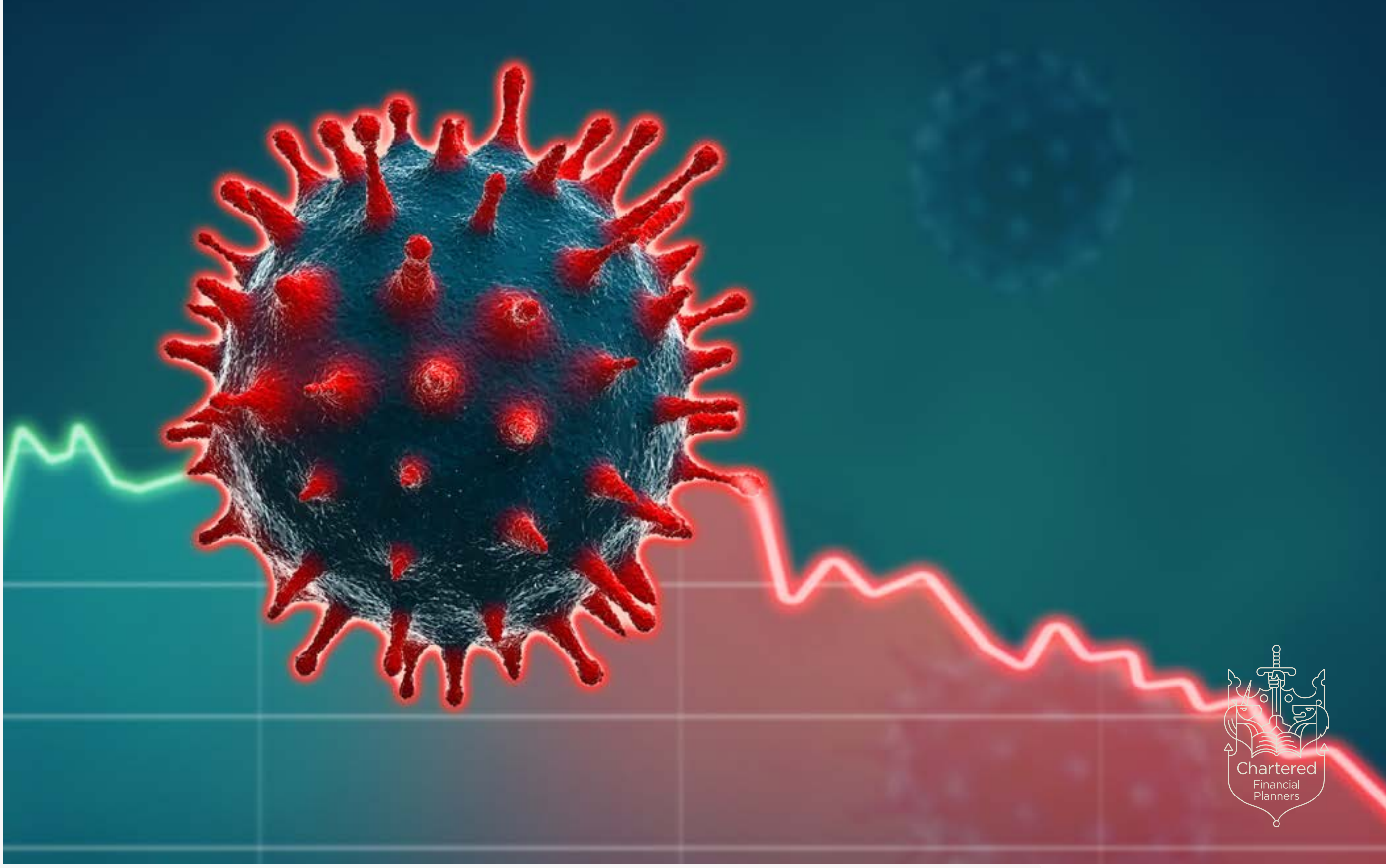
INSIGHT

ISSUE 16

A WEALTH OF ADVICE

COVID-19:

SUPPORTING YOU THROUGH THIS CRISIS



ENGAGING WITH A TRUSTED ADVISER

HOW TO MANAGE IF YOU WERE AFFECTED BY THE UNEXPECTED

UNDERSTANDING THE ANNUAL PENSION ALLOWANCE

ArmstrongWatson®

Accountants, Business & Financial Advisers

INSIDE THIS ISSUE

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WELCOME

We are all living through the fastest developing public health and economic crisis of our generation. First and foremost we hope you, your families and your loved ones remain safe and well.

As our latest issue of Insight has been designed our own team are currently working remotely with our offices temporarily closed to the public, however, please be rest assured we are continuing to provide our full range of services in order to support all our clients, both personal and business, through this period.

Like you, Armstrong Watson is not immune to these challenges. We are absolutely determined to come out of the other side of this stronger as a business. I am very proud of the way our colleagues are pulling together in delivering our Quest, ***helping clients achieve prosperity, a secure future and peace of mind.***

Our articles contain a number of key areas for you to consider as an individual or business owner, such as posing the question as to how you would managed if you were personally affected by the unexpected in the future, and the value of having a trusted adviser in times like these. In our case study we demonstrate how getting the right advice ensured a business would continue if the worst happened and helped to save our clients significant premiums also in the long term. Let us also not forget we had a budget in March which contained some good news for high earners and the amount they can put in to a pension, which was a thorny issue for some higher earning NHS staff.

The full list of the articles featured in this issue appear opposite, and we hope you enjoy this edition of our magazine. If you would prefer to receive future issues electronically, please subscribe here or for further information on any of the topics discussed please visit our website or email insight@armstrongwatson.co.uk

PAUL DICKSON
CHIEF EXECUTIVE AND MANAGING DIRECTOR
ARMSTRONG WATSON

HOW WOULD YOU MANAGE
IF YOU WERE AFFECTED BY THE UNEXPECTED IN THE FUTURE?

The COVID-19 pandemic is affecting everyone not just in terms of health. Very few people are immune, whether employed and still in work, staff furloughed under the Government Job Retention Scheme, or the self-employed with businesses. All are likely to have been hit hard by the pandemic.

For the vast majority of people this means reducing spending to ensure that all the bills can continue to be paid. For around 1.2 million people in the UK, taking a mortgage holiday has been one of the main solutions. However, financial hardship is still a very real prospect for many, but due to the nature of this pandemic, there is far more Government & lender support in place than if someone was unable to work due to sickness.

Think of a time in the future when there is no lock-down or social distancing and everyone is back to work. If you were off sick how would you be able to cope financially? What help would be available from the Government and lenders? You may think this will not happen to you but each year an estimated 1 million people in the UK are unable to work due to serious illness or injury.

If you are off work due to accident or sickness, the first option may be help from your employer (if you are employed). However, whilst some employers offer full pay for periods of 6 months or longer, the reality for many is no employer help at all and your only entitlement is Statutory Sick Pay (SSP). This is currently £95.85 per week compared to the average UK wage in 2019 of £511 per week. Imagine, instead of having 80% of your wage, as may be the case for furloughed staff or the self-employed being able to claim support, only having less than 19% of your wage on SSP. To make matters worse, lenders usually have no obligation to offer a payment holiday and there is little help available for renters. For the self employed the situation is likely to be even starker.

You might think about using your savings. The Money Advice Service recommends having the equivalent of 3 months wages in savings as a minimum and you might be in the fortunate position that you have this at least. However, the reality is that one in four people's savings are estimated to last them less than a month. Even those earning more than £100,000 say that without a job they would not be able to cope financially for longer than 3 months, this could easily therefore create financial hardship for many people.

The next stage is to start thinking about cutbacks and reducing spending, for example, reducing shopping and cancelling subscriptions. Beyond that it could be asking for help from family or friends or you have to start building up debt. This could lead to someone returning to work far sooner than they should, simply because they can't afford to take the time to recover properly due to the financial pressures being created. There is, however, a way to protect yourself when you are unable to work.

Income protection can be a relatively low cost option to ensure that you have significantly less to worry about should you be off work for an extended period of time due to serious illness, accident or injury. It may be that you need to have protection from day one or it may be that you do not need cover for a period of time, say 3, 6 or 12 months. Some people, for example, may wish to be covered up to their retirement age, so if they couldn't work again they would not have to worry about making ends meet until they retire.

Another benefit of income protection can be the fact that you can still be in receipt of Government benefits alongside your protection. So rather than one or the other, your income can be helped by both.

At Armstrong Watson we are Chartered independent financial advisers and can discuss all aspects of your protection requirements with you based on your individual circumstances. We know from experience that protection of your income can provide peace of mind at the most difficult of times.

> **“THE COVID-19 PANDEMIC IS AFFECTING EVERYONE NOT JUST IN TERMS OF HEALTH.”**

JOHN HUNT
FINANCIAL PLANNING CONSULTANT

ENGAGING WITH A TRUSTED ADVISER

ADVICE IS MORE IMPORTANT THAN EVER IN TIMES LIKE THESE

When times are good and confidence is high, most financial advisers should be able to help generate at least reasonable returns. However, in times such as these we are currently experiencing, having the support of a 'trusted adviser' you can rely upon to help, guide and advise you is more important than ever.

Don't go it alone

Now is not the time to try and go it alone – even if you think you have the right knowledge and experience. Regrettably, we have seen many people where self-select investing, which whilst on the face of it may save costs, has been an expensive experiment. A study by the International Longevity Centre (ILC) shows the average benefit of financial advice to be £47,706 over a 10 year period. This clearly demonstrates the difference between the value that good financial advice can provide, even when taking in to account the associated costs.

Beware of scams

Unfortunately, during the period of COVID-19 we are hearing of more people falling victims to scams. These can take many different forms and could be about pensions or other high return investment opportunities. Scammers can be sophisticated, opportunistic, appear authentic, using COVID-19 as an opportunity to persuade people to disclose personal or financial information either online or verbally, and whilst they may be likely to target the vulnerable, anyone can be affected or taken in. One of the best ways to avoid falling victim to a scam is to build a long lasting and trusted relationship with a regulated and authorised financial adviser.

Engage with an adviser you can trust

First and foremost do you have an ongoing relationship with a financial adviser? Assuming you do does your financial adviser really know and understand you, your objectives, needs, wants, aims and circumstances and what you are trying to achieve both now and in the future ?

Identify & review your attitude to risk

Attitudes to risk vary greatly, with some individuals looking to take a more cautious approach with their investments during these uncertain times, whereas others wish to take a more bullish approach, as they have greater levels of confidence in what lies ahead. Only when your financial adviser really understands you and your personal approach to risk are they in position to advise you. What risk, if any, you are prepared to take to achieve your aims and objectives? Understanding how much risk you are prepared to take, or are currently taking on your existing investment or pension portfolio, is crucial. This is very personal to you and can change over time, depending on your objectives, your experiences and current circumstances.

Timing and diversification

We are in volatile times and it may seem daunting. A good financial adviser will help you understand the principles of investing and the techniques available for managing risk effectively, through diversification of assets. No financial adviser, however, can claim to be able to predict the peaks and troughs of financial markets, and it's extraordinarily difficult to time exactly when the best days to invest will be. However, 'time in' the markets, not 'timing" the markets, is generally the most effective approach over the medium to long term.

Protection

The potential impact of this health crisis does not change some of the other fundamentals of good financial planning, such as whether you are protected against the unexpected happening, for both individuals and businesses, in terms of life insurance, critical illness cover or income protection. Unfortunately, this is a fact of life; however, it can be planned for with good advice, both before and after whatever happens with the current crisis.

> HAVING THE SUPPORT OF A 'TRUSTED ADVISER' YOU CAN RELY UPON TO HELP, GUIDE AND ADVISE YOU IS MORE IMPORTANT THAN EVER.

At Armstrong Watson we provide personalised financial advice. Our quest is to help our clients achieve prosperity, a secure future and peace of mind. That means being with our clients during not just the good but also the bad times, such as the current situation with COVID-19. We have designed Our Guide to Investing and Our Guide to Investment Solutions which explain how we help clients understand the principles of investing and the range of solutions which are available to invest in, these guides are available on our website. We can provide a full review of your financial affairs with our compliments in the first instance. We can also now do this remotely by video as well as face to face.

IAIN LIGHTFOOT
PARTNER/JOINT MANAGING DIRECTOR

At Armstrong Watson we work with clients in a wide range of sectors. In this edition we focus on our **Agricultural and Landed Estates Sector.**

LOAN PROTECTION

A RECENT CASE STUDY

Our clients are farmers operating a Partnership who are also using the accounting services of Armstrong Watson. Our Financial Planning Consultant was initially introduced to discuss their respective retirement planning arrangements. During the initial meeting it was established that the Partnership had significant land assets, ranging from a portfolio of residential properties to a static caravan park. It was also identified they had four loans arranged through their Bank which had been set up at different times over the last few years. There were some protection policies already in place to protect the lending in the event of death, again set up through the Bank.

Upon reviewing these policies it was identified that they did not fit their objectives both in respect of the term of the policies and the sums assured required to protect the total borrowings outstanding with the Bank. The way the current protection arrangements were set up meant their ability to service the total debts across all of the loans would be severely impaired if one of the two Partners was to pass away prematurely.

Following our initial discussions it was agreed this was the priority to address rather than the initial intended focus of our discussions. The retirement planning of the surviving Partner would be irreversibly disrupted if the other party passed away with significant debts still outstanding.

During the discussions the clients also informed us that they had already approached another Restricted Financial Adviser (an adviser who was only able to recommend the products of one company in this respect), who had provided a recent quote to protect their loans.

On further investigation it was identified that the recommendation made did not fully cover all the loans, only the biggest one. The quote also outlined, which is not uncommon, that this recommendation was generating approximately £19,000 of commission for the Restricted Advisers business if the policy was taken out.

It was recommended that the client take appropriate action to ensure that they were both fully protected should one of them pass away so the survivor would have no problems in respect of meeting the total liabilities of all four loans. Following agreement with the clients, and after a full assessment of their requirements, an alternative proposal was prepared to recommend four separate decreasing term assurance policies, all with different sums assured and terms to match the various lending arrangements. This means the sums assured decrease in line with the loans as they were being paid each month, each to end when the respective loans were due to repaid.

As Independent Financial Advisers we have the ability to work on a fixed fee, rather than a commission basis, for protection advice we provide to our clients. In this scenario the clients were willing to pay a fee for our advice rather than for commission to be paid by the product provider. In this instance, based on the level of work involved to provide the advice, the fee was less than 20% of the commission they would otherwise have paid. This also provided the clients with significant savings on a monthly basis when compared to their other option. On just one policy alone the savings over the full term of the policy, assuming it ran to the end, will be in excess of £58,000.

Even more importantly the Partners are now fully protected for all their outstanding borrowings giving them peace of mind that should either of them die the outstanding borrowings, totalling in excess of £1 million, would be settled.

As part of a financial review we look at all areas of a client's financial planning to help them prioritise what are the most important issues to address, either for their personal situation or, if applicable, from a business perspective. In this instance, once the protection advice was set up we were then in a position to discuss with the clients how to take forward their original retirement planning priority.

At Armstrong Watson we provide Independent Financial Advice. This means we have access to the whole of the market to identify the best solutions and providers to fit a client's circumstance. This also allows us the flexibility to work with clients on a fixed fee basis, should they prefer, for protection advice. Many of our clients prefer to work this way and is also allows us to pass on significant savings to our clients over the term of a policy, whilst also ensuring that appropriate cover is in place.

“THIS ALSO PROVIDED THE CLIENTS WITH SIGNIFICANT SAVINGS ON A MONTHLY BASIS WHEN COMPARED TO THEIR OTHER OPTION.”

DAVID PORTER
CHARTERED FINANCIAL PLANNING CONSULTANT

BOOM & BUST -
CYCLES TURN

The bull market that followed the Global Financial Crisis has reached its end. Cycles turn as growth moves into slowdown, into recession and eventually into recovery. In this way the stock market collapse of early 2020 is no surprise as the next crash was always inevitable, at some point. Darkening skies creating a storm are often the result of financial mismanagement or a geopolitical shock, but in this case it is a health crisis at the heart of the matter, the coronavirus: COVID-19.

All Good Things...

As we reached the end of 2019 there would have been very few people who could have accurately predicted how the next few months would unfold. At the time, the global economy was on an upwards trend, buoyant on the progress made in the US/China trade war, relieved that the saga of Brexit was nearing its end and satisfied that the global corporate machine was in good health, with unemployment at long term lows. What a rude awakening 2020 has been.

Heartbreak

Tragically, the human cost is vast. Recorded deaths are currently in the tens of thousands, but likely to rise much higher and recorded cases in the hundreds of thousands and growing exponentially.

Tides Turn

The public health fight is the most important one in all of this, but the financial fight is also crucial. The tide will eventually turn in the battle with COVID-19 and when that happens, economies will be brought out of hibernation. The question is how they will recover?

Suspended Animation

The economic cost will be huge as well. Lockdown measures are imposing unprecedented restrictions on the liberties of the individual and economies are being mothballed. Recession will be unavoidable in many countries, with numerous businesses and jobs not making it out the other side.

The Fightback

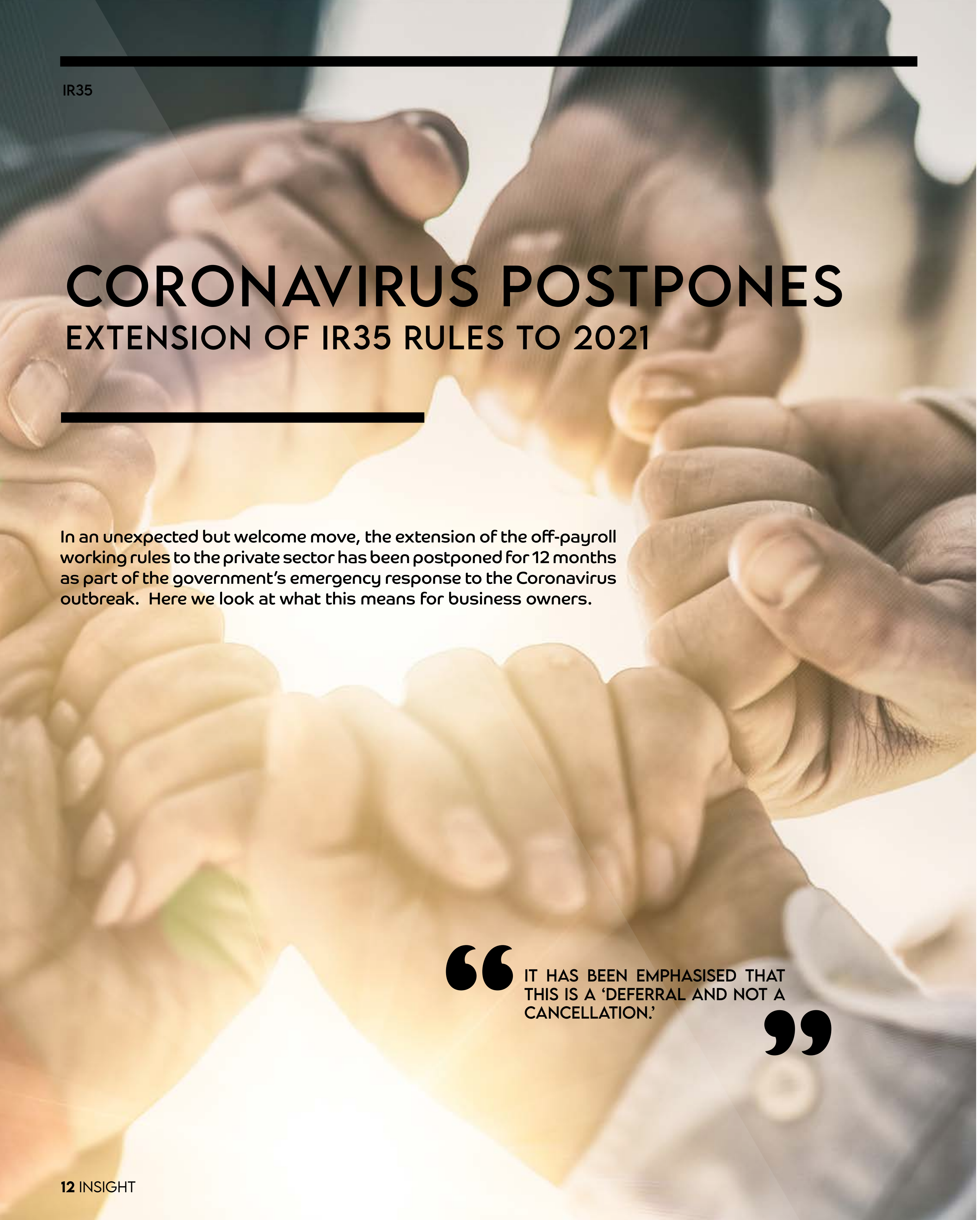
Finance officials globally are throwing everything they can at this economic crisis, with record levels of both monetary and fiscal stimulus, providing life support to our financial wellbeing. As businesses fail and individuals lose their jobs then the ability of the consumer to make up for lost spending once lockdown measures recede will be severely impaired. It is fear of this scenario behind such packages as the Chancellor's pledge to pay 80% of workers' earnings. Ensuring that the large majority come out of this crisis with personal finances in reasonable shape will be vital in the effort to create a relatively strong economic recovery, when the time comes.

Recovery

We are in the midst of a crisis. A health crisis, an economic crisis and a market crisis. But bear in mind that investment markets often react quickly to changing economic conditions. While we face a long road ahead in the battle with this virus and its financial implications, there will come a turning point when recovery can begin and from which, in economic terms, the cycle can reset.

> “WHILE WE FACE A LONG ROAD AHEAD IN THE BATTLE WITH THIS VIRUS AND ITS FINANCIAL IMPLICATIONS, THERE WILL COME A TURNING POINT WHEN RECOVERY CAN BEGIN AND FROM WHICH, IN ECONOMIC TERMS, THE CYCLE CAN RESET.”

RICHARD COLE CFA
FUND MANAGER -
FUTURE MONEY ASSET MANAGERS



CORONAVIRUS POSTPONES

EXTENSION OF IR35 RULES TO 2021

In an unexpected but welcome move, the extension of the off-payroll working rules to the private sector has been postponed for 12 months as part of the government's emergency response to the Coronavirus outbreak. Here we look at what this means for business owners.

> IT HAS BEEN EMPHASISED THAT THIS IS A 'DEFERRAL AND NOT A CANCELLATION.'

> THE NEW LEGISLATION IS EXPECTED TO IMPACT AROUND 170,000 INDIVIDUALS WHO WORK THROUGH THEIR OWN COMPANY, WHO ACCORDING TO THE GOVERNMENT WOULD BE DEEMED EMPLOYED IF ENGAGED DIRECTLY.

The off-payroll working rules known as IR35 are designed to prevent the avoidance of tax and national insurance by a contractor providing their services through a personal service company rather than being employed directly. These rules require the engager to determine that tax status of a contract and decide whether or not it is in effect disguised employment. If it is disguised employment then any payment under the contract must be made under deduction of PAYE and national insurance.

The rules were applied to the public sector in 2017 and were due to be extended to the private sector from 6th April this year. This was confirmed in the Budget on 11th March but just one week later these changes have been delayed by one year. A reflection of just how much has happened in a very short period of time.

It has been recognised by the government that the reforms would be a significant change for both businesses and contractors. Many risked losing work with no sick pay. However, it has been emphasised that this is a 'deferral and not a cancellation'. The government remains committed to reintroducing the policy on 6th April 2021.

The delay will allow businesses and contractors more time to prepare for the changes next year. Unfortunately this announcement may be too late for some as businesses may already have laid off contractors in anticipation of the changes.

Following this announcement it raises the question whether some of the other tax changes due to take effect next month should be delayed. These include measures limiting private residence relief and the new 30 day capital gains tax reporting and payment rules which I have commented on recently. Whether the government is prepared to go that far we will have to wait and see. These are extraordinary times.

KAREN THOMSON
PARTNER / HEAD OF PAYROLL

UNDERSTANDING ANNUAL ALLOWANCE
AND THE POTENTIAL TAX IMPLICATIONS!

In 2016/17, the Government introduced new measures to restrict the level of pension tax relief available to high earners which included the 'tapering' of standard annual allowance. This area of taxation has proved very complex and failure to understand these rules and their application has resulted in nasty surprises for some in the form of a hefty and unexpected tax liabilities! This has been in the news especially for NHS workers.

The annual allowance is £40,000 and is a limit to the total amount of contributions that can be paid into defined contribution pension schemes and/or the total benefit growth in defined benefit pension schemes each year, for the purpose of tax relief. The annual allowance is based on pension input periods which in turn are aligned to tax years.

Any amount of annual pension contribution/fund growth in excess of the annual allowance limit may be liable to a tax charge calculated using the individual's marginal tax rate.

Between 2016/17 and 2019/20, tapered annual allowance was triggered when 'threshold' income exceeded £110,000 and 'adjusted' income exceeded £150,000. Broadly speaking, 'threshold' income is defined as an individual's net income (total income from all sources less allowable tax reliefs) and 'adjusted' income is 'threshold' income plus pension contributions and /or annual pension fund growth depending upon the type of pension fund(s) held.

When both limits are exceeded, annual allowance will be tapered (reduced) by £1 for every £2 of adjusted income exceeding the £150,000 limit. The maximum reduction is currently £30,000 (adjusted earnings of £210,000 or over) which would result in a capped annual allowance of £10,000.

Carry forward allows you to make use of any annual allowance that you may not have used during the three previous tax years, provided that you were a member of a registered pension scheme.

The Issue

Whilst those paying into a defined contribution scheme could easily manage the level of contributions paid within an 'input period', the same could not be said for members of a defined benefit scheme for which growth figures are only published after the input year has ceased. Furthermore, many of the remaining defined benefit schemes are within the public sector and members have little or no control over their level of contributions as it is often determined by the member's pensionable income level. Consequently, medium to high earning members of defined benefit schemes have in many cases, been faced with significant pension fund tax charges.

As a result of the ensuing and often significant tax liabilities, certain public sector bodies in particular, the NHS, have lost a significant number of key senior staff to early retirement and/ or reduced working hours. This has had a dramatic adverse effect on the delivery of services in those sectors.

"CARRY FORWARD ALLOWS YOU TO MAKE USE OF ANY ANNUAL ALLOWANCE THAT YOU MAY NOT HAVE USED DURING THE THREE PREVIOUS TAX YEARS, PROVIDED THAT YOU WERE A MEMBER OF A REGISTERED PENSION SCHEME."

Threshold at which the taper commences raised by £90,000

In the Budget 2020 speech the Chancellor announced a relaxing of the rules on how much higher earners can save into their pensions while receiving tax relief.

From April pension contributions are to be reformed for high earners, including doctors and other senior medical professionals, which have impacted on higher-earning NHS staff. The Chancellor said that 98% of consultants and 96% of GPs will no longer be affected by the new rules.

To curtail the departure of experienced NHS staff, the Chancellor announced revised limits for threshold and adjusted income in his March 2020 budget. For the 2020/21 tax year, both limits are to be lifted by £90,000 resulting in threshold income limit of £200,000 and adjusted income limit of £240,000. Only when both of these revised limits are breached will a person be subjected to tapered annual allowance.

Under the new rules, the annual allowance will only begin to taper down for individuals who also have an adjusted income above £240,000. For those on the very highest incomes, the minimum level to which the annual allowance can taper down will reduce from £10,000 to £4,000 from April 2020.

Any pension contribution and / or pension fund growth in excess of the available annual allowance will be subject to a tax charge at the individual's marginal rate of tax.

Scheme Pays Election

A person can elect for their pension scheme to settle their tax liability by completing and submitting Form SPE 2 within the designated time period (31 July following the tax year to which the annual allowance charge relates ended).

Armstrong Watson Support

We recommend that any such election is only made after discussion with your IFA as it will impact your future pension fund value. Armstrong Watson Financial Planning and Wealth Management have an abundance of experience with this regard to discuss your pension fund and potential implications thereof.

This is a complex area of tax and one which cannot be overlooked. For more information and / or to arrange a non-obligatory meeting, please contact your local Armstrong Watson accounting team.

MORAG MILLER
ACCOUNTING PARTNER

INVESTMENT DECISIONS AND RESPONSIBILITIES

WHEN ACTING AS A DEPUTY APPOINTED BY THE COURT OF PROTECTION

The Office of the Public Guardian (OPG) published new guidance in May 2019 which, among other things, emphasises the importance of proactive investing and the need to seek financial guidance in the majority of cases.

As a Deputy is appointed by the Court of Protection to look after the affairs of someone else, usually because their client cannot look after their own affairs, it is the responsibility of the Deputy to have the relevant investment experience and knowledge. The OPG guidance suggests that a Deputy should work with a Financial Adviser when they feel that they do not have the relevant expertise. Ascertaining what is sufficient relevant experience and knowledge can be difficult, as can understanding where the responsibility for each element of the decision making lies.

It is also of course important when acting in this capacity to assess whether a personal injury trust should be established. If a trust is not established, this could affect your client in respect of benefits they are in receipt of - either being reduced or even stopping altogether. In addition, your client's future entitlement to benefit support could be affected as well.

Investing the lump sum awarded needs careful consideration as the claimant might not have the ability to work again and this award is vital to their future wellbeing.

Of course you can act without seeking financial advice. The OPG guidance covers a wide range of topics and you should consider each of the following:

What is risk and understanding the principles of investing

Risk is the chance of losing some of the person's money. Generally, the greater the possible returns, the higher the risk an investor will have to take. All investments involve some degree of risk, but by making an informed decision to accept risk creates the opportunity for greater returns, known as the risk/reward trade-off.

The ability and willingness to accept risk will determine the most suitable range of assets for the investment. If you are not comfortable with, or do not understand the risk you're taking on behalf of the ultimate client, you should not invest.

The starting point for any investment strategy should be to think carefully about what you want your client's money to do in the short, medium and long term as your objectives for each of these could be different. As a general rule of thumb, the longer an investment is kept, the more likely it can overcome any short-term volatility. However, you should consider whether this is feasible, bearing in mind the client's financial needs.

Where to invest and the types of returns you can expect

There are techniques for managing risk and the most common is through asset class diversification.

Broadly, there are four main asset classes:

- Cash – you save money in a bank or building society account and receive interest
- Fixed interest securities (also called bonds) – you loan your money to a company or government and receive interest frequently and you capital back at a certain date in the future
- Property – you invest in a physical building. The returns come from both rent and capital appreciation
- Equities (stocks and shares) – you buy a stake in a company and receive potential dividends and capital appreciation

Which assets do you choose?

Nobody can predict which asset class will be the best performing each year and by only investing in one could see potential large differences in returns each year. By investing in products that contain a range of asset classes you can help to reduce the overall risk to which capital is exposed.

Checklist

1. Have you gathered all the financial information you need?
2. Have you been able to get the views of the client?
3. How much money is needed to invest?
4. What type of return is needed?
5. What's the level of risk needed to generate the level of return?
6. Will the investments satisfy the client's current and future needs?
7. Have you set a date to review the plan?

Of course you can act without seeking financial advice, however, if you act as a Deputy and you do not feel your expertise and knowledge satisfy each of these areas set out by the OPG their recommendation is that you seek financial advice.

Under those circumstances, financial advice will be tailored to your individual client's needs. It will consider the sum of money, the objectives and the time fames applicable to that individual. Good financial advice will be reviewed as a minimum once a year and documented to provide a strong audit trail for Court Deputies.

At Armstrong Watson we support Deputies with the combined value of Chartered Financial Advice, Chartered Tax Advice and a range of investment solutions providing active fund management, diversification and strategies designed specifically to combat inflation.

> AS A GENERAL RULE OF THUMB, THE LONGER AN INVESTMENT IS KEPT, THE MORE LIKELY IT CAN OVERCOME ANY SHORT-TERM VOLATILITY. HOWEVER, YOU SHOULD CONSIDER WHETHER THIS IS FEASIBLE, BEARING IN MIND THE CLIENT'S FINANCIAL NEEDS.

JUSTIN ROURKE

SENIOR FINANCIAL PLANNING MANAGER

TAX FACTS 2020/2021

Following the budget in March there have been a number of changes made to the allowances you can receive. Below are all the key facts you need:

INCOME TAX RATES

Non-savings, non-dividend income – England, Wales, NI

2019/20	BAND	2020/21	BAND
BASIC RATE: 20%	£0 – £37,500	BASIC RATE: 20%	£0 – £37,500
HIGHER RATE: 40%	£37,501 – £150,000	HIGHER RATE: 40%	£37,501 – £150,000
ADDITIONAL RATE: 45%	OVER £150,000	ADDITIONAL RATE: 45%	OVER £150,000

Non-savings, non-dividend income – Scotland

2019/20	BAND	2020/21	BAND
STARTER RATE: 19%	£0 – £2,049	STARTER RATE: 19%	£0 – £2,085
BASIC RATE: 20%	£2,050 – £12,444	BASIC RATE: 20%	£2,086 – £12,658
INTERMEDIATE RATE: 21%	£12,445 – £30,930	INTERMEDIATE RATE: 21%	£12,659 – £30,930
HIGHER RATE: 41%	£30,931 – £150,000	HIGHER RATE: 41%	£30,931 – £150,000
TOP RATE 46%	OVER £150,000	TOP RATE: 46%	OVER £150,000

Savings and dividend income – UK

	2019/20	2020/21
SAVINGS INCOME – BASIC RATE	20%*	20%*
SAVINGS INCOME – HIGHER RATE	40%	40%
SAVINGS INCOME – ADDITIONAL RATE	45%	45%
DIVIDENDS – BASIC RATE	7.5%	7.5%
DIVIDENDS – HIGHER RATE	32.5%	32.5%
DIVIDENDS – ADDITIONAL RATE	38.1%	38.1%

* 0% starting rate on up to £5,000 of savings income for 2019/20 & 2020/21. Not available if non-savings/ non-dividend income exceeds this limit.

Trusts Standard Rate Band £1,000

INCOME TAX ALLOWANCES UK

ALLOWANCES		2019/20	2020/21
PERSONAL ALLOWANCE (PA)*		£12,500	£12,500
MARRIED COUPLE'S ALLOWANCE (MCA) Ø	SPOUSE/CIVIL PARTNER BORN BEFORE 6.4.1935	£8,915	£9,075
MINIMUM MCA		£3,450	£3,510
BLIND PERSON'S ALLOWANCE		£2,450	£2,500
MARRIAGE ALLOWANCE**		£1,250	£1,250
PA INCOME LIMIT		£100,000	£100,000
MCA INCOME LIMIT		£29,600	£30,200
DIVIDEND ALLOWANCE		£2,000	£2,000
PERSONAL SAVINGS	BASIC RATE TAX TAXPAYERS	£1,000	£1,000
ALLOWANCE	HIGHER RATE TAXPAYERS	£500	£500

* PA reduces by £1 for every £2 adjusted net income exceeds PA income limit.
ø MCA relief at 10% if at least one spouse/civil partner born before 6.4.1935. Reduces by £1 for every £2 adjusted net income exceeds MCA income limit, but not below minimum.
** One spouse/civil partner can transfer up to 10% of their PA to the other, provided neither is liable to tax above the basic rate.

COMPANY CAR BENEFIT

The tax charge is calculated as a percentage – ranging from 16% to 37% for 2019/20 & 0% to 37% for 2020/21 – which is determined by the CO2 emissions figure for the car. For diesel cars, there is an extra charge of up to 4% subject to a maximum of 37%.

CAR FUEL BENEFIT

The tax charge is calculated using the same percentage as the company car charge (as above) applied to a set figure of £24,100 for 2019/20 and £24,500 for 2020/21.

VALUE ADDED TAX

	FROM 1.4.2019	FROM 1.4.2020
STARTER RATE	20%	20%
REGISTRATION LEVEL	£85,000	£85,000
DE-REGISTRATION LEVEL	£83,000	£83,000

CORPORATION TAX

	YEAR 31.3.2020	YEAR TO 31.3.2021
ALL TAXABLE PROFITS	19%	19%

CAPITAL GAINS TAX

EXEMPTIONS	2019/20	2020/21
INDIVIDUALS & LPRS*	£12,000	£12,300
TRUSTS	£6,000	£6,150

* Legal personal representatives (LPRs) are entitled to the annual exemption in the tax year of death and the next two tax years.

RATES	2019/20	2020/21
INDIVIDUALS' GAINS: • WITHIN AVAILABLE BASIC RATE BAND • ON THE BALANCE	 10%* 20%*	 10%* 20%*
TRUSTEES' & LPRS' GAINS	20%*	20%*
ENTREPRENEURS' RELIEF	• 10% ON THE FIRST £10M LIFETIME GAINS • 10%/20%* ON THE BALANCE	• 10% ON THE FIRST £1M LIFETIME GAINS • 10%/20%* ON THE BALANCE
INVESTORS' RELIEF	• 10% ON THE FIRST £10M LIFETIME GAINS • 10%/20%* ON THE BALANCE	• 10% ON THE FIRST £10M LIFETIME GAINS • 10%/20%* ON THE BALANCE
* 18% & 28% RATES APPLY TO CARRIED INTEREST & RESIDENTIAL PROPERTY NOT COVERED BY PRINCIPAL PRIVATE RESIDENCE RELIEF.		
COMPANIES' GAINS CHARGED AT CORPORATION TAX RATE. INDEXATION ALLOWANCE IS FROZEN FOR DISPOSALS FROM 1.1.2018.		

INHERITANCE TAX

CHARGEABLE TRANSFERS	2019/20	2020/21
STANDARD NIL-RATE BAND	£325,000	£325,000
RESIDENCE NIL-RATE BAND (AVAILABLE ONLY ON DEATH, SUBJECT TO CONDITIONS)	£150,000	£175,000
TAX ON EXCESS VALUE OF CHARGEABLE TRANSFER ON DEATH & LIFETIME TRANSFERS MADE WITHIN 7 YEARS OF DEATH	40%	40%
TAX ON EXCESS VALUE FOR CHARGEABLE TRANSFERS ON DEATH WHERE 10% OR MORE OF NET ESTATE LEFT TO CHARITY	36%	36%
TAX ON EXCESS VALUE FOR OTHER CHARGEABLE LIFETIME TRANSFERS	20%	20%

REDUCED TAX CHARGE ON GIFTS WITHIN SEVEN YEARS BEFORE DEATH (TAPER RELIEF)					
YEARS BEFORE DEATH	0-3	3-4	4-5	5-6	6-7
% OF DEATH CHARGE	100	80	60	40	20

MAIN EXEMPTIONS		
GIFTS TO CHARITIES		UNLIMITED
GIFTS BETWEEN UK DOMICILED SPOUSES		UNLIMITED
ANNUAL		£3,000
SMALL GIFTS TO ANY ONE PERSON		£250
GIFTS ON MARRIAGE / CIVIL PARTNERSHIP FROM:	PARENT	£5,000
	PARTY TO MARRIAGE / CIVIL PARTNERSHIP OR GRANDPARENT	£2,500
	OTHER	£1,000

STAMP DUTY LAND TAX

RESIDENTIAL PROPERTY (NOT SCOTLAND OR WALES.)	2019/20	2020/21
THE PART OF THE PURCHASE PRICE FALLING WITHIN:		
£0–£125,000	0%	0%
£125,001–£250,000	2%	2%
£250,001–£925,000	5%	5%
£925,001–£1,500,000	10%	10%
OVER £1,500,000	12%	12%

A 3% surcharge applies to additional residential properties worth £40,000 or more. Eligible first time buyers pay 0% SDLT on first £300,000 of purchase price and 5% on £301,000 to £500,000. Normal rates apply to properties worth more than £500,000. SDLT is charged at 15% on properties worth over £500,000 purchased in corporate envelopes.

LAND & BUILDINGS TRANSACTION TAX

Land & Buildings Transaction Tax applies in Scotland. For more information including rates and bands see: www.revenue.scot/land-buildings-transaction-tax

MAIN DUE DATES FOR TAX PAYMENT

Income Tax

Interim payments:	31st January during the tax year and 31st July following the end of the tax year.
Final payment:	31st January following the end of the tax year.

Capital Gains Tax

Normally, 31st January following the end of the tax year.

Inheritance Tax

Death:	Normally six months after the end of the month of death.
Lifetime transfer:	Six months after the end of the month of the transfer.

Corporation Tax

Taxable profits up to £1.5 million:	Nine months and one day after the end of the accounting period.
Taxable profits of more than £1.5 million:	14th day of months 7, 10, 13 and 16 after the start of a 12 month accounting period.

KEY BENEFITS

		2019/20	2020/21
CHILD BENEFIT P.W.*	FIRST CHILD	£20.70	£21.05
	OTHER CHILDREN	£13.70	£13.95
PENSION CREDIT – STANDARD MINIMUM INCOME GUARENTEE P.W.	SINGLE PERSON	£167.25	£173.75
	COUPLE	£255.25	£265.20
JOBSEEKER'S ALLOWANCE P.W. AGE 25 AND OVER		UP TO £73.10 FOR SINGLE PER.	UP TO £74.35 FOR SINGLE PER.
OLD STATE PENSION P.W. (REACHED SPA BY 5.4.2016)		£129.20	£134.25
ADDITION FOR SPOUSE OR CIVIL PARTNER P.W.		£77.45	£80.45
NEW STATE PENSION P.W. (REACHED SPA FROM 6.4.2016)		£168.60	£175.20

* Child benefit is reduced by 1% for every £100 of income over £50,000 where the recipient or their spouse/civil partner/cohabitee has adjusted net income over £50,000.

KEY BENEFITS

Class 1 Employees (Primary)

2019/20 EARNINGS P.W.	EMPLOYEE	2020/21 EARNINGS P.W.	EMPLOYEE
BELOW £166	NIL	BELOW £183	NIL
£166 – £962	12%	£183 – £962	12%
OVER £962	2%	OVER £962	2%

Class 1 Employees (Secondary)

2019/20 EARNINGS P.W.	EMPLOYER	2020/21 EARNINGS P.W.	EMPLOYER
BELOW £166	NIL	BELOW £169	NIL
£166 – £962 (U21S / APPRENTICE U25S)	NIL	£169 – £962 (U21S / APPRENTICE U25S)	NIL
OVER £166 (OTHERWISE)	13.8%	OVER £169 (OTHERWISE)	13.8%

Class 1A: Generally the employer rate on all benefits in kind is 13.8% for 2019/20 & 2020/21. Employment Allowance reduces overall employer class 1 NICs by up to £3,000 for 2019/20 & £4,000 for 2020/21, subject to conditions.

VOLUNTARY

		2019/20	2020/21
CLASS 3	FLAT RATE =	£15.00 P.W. £780.00 P.A.	£15.30 P.W. £795.60 P.A.

SELF EMPLOYED

		2019/20	2020/21
CLASS 2	FLAT RATE = IF PROFITS OVER	£3.00 P.W. £156.00 P.A. £6,365 P.A.	£3.05 P.W. £158.60 P.A. £6,475 P.A.
CLASS 4	RATE = ON PROFITS	9% £8,632-£50,000 OVER £50,000 2%	9% £9,500-£50,000 OVER £50,000 2%

PENSIONS - MAXIMUM CONTRIBUTIONS LIMIT

The maximum amount of contributions on which a member can claim tax relief in any tax year is the greater of:
• the 'basic amount' – currently £3,600 gross, and
• the amount of the individual's relevant UK earnings that are chargeable to income tax for the year.

LIFETIME ALLOWANCE

TAX YEAR	AMOUNT
2016/17 TO 2017/18	£1,000,000
2018/19	£1,030,000
2019/20	£1,055,000
2020/21	£1,073,100

Lifetime Allowance Charge: 55% on excess paid as a lump sum and 25% on excess designated for drawdown, annuity or scheme pension.

ANNUAL ALLOWANCE

TAX YEAR	AA AMOUNT	MPAA AMOUNT
2016/17	£40,000#	£10,000
2017/18 TO 2020/21	£40,000#	£4,000

Annual Allowance Charge: marginal income tax rate on excess.
Carry forward of up to three years unused annual allowance available.
Money Purchase Annual Allowance (MPAA): applies with no carry forward to money purchase pensions once flexible pension income taken from 2015/16.
Tapered annual allowance: from 2016/17 to 2019/20, tapered by £1 for every £2 of 'adjusted income' over £150,000 to a minimum of £10,000 if 'threshold income' is also over £110,000.
In 2020/21, tapered on the same basis if adjusted income over £240,000 and threshold income over £200,000 to a minimum of £4,000.

ISA LIMITS

	OVERALL LIMIT
ISA 2019/20*	£20,000
ISA 2020/21*	£20,000
JUNIOR ISA / CHILD TRUST FUND 2019/20	£4,368
JUNIOR ISA / CHILD TRUST FUND 2020/21	£9,000

*Eligible savers can contribute up to £4,000 of the overall ISA limit to a Lifetime ISA.
Since 6.4.2015, the spouse/civil partner of deceased ISA saver (who died on/after 3.12.2014) has an additional ISA allowance equal to the value of the deceased's ISA(s) at the date of death.

This information is based on our understanding of the Chancellor's 11th March 2020 Spring Budget proposals, and the Scottish Budget set 4th March 2020.
It must be remembered that these proposals could change.
Every care has been taken to ensure that this information is correct and in accordance with our understanding of the law and HM Revenue & Customs practice, which may change. However, independent confirmation should be obtained before acting or refraining from acting in reliance upon the information given.

Our Financial Planning Team is available to advise you in these challenging times on all financial matters

We can provide advice remotely via video, telephone or, of course, face to face where appropriate

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