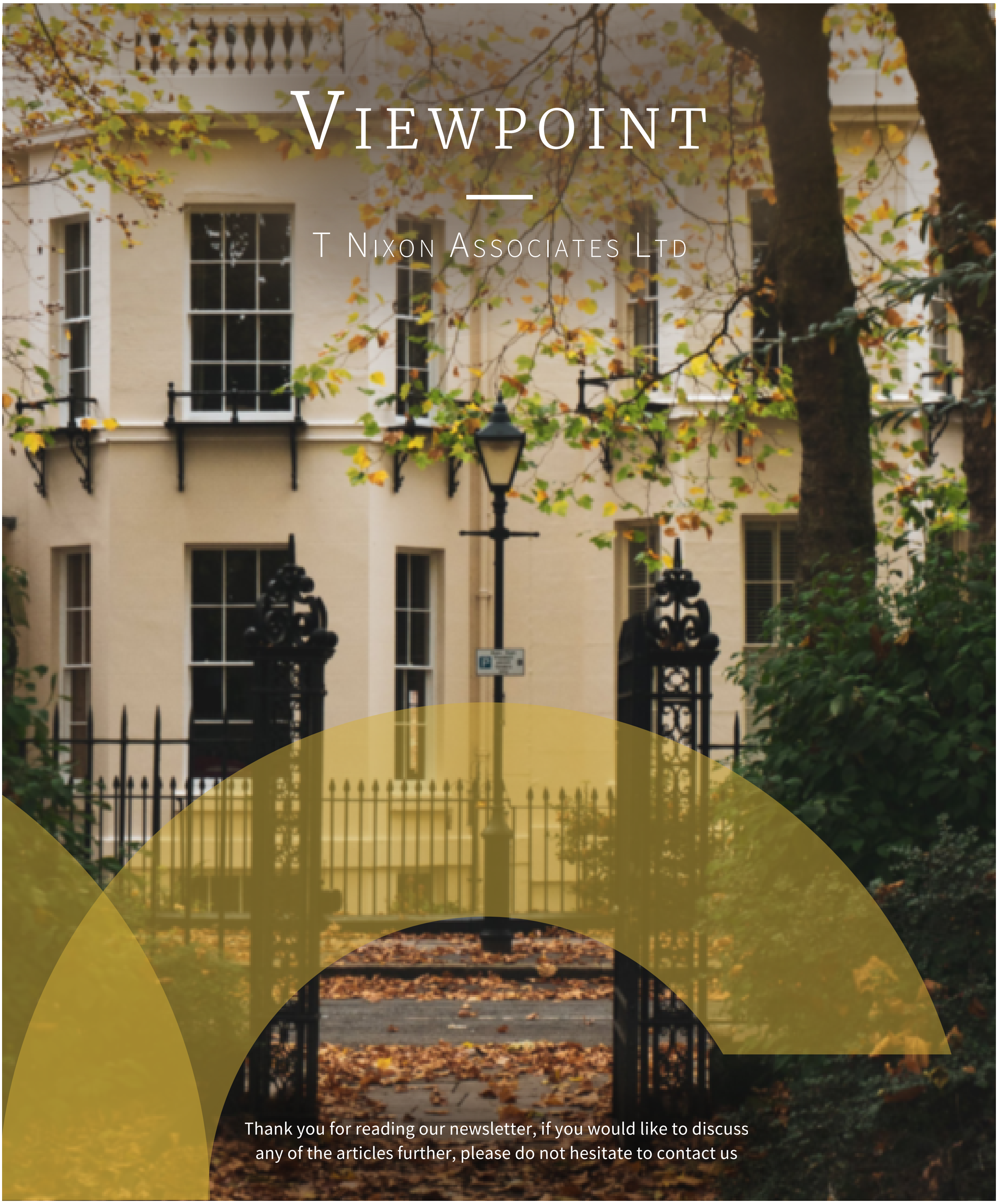

Viewpoint

T Nixon Associates Ltd

Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

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2020/21
tax year know your numbers

Whilst we would all probably agree that paying tax goes towards providing the important services we all rely on, no one needs to end up paying more than their fair share. Each year, the government announces the tax allowances and exemptions that we are entitled to and it makes sense to maximise their use in meeting our individual financial goals.

Here are a few figures worth knowing:

Personal taxation

At the Budget, the Chancellor's main change to personal taxation was an increase in the National Insurance threshold to **£9,500**, which will save most workers around £100 each year. The Personal Allowance was frozen at **£12,500**, while the £50,000 higher-rate threshold remains unchanged in parts of the UK where Income Tax is not devolved.

Pensions

One of the key attractions of paying into a pension is the tax relief available, 20% for basic rate taxpayers, 40% for higher rate and 45% for additional rate taxpayers. The Annual Allowance for pensions in the 2020/21 tax year remains at **£40,000**.

From 6 April the Annual Allowance will begin to taper for those who have an income above **£240,000** – the £200,000 allowance plus the £40,000 you can save into a pension. It means that for every £2 of adjusted income that goes over £240,000, the Annual Allowance for that year reduces by £1. The minimum Annual Allowance reduced from £10,000 to £**4,000**, affecting those with an income over £300,000.

The Lifetime Allowance – the maximum amount you can have in a pension over a lifetime – increased on 6 April to **£1,073,100**. Increases to State Pensions since 6 April see the new single-tier State Pension rising to **£175.20** and the older basic State Pension increasing to **£134.25** per week.

Savings landscape

A major announcement for savers at the Budget was a substantial increase in the JISA (Junior Individual Savings Account) allowance and Child Trust Fund annual subscription limit from £4,368 to £9,000. The ISA (Individual Savings Account) allowance, including the Lifetime ISA allowance if used, was left unchanged at £20,000. ISAs represent a tax-efficient way of saving or investing and the JISA is a great way of building up funds for your child.

IHT thresholds

For individuals, the current IHT nil-rate threshold is **£325,000**, and **£650,000** for a married couple or civil partners. Beyond these thresholds, IHT is usually payable at a rate of **40%**. The main residence nil-rate band, which applies if you want to pass your main residence to a direct descendant, increased to **£175,000** on 6 April.

Planning pays

Tax planning involves taking sensible steps to reduce the amount of tax you pay. Whilst tax-efficiency can play a vital part in successful saving and investing, it's important not to make it the sole driver of your savings or investment decisions, or to steer you away from achieving your core goals.

The value of investments and any income from them can go down as well as up and you may not get back the original amount invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

OW2772 Exp. 05/04/2021

Working from home – are you covered?

Due to the lockdown, many firms have closed workplaces, meaning that millions of people across the UK have been temporarily required to work from home.

Should I inform my insurer that I am working from home?

The Association of British Insurers (ABI) has issued reassurance that, if you are an office-based worker and you are working from home because of government advice or because you are self-isolating, your home insurance cover will not be affected.

The ABI has stated: 'You do not need to contact your insurer to update your documents or extend your cover'

Will my work laptop be covered by my home insurance?

If you're using company property such as a laptop or mobile, you should check with your employer whether they have the correct insurance policy in place to cover these items outside of the usual place of work should any damage, loss or theft occur.

Such equipment is not usually covered by a standard household insurance policy, but it is worth checking your insurance policy document to check.

I need to see business clients at my home – will this affect my insurance?

If you are receiving visitors to your home on business matters, you should check this with your insurer as having additional people coming to your house could be an insurance risk and affect your insurance premium. There may also be restrictions in the cover provided, such as theft and loss of money being excluded, unless there is evidence of forcible and violent entry to the property.

What if I have an accident whilst working from home?

Your home environment is under your own control so there is a significant duty upon you to look after your own safety. If you were to suffer an accident whilst working at home, your employer would generally only be responsible if it was due to their negligence, meaning that they had failed to take reasonable care for your safety and the accident was due to that negligence.

If you have a protection policy such as Accident and Sickness or Income Protection, and you have an accident or suffer an illness that prevents you from working, you may be able to make a claim.

I need to make a claim on my insurance – will this be difficult at the moment?

ABI home insurers have implemented business continuity plans and are continuing to handle claims and support customers, as well as prioritising those in vulnerable circumstances.

Do you have the right cover in place?

If you are unsure whether you have the right insurance cover in place, contact us for advice on your own individual circumstances.

As with all insurance policies, conditions and exclusions will apply

OW2767 Exp. 03/06/2021

How the Stamp Duty holiday works

On 8 July, the threshold at which Stamp Duty became payable on properties was increased from £125,000 to £500,000. This means that almost nine in 10 buyers will pay no Stamp Duty before the holiday ends on 31 March 2021.

For those purchasing properties the rates are as follows:

0%
£0 to £500,000

5%
The part from £500,001 to £925,000

10%
The part from £925,001 to £1.5m

12%
Anything above £1.5m

Stamp Duty holiday has positive impact

The COVID-19 pandemic has had a significant impact on the property market, but latest figures indicate there are positive signs of growth following the introduction of the Stamp Duty holiday.

Property searches rise

Coinciding with the Stamp Duty cut July was the busiest month so far this year for mortgage searches. The largest rise occurred in the £500,000 - £1m region, with Stamp Duty savings making these properties more accessible. Remortgage levels have remained consistent with pre-lockdown levels and purchase levels have quadrupled. Searches from first-time buyers are also up.

House prices jump

On another positive note, house prices rose by 7.5% year-on-year in October bringing the average price to £250,457, according to data from Halifax.

Pent-up demand and a low supply of available homes, plus support from the Stamp Duty holiday, has helped to exert upwards pressure on house prices. This, along with a significant jump in mortgage approvals and signs that confidence is growing, suggests the immediate future for the housing market is looking brighter. However, Halifax also warned that looking further ahead, there is still much uncertainty around the lasting impact of the pandemic, particularly as government support measures come to an end.

Increasing interest from overseas

The Stamp Duty cut has also led to a surge in interest in the UK property market from overseas. In addition, many overseas buyers are looking to purchase property before the introduction of an extra 2% Stamp Duty surcharge for non-UK buyers in April 2021.

Throughout July, highly searched terms by mortgage advisers included ‘visas’, ‘expats not in the UK’ and ‘foreign income’. One in 22 residential searches related to a query for an applicant currently on a visa or an expat not based in the UK.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

Happy 21st to the ISA

An Individual Savings Account (ISA) is a tax wrapper for your money. There are two main types available depending on the level of risk you're prepared to take:

— Cash ISA
— Stocks and shares ISA

If you're 16 or older you can have a Cash ISA, whereas Stocks and Shares ISAs are aimed at 18s and over. In both cases you'll need to be a UK resident to be eligible.

The ISA was launched by then-Chancellor, Gordon Brown, on 6 April 1999, as successor to the TESSA (Tax-Exempt Savings Account) and PEP (Personal Equity Plan) and has now reached the grand age of 21.

When the ISA was launched, the annual subscription allowance was £3,000 into a cash ISA or £7,000 into a stocks and shares ISA. The overall allowance has risen steadily over the years to reach a generous £20,000 in the 2020-21 tax year.

A first route into investment

Junior ISAs (JISAs) were introduced on 1 November 2011 and can be opened by parents or a guardian with parental responsibility, for a child from the minute they are born. Once opened, anyone can pay into the JISA, but a crucial point to note is that the child is not able to access the cash until they reach the age of 18. In the Budget earlier this year, the JISA annual allowance was increased by almost double to £9,000 per child per tax year.

Popularity

Over the 21 year timespan, ISAs have proved to be a popular investment choice for many; the most recently available government figures, which are for 2018-19, show that around 11.2 million adult ISA accounts and around 954,000 JISAs were subscribed to in the 2018-19 tax year, with new investments totalling around £67.6bn and £974m, respectively.

Long-term investing pays

Looking at some figures from a recent hypothetical example, **if you had been in a position to be able to invest your full ISA allowance for each of the past 21 years (a total of £226,560)** and this had been invested in the FTSE All-Share Index, **your total investment would be worth more than £307,000** as at 6 April 2020. However, you should be aware that this figure excludes any charges or fees and past performance is not a guide to the future.

Regular investing also pays

If you can't afford to invest the full £20,000, don't be deterred. Figures from the same hypothetical example, show that an investment of £100 a month invested in the FTSE All-Share Index over 21 years (a total of £25,200), would be worth over £39,000 at at 6 April 2020, before charges and fees, taking into account the large market-hit from the pandemic this spring.

The value of investments can go down as well as up and you may not get back the full amount you invested.

The past is not a guide to future performance and past performance may not necessarily be repeated.