Mapus Financial Planning Ltd
Chartered Financial Planners

Adviser Winter 2018/19

The Autumn Budget and Charities

Gift Aid Small Donations Scheme raised the donation limit from £20 to £30

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Tax free allowance and higher rate threshold boosted

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Welcome to the winter edition of our newsletter. Covering the latest developments as the country moves towards spring and looking at ways for you to get the most from pensions tax savings.

Giving to charities

The upper limit for trading that charities can carry out without incurring a tax liability will rise from £5,000 to £8,000.

Gift Aid Small Donations Scheme raised the donation limit from £20 to £30.

Both these changes will take effect from April.

Pensions - make the most of your tax relief

5th April is the end of the tax year and is approaching fast. It can be a good time to check your finances and ensure you're making the most of your pension tax relief, before the tax year is over.

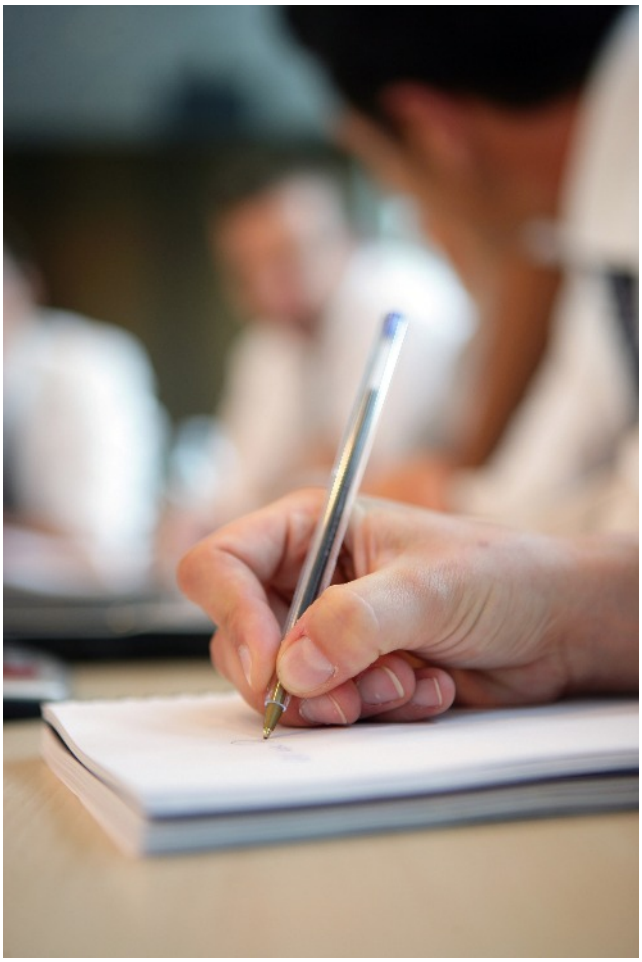
The Autumn Budget

The Chancellor presented his Budget to Parliament at the end of October. We've included a brief summary of what was announced.

Welcome to the winter 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.



Giving to Charities

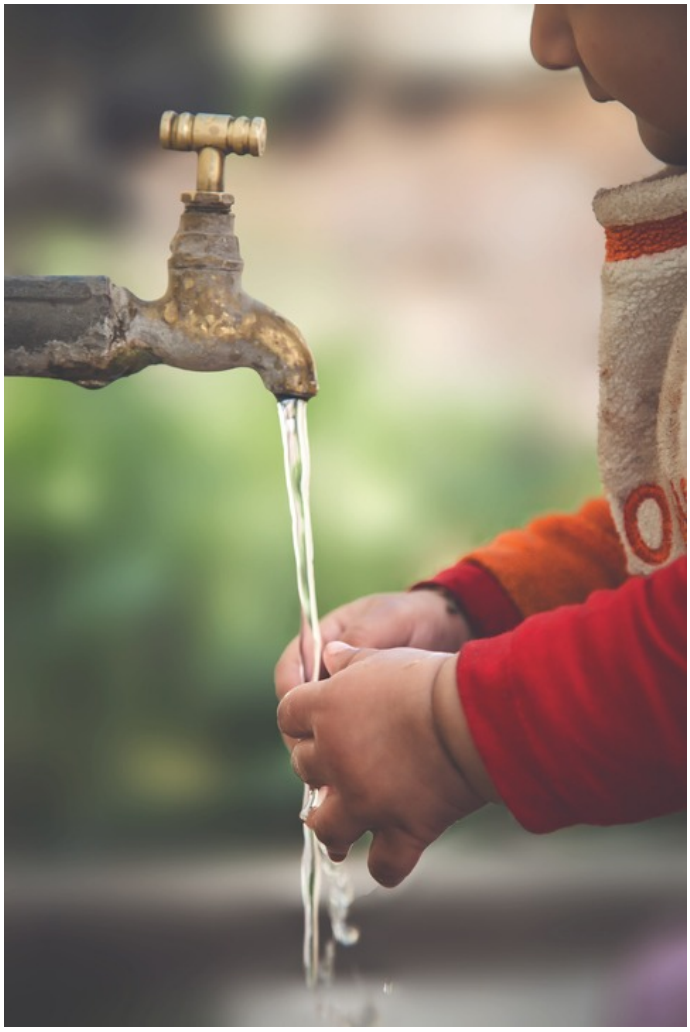
Giving to Charities will become more attractive

From April The upper limit for trading that charities can carry out without incurring a tax liability will rise. This measure will increase the small trading tax exemption limits for charities that apply to trading that does not relate to a charity's primary purpose.

Annual charity income	Maximum non-primary purpose trading
Under £32,000	£8000
£32,000-£320,000	25% of income
Over £320,000	£80000

Charity shops using the Retail Gift Aid Scheme will be allowed to send letters to donors every three years when their goods raise less than £20 a year, rather than every tax year.

The individual donation limit under the Gift Aid Small Donations Scheme will increase from £20 to £30. This applies to small collections where it is impractical to obtain a Gift Aid declaration.



Making the most of charity donations

People can be concerned that their donations to charity may be reduced by tax or administrative costs, preventing the full amount from reaching the people or causes they really want to help. Fortunately there are ways to make the most of every donation to charity.

There are a number of ways to give to charity tax-effectively too, such as by donating straight from your salary before tax is deducted through a payroll giving scheme, donating shares to charity or leaving a charitable legacy in your Will. These methods of giving help to ensure your chosen charities benefit as much as possible from your support.

Donating to the causes you care about not only benefits the charities themselves, it can be rewarding for you too. People give to charity on a regular basis to support causes they believe in, as well as for the positive effect it has on their own lives.

Donating using Gift Aid

If you're a UK taxpayer, you can boost the amount of every charity donation you make by giving through Gift Aid, an Income Tax relief created to help charities get the most out of the funds they receive. Gift Aid enables the charity to recover the basic rate of tax on your donation, the scheme adds 25p to each £1 you give at no extra cost to you.

Donating from your wages or pension

If your employer, company or personal pension provider runs a Payroll Giving scheme, you can donate straight from your wages or pension. This happens before tax is deducted from your income.

The tax relief you get depends on the rate of tax you pay.

Reducing Inheritance Tax

If you're worried about the Inheritance Tax that might have to be paid when you die, giving away some of your money to charity – either now or in your will can assist in reducing your Inheritance Tax liability.

Pensions - Are you making the most of your tax relief?

5th April is the end of the tax year and is approaching fast. It can be a good time to check your finances and ensure you're making the most of your pension tax relief before the tax year is over.

What to think about	How it can help
Pension Contributions (spouse and children)	If your own pension fund is near the Lifetime Allowance, you may consider making pension contributions on behalf of your spouse. If you are in this situation it's worth considering who else in your family could be making a pension contribution. Anyone can make a pension payment of £2,880 and receive a 25% top up from the government, even if they don't have any employment income.
Pension Contributions	You can maximise your annual tax relief allowance, which you get when you make a pension contribution. For each tax year, you can get tax relief on pension contributions up to 100% of your annual salary (or £3,600 gross if greater).
Carry forward some of your annual allowance	If you're set to exceed your annual pension contribution allowance for the current tax year, you may be able to use some unused allowance from a previous tax year. You can carry forward allowances from the last three years, as long as you were a member of a registered pension scheme during those years. The annual earnings limit still applies, so even if you've carried over a previous year's allowance, your pension contribution limit (in respect of personal contributions) is still capped according to your annual earnings.
Make contributions from your limited company	If you run your own company, you can choose to make employer contributions into your pension. Employer pension contributions count as an allowable expense and can be offset against your corporation tax bill, as long as they abide by the rules for allowable expenses.

Tax relief if you're a non-taxpayer

If you're not earning enough to pay Income Tax, you'll still qualify to have tax relief added to your contributions up to a certain amount.

Tax relief is added to your contribution so if you pay £2,880, a total of £3,600 a year will be paid into your pension scheme, even if you earn less than this.

Annual allowance

You usually pay tax on the excess if savings from all sources go above the annual allowance. This is currently £40,000 a year (although less for those with high income or who have flexibly accessed a DC pension and potentially more if carry forward available).

Lifetime allowance

You usually pay tax on the excess - when benefits are drawn or on death before 75 or at age 75 whichever happens first, if your pension pots are worth more than the lifetime allowance. This is currently £1.03 million.

The value of pensions and investments and the income they produce can fall as well as rise. You may get back less than you invested.

The Financial Conduct Authority does not regulate Wills or tax advice.

Budget Summary

“This is a Budget that shows the British people that the hard work is paying off, an end to austerity.”

The Chancellor presented his Budget to Parliament at the end of October. Here's a brief summary of what was announced.

1. Public finances have reached a turning point

Since 2009-2010 the deficit has fallen by four-fifths, from 9.9% to 1.9%. Public debt peaked in 2016-17 and is now falling. On average, spending on public services will grow 1.2% above inflation a year from next year until 2023-24.

2. Employment is at a near record high and the OBR forecasts it is set to keep growing

The economy has grown every year since 2010, and is projected to continue growing in each year of the forecast. The unemployment rate is at its lowest for over 40 years, there are over 3.3 million more people in work since 2010 and the OBR forecasts 800,000 more jobs by 2022.

3. National Living Wage will increase to £8.21

From April 2019 the National Living Wage will increase from £7.83 an hour to £8.21.

4. The tax-free Personal Allowance will rise to £12,500

The Personal Allowance – the amount you earn before you have to start paying income tax– will increase by a further £650 in April 2019 to £12,500.

This rise comes a year earlier than planned, and will be maintained in 2020.

5. The Higher Rate Threshold will increase from £46,350 to £50,000 in April 2019

The amount people will have to earn before they pay tax at 40% will increase from £46,350 to £50,000 in April 2019.

6. £1.7 billion to increase existing work allowances in Universal Credit

Increases to work allowances will mean working parents and people with disabilities claiming Universal Credit will be £630 better off each year.

7. A new railcard for all young people aged 26 to 30 will be available nationally by the end of the year

The first digital only railcard will offer up to a 1/3 off most rail travel.

8. Fuel duty will remain frozen for a ninth year

In 2019, fuel duty will remain frozen for the ninth year in a row, saving the average driver £1,000 since 2010.

9. Duty on beer, cider and spirits remains frozen

The cost of a pint of beer will be 2p lower than if duty had risen by inflation.

10. NHS funding will increase, including more spending for mental health

The NHS is the public’s number one priority and the government will increase its budget by £20.5 billion after inflation by 2023-24. Within this, the NHS will increase mental health spending by more than £2 billion a year by 2023-24.

11. £650 million for social care next year

Local authorities in England will receive a further £650 million in social care funding next year.

12. Lifting the borrowing cap to allow local authorities to build more housing

From the Budget, the government has lifted the cap on the amount of money local authorities in England are able to borrow to build housing. Local authorities fund housing through a separate Housing Revenue Account.

13. £400 million extra for schools this year

This will be £10,000 for the average primary school and £50,000 for the average secondary school.

14. A commemorative 50p Brexit coin will be available to buy from Spring 2019

The Royal Mint will create a new commemorative Brexit coin to mark the UK's exit from the European Union.

15. Up to £19 million in commemoration of the Centenary of the WWI Armistice

Up to £8 million to help with the cost of repairs to village halls, Miners' welfare facilities and armed forces organisations. A further £10 million to support veterans with mental health needs and an addition £1 million for first World War Battlefields visits for students.

16. £30 billion to improve roads

A £28.8 billion National Roads Fund, paid for by road tax, includes £25.3 billion for the Strategic Road Network (motorways, trunk and A roads). The largest ever investment of this kind.

It will also help fund the new network of local roads (known as the Major Road Network), and larger local road projects.

Local authorities will receive £420 million to fix potholes on roads and renew bridges and tunnels, and there will be £150 million to improve local traffic hotspots such as roundabouts.

17. More money for Scotland, Wales and Northern Ireland

Scotland, Wales and Northern Ireland will all get more money to spend in devolved areas, including education, health and housing.

18. Over £1.5 billion to support the high street

Small retail businesses will see their business rates bills cut by a third for two years from April 2019, saving them £900 million.

Local high streets will also benefit from £675 million to improve transport links, re-develop empty shops as homes and offices and restore and re-use old and historic properties.

19. £1 billion more for defence over the next two years

The Ministry of Defence will receive an extra £1 billion to help protect the UK against changing threats such as the rise in cyber-attacks and the resurgence of state-based threats.

This funding adds to the £800 million announced earlier this year.

20. Increasing funding to help departments to prepare for Brexit to over £4 billion

The government is providing £500 million of additional funding for departments to prepare for Brexit for 2019-20. This is on top of the £1.5 billion already announced for that year.

21. The Annual Investment Allowance will increase to £1 million from 1 January 2019 to 31 December 2020

The government will increase the Annual Investment Allowance five-fold from £200,000 to £1 million to help businesses to invest and grow.

22. A 2% digital services tax on large digital firms

From April 2020, large social media platforms, search engines and online marketplaces will pay a 2% tax on the revenues they earn which are linked to UK users.

23. Further changes to the apprenticeship levy to support employers

From April, large businesses will be able to invest up to 25% of their apprenticeship levy to support apprentices in their supply chain.

Some employers will pay half of what they currently pay for apprenticeship training – from 10% to 5%. The government will pay the remaining 95%.

How might the Budget affect your finances?

Key points for savers & investors

The government announced plans for tax and spending in the autumn Budget for the next financial year, however further changes may be announced depending on the direction of Brexit.

Taxpayers

The measure that will impact the largest number of people in the UK is the rise in the personal allowance to £12,500, with the higher-rate tax threshold rising to £50,000 from April 2019; this is a year earlier than originally planned.

The Conservatives had previously pledged to increase the personal allowance to £12,500 by 2020/21 and the higher-rate allowance to £50,000. Raising these tax thresholds is an effective tax cut.

Standard Lifetime Allowance

The standard lifetime allowance for pensions will increase in line with the rise in the consumer prices index (CPI) for 2019/20 to £1,055,000 as previously announced.

Annual Allowance

There are no changes to pension annual allowances (AA). The standard AA remains at £40,000 and there are no changes to the high income AA taper rules. I

First-time Buyers

The Chancellor extended stamp duty relief given to first-time buyers to those buying shared ownership homes (on properties up to £500,000). This means for homes with a purchase price up to £500,000 first-time buyers and shared ownership purchases won't pay any tax on the first £300,000 and then 5% on the portion from £300,001 to £500,000.

Savings

The adult individual savings account (ISA) annual subscription limit for 2019-20 will remain unchanged at £20,000. The annual subscription limit for Junior ISAs for 2019-20 will be uprated in line with the consumer prices index to £4,368.

The annual subscription limit for Child Trust Funds for 2019-20 will be uprated in line with the consumer prices index (CPI) to £4,368. The minimum amount you can save in Premium Bonds will be cut to £25, and people other than parents and grandparents will be able to gift bonds to children.

Self Employed

The Treasury announced it would crack down on private-sector contractors who cannot show they are genuinely self-employed. The onus will be put on companies to determine whether the contractors they hired are genuinely self-employed.

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