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Horlock Holdcroft

FINANCIAL CONSULTANTS Ltd

News……

- Workplace pension reforms continue to gather pace, with an estimated 12,500 employers* becoming eligible each month over the next year. Please refer to our last newsletter on the website which covered this issue in detail, and call to speak to Hayley if you wish to discuss your own Company's needs.
- You can now follow us on Facebook, Twitter, and LinkedIn, for more regular updates on industry topics, our thoughts on financial stories that are in the news, and details of any upcoming events and seminars that you may be interested in. Just search for Horlock Holdcroft Financial Consultants.

2014 Budget - Overview

Food for thought

With at least one eye on next year's election, the Chancellor delivered a Budget that contained some interesting news for businesses, savers and pensioners but a genuine shock for pension providers

Ahead of next year's General Election, Chancellor of the Exchequer George Osborne delivered a Budget designed to deliver "a resilient economy" that provided considerable food for thought. Focusing in particular on support for business, savers and pensioners, the Chancellor hailed the UK's economic recovery but warned there was still more to be done.

Economic growth gathers pace

The UK economy is predicted to grow more strongly than previously forecast and, during this year, the Office for Budget Responsibility (OBR) expects the UK economy to expand to a level greater than its pre-crisis peak.

Welcome

Welcome to the March edition of the Horlock Holdcroft newsletter, our update on developments in the world of financial services.

If you have any questions about the contents of this issue, please do not hesitate to contact us.

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The OBR increased its forecast for UK economic growth in 2014, from 2.4% to 2.7%, and now predicts expansion of 2.3% in 2015, 2.6% in both 2016 and 2017, and 2.5% in 2018. It also expects growth in wages to outstrip the rate of inflation this year and indeed for the next few years

The deficit is falling

The outlook for borrowing has improved – borrowing is forecast to reach £108bn this year and £95bn in 2015, and is tipped to achieve a surplus by 2018/19. At 6.6%, the UK's budget deficit during 2014 is likely to be lower than envisaged, and it is expected to continue its decline until 2018/19, when it is now predicted to achieve a surplus of 0.2%.

Tax remains a hot topic

The Chancellor increased the income tax personal allowance to £10,500 – a move that will reduce the typical UK taxpayer's bill by £800. The higher-rate tax threshold will increase from £41,450 to £41,865 during the 2014/15 tax year, and will rise by another 1% to £42,285 in 2015/16. He also abolished inheritance tax for members of the emergency services who give their lives in the line of duty. Elsewhere, in a bid to curb tax avoidance, stamp duty on residential properties worth over £500,000 was increased to 15% in situations where the home is bought through a company.

Backing business

Osborne revealed measures aimed at consolidating the economic recovery by supporting businesses. In response, the Confederation of British Industry (CBI) welcomed the government's plans, but warned "tough challenges remain ahead". Business rate discounts and enhanced capital allowances in enterprise zones were extended for a further three years.

The Annual Investment Allowance was extended to the end of 2015 and doubled to £500,000. As a result, 99.8% of companies are expected to pay no tax on money used for capital investment, and this move was described by the CBI as "a shot in the arm" for business. Elsewhere, the decision to double export finance to £3bn and slash interest rates on this lending by one-third was hailed by the British Chambers of Commerce (BCC) as "a big step in the right direction".

Curbing public spending

The budget for welfare spending will be capped at £119bn during 2015/16, and will then rise in line with inflation. However, the basic state pension and cyclical unemployment benefits will be excluded from the cap.

Support for savers

From 1 July, cash Individual Savings Accounts (ISAs) and stocks & shares ISAs will be merged and simplified into a single ISA with an annual tax-free allowance of £15,000. The allowance for Junior ISAs will be increased to £4,000. The Investment Management Association welcomed the government's changes to the ISA regime, which it believes will encourage both savings and "a flow of capital to industry".

The Chancellor also announced a new Pensioner Bond, available to everyone aged over 65 from January 2015. The Pensioner Bond will be offered by National Savings & Investments and will pay market leading rates. A one-year bond is expected to pay interest of 2.8%, while a three-year bond will pay around 4%. In other measures, the 10p tax rate for savers was scrapped and the cap on Premium Bond ownership was increased from £30,000 to £40,000 from June 2014, and will be raised to £50,000 in 2015. The number of £1m winners was doubled.

Wooing the 'grey vote'?

In what was probably the most controversial measure within the 2014 Budget, the Chancellor announced plans aimed at removing some of the tax restrictions on pensioners' access to their pension pots. Subject to a consultation, from April 2015 there will no longer be restrictions on how individuals aged over 55 can access their defined contribution pension pots. The government proposes to change the tax rules to allow people to access these savings as they wish at the point of retirement, subject to their marginal rate of income tax. 25% of the value of the fund will continue to be tax free.

As transitional measures to April 2015, for all capped drawdown plans whose pension years start on or after 27 March 2014, the maximum GAD (income) limit will increase from 120% GAD to 150% GAD. For those in Flexible Drawdown, the Minimum Income Requirement (MIR) will be reduced to £12,000.

The measures will give retirees more freedom to decide how to use their pension pot but have also raised fears some individuals might fritter away their money and have to be supported by the state. The BCC described the move as "unexpected and radical" while the Pensions Advisory Service commented: "This Budget will be remembered for introducing 'grown up' pensions where individuals have more flexibility." However, it also warned that "greater choice can make decisions more complicated". Meanwhile, the CBI expressed the hope that, "in the long term, greater flexibility might encourage people to save more for their pensions".

For further information, queries or to discuss how this may affect you personally please do not hesitate to contact your adviser directly. Alternatively you can contact our offices on 01825 766130
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*Source for all data: adviser-hub.co.uk