Medics Wealth Management
Client Bulletin

Dear Clients

Report on the Chancellor's Autumn Statement

Likely you will have read much about the Autumn Statement already. Here we are just concentrating on a few key points of relevance to the areas of financial planning.

Pensions

The big pension announcement was the likely increase in state pension age to 68 from the mid-2030s and the increase to 69 as soon as the 2040s. These proposed changes result from the coalition's 'guiding principle' that people should spend, on average, up to a third of their adult life in receipt of the state pension.

The basic state pension will be increased in line with the triple lock in April 2014 - the higher of average earnings growth, inflation or 2.5%. This represents a cash increase of £2.95 per week for the full pension.

For those in "pension drawdown", the government will not change the basis on which GAD tables (which set the maximum income cap) are formulated.

Key message: Anyone who does not wish to continue working until they are almost 70 needs to give serious consideration to making their own provision.

Individual Savings Accounts (ISAs)

The government will uprate the ISA, Junior ISA and Child Trust Fund annual subscription limits in line with CPI. The 2014-15 ISA limit will be increased to £11,880 (half of which can be saved in a cash ISA). The Junior ISA and Child Trust Fund limits will both be increased to £3,840. Happily, the rumoured cap on lifetime provision to ISAs did not materialise.

Key message: It is important to utilise your ISA allowance each year, wherever possible.

Tax

From 2015-2016, spouses and civil partners will be able to transfer £1,000 of their income tax personal allowance to their spouse or partner, permitted neither individual is a higher or additional rate taxpayer. The transferable amount will be increased in proportion to the personal allowance.

Non-residents disposing of UK residential property from April 2015 will be charged capital gains tax on any gains made from the sale.

Key message: Efficient use of spousal tax-allowances may save you money each year.

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Exchange Traded Funds (ETFs)

From April 2014 the government will remove the stamp duty and Stamp Duty Reserve Tax (SDRT) charge on purchases of shares in ETFs that would currently apply if an ETF were domiciled in the UK. This is a small piece of good news for this investment type, which is growing in popularity and in increasingly being incorporated into investor portfolios.

Key message: The government is making small alterations to make investing more attractive, while at the same time signalling the long-term reduction of state pension and other social provision.

Tax avoidance

A further crackdown on Tax Avoidance Schemes was announced. There are many legitimate ways to mitigate tax. However some of the more extreme schemes being touted are likely to be challenged in the courts and should probably be avoided.

Key message: If it seems too good to be true…it probably is!

For Business

National Insurance Contributions (NICs) - The government will abolish employer NICs for those under the age of 21 from April 2015, apart from those earning more than the Upper Earnings Limit (£42,285 a year in 2015-16.)

Property tax - The government will cap the RPI increase in business rates at 2% for 1 year from 1 April 2014.

Thank you for allowing us to help you with your financial planning matters during 2013. We look forward to continuing to work with you and wish you all the best for the year ahead.

Best wishes

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