

# Budget 2015 Briefing Note



**Informed Choice**  
INDEPENDENT FINANCIAL PLANNING



## About the authors

Martin Bamford is managing director of Informed Choice. He is a Chartered Financial Planner and CFP professional.

Martin is proud to be a Certified Financial Planner (CFP<sup>CM</sup>) Professional; this is the only globally recognised mark of excellence in Financial Planning. He is also a Fellow of the Personal Finance Society.



In addition to his work with elderly clients and trustees, Martin is responsible for the day to day running of Informed Choice, managing the investment management research and all aspects of marketing.

Shelley McCarthy is a Certified Financial Planner (CFP) professional. She specialises in Estate Planning and full Financial Planning, including cash flow forecasting.

Shelley has over fifteen years of experience in retail financial services, previously working with a national IFA firm in a number of different roles, including as a wealth adviser.



She holds the Diploma in Financial Planning from the Chartered Insurance Institute (CII) including advanced qualifications in taxation and trusts, personal investment planning, pensions and investment portfolio management.



## About Informed Choice

We help people just like you find the answers to the big financial questions, making sure you can live a meaningful life as a result.

As an award-winning firm of Chartered Financial Planners working in Cranleigh since 1994, we know a thing or two about Independent Financial Planning.

Our team of Financial Planners use their knowledge and experience to deliver impartial and unbiased independent financial advice which will remove stress, bring your goals closer and deliver real financial security.

We are a firm of Chartered Financial Planners. This means we have satisfied rigorous criteria relating to professional qualifications and ethical good practice. It means you can be confident that you are dealing with one of the UK's leading firms that is wholly committed to providing you with the best possible advice, service and support.

To find out more about our advisory and planning services, please visit [www.icfp.co.uk](http://www.icfp.co.uk) or follow us on Twitter @InformedChoice. You can call us on 01483 274566 if you have any questions.



## Introduction

The Chancellor of the Exchequer George Osborne delivered his annual Budget to parliament at lunchtime today, his final Budget ahead of the general election in May.

This was a very positive Budget, designed to leave voters feeling full of cheer with 50 days to go before they cast their votes. Osborne described how “Britain is walking tall again”, as he revealed a slew of improved economic forecasts.

There were big announcements for savers, with this Budget heralding a savings revolution after the Budget last year introduced its pensions revolution. Fully flexible ISAs were introduced along with a Help To Buy ISA which should give first-time buyers assistance with their deposits.

The personal allowance for income tax is scheduled to rise to £11,000 in 2017 and the higher rate income tax threshold will continue to rise towards £50,000. In more good news for savers, income tax on savings income is also to be scrapped, with the introduction of a £1,000 tax-free savings allowance for 95% of savers.

Those of us who loathe administration will welcome the scrapping of the tax return and the self-employed will respond positively to the abolition of class 2 National Insurance contributions.

Within this briefing note we have described the main Budget announcements as they relate to personal financial planning.

As with every Budget and Autumn Statement, the devil is often in the detail. As more details come to light, we will add blogs on specific planning topics to our website at [www.icfp.co.uk](http://www.icfp.co.uk).

Do call us on 01483 274566, email [hello@icfp.co.uk](mailto:hello@icfp.co.uk), or follow us on Twitter [@informedchoice](https://twitter.com/informedchoice) if you would like to discuss your own investment, pension or Financial Planning as a result of the Autumn Statement or any of the contents within this document.



## Economic Environment

The state of the UK economy continues to improve. The independent Office for Budget Responsibility (OBR) is forecasting economic growth of 2.6% in 2015, which is faster than any other advanced economy. Their forecast for 2016 is 2.3%, also revised upwards.

Employment in the UK has risen to a new record level and the rate of unemployment is set to fall to 5.3% this year.

According to the OBR data, living standards are forecast to be higher compared to May 2010. Households will therefore be better off by £900 over the past five years.

As a result of low price inflation, the Treasury had lower debt interest payments and therefore some money available to reduce the deficit faster. The deficit, as a share of national income, has halved since 2010. Borrowing is forecast to continue to fall, before reaching a £5.2bn surplus in 2018/19, which should signal the end of austerity.

### **Informed Choice says:**

The recovering UK economy put George Osborne in a really strong position to deliver his pre-election Budget today.

He was right to point out of the risks to the UK economy of a disorderly Greek exit from the Eurozone, but otherwise this is a day to feel jubilant about the economic progress made since the dark days of the global financial crisis. There is an end now in sight for austerity.



## Pensions

As previously leaked, the lifetime allowance for pensions savings is being reduced from £1.25m to £1m from April 2016, generating £600m a year in tax savings for the Treasury.

The new lower lifetime allowance will then be increased in line with CPI inflation each year from April 2018. No change was announced to the £40,000 annual allowance for pension contributions.

Retirees who have already purchased an annuity with their pension pots will be able to sell these back to insurance companies for cash, so they can benefit from the same pension freedom and choices being introduced for all pensioners this April.

This second-hand annuity market will be opened in April 2016 and withdrawals from cashed-in annuities will be taxed at marginal rates of income tax, rather than the current 55% tax penalty being applied.

### **Informed Choice says:**

People with large pension pots will need to plan carefully to avoid breaching the new lower lifetime allowance and paying tax charges on the excess. We look forward to seeing the detail of any transitional protections introduced to help deal with this change.

The new second-hand annuity market sounds like a minefield and individuals wanting to exchange an annuity for a flexible pension pot will need specialist advice to avoid being ripped off.



## Taxation

The income tax personal allowance is being increased as previously announced to £10,800 in 2015/16. It will then rise to £11,000 in 2016/17, so the first £11,000 of earnings will be tax-free for the majority of taxpayers.

The higher rate income tax threshold is also going up, faster than inflation, to £43,300 in 2017/18.

Savers will benefit from a new £1,000 tax allowance, which means 95% of savers will pay no income tax on their savings. This is due to be introduced in April 2016 and will be available for basic rate taxpayers.

Higher rate taxpayers will benefit from a £500 tax-free savings allowance. Additional rate taxpayers, those earning more than £150,000 a year, will not receive any tax-free savings allowance.

It was good to hear rumours of the abolition of tax returns confirmed; these will be replaced by a new digital tax accounting system. The self-employed will benefit from the abolition of class 2 National Insurance contributions, effective during the next parliament.

A review of inheritance tax avoidance using deeds of variation will be published in the Autumn.

### **Informed Choice says:**

Anything which makes tax simpler is to be welcomed. Tax returns are difficult and time consuming to complete, so we welcome their abolition and look forward to seeing how the new digital tax accounting system will operate.

This Budget contained an excellent sweetener for savers who have suffered from low interest rates for years.



## Savings

Osborne announced a new fully-flexible ISA, which will be introduced in the Autumn. This will allow savers to put money into an ISA, take it out and not subsequently lose that part of their annual ISA contribution, as they do under current rules. It is proposed this will only apply to cash ISAs.

He also announced the creation of a new Help To Buy ISA for first-time buyers who will benefit from a 25% government top-up when saving towards their deposit. For every £200 saved in a Help To Buy ISA, the government will add £50.

### **Informed Choice says:**

After the pensions revolution in the last Budget, this Budget was all about savers. Along with £1,000 of tax-free savings for most savers, the introduction of a fully-flexible ISA and Help To Buy ISA puts savings back on the agenda.

As the British economy continues to grow and living standards improve, hopefully these measures will incentivise people to save more and build assets for the future.



## Miscellaneous

- Tax evasion and aggressive tax avoidance came under fire, with plans for a £3.1bn crackdown on these practices, along with new criminal penalties.
- Beer duty is cut by 1p, cider and Scotch whisky by 2p, wine duty is frozen along with tobacco and gambling duties. The planned petrol duty increase in September is once again frozen.
- A new 'Google tax' will result in diverted profits being taxed from next month, a moved targeted at multinational businesses which artificially relocate their profits offshore.
- Local newspapers and orchestras will benefit from new tax credits.
- The £15m church roof repair fund will triple in size, following large demand.
- From 2018, the toll for using the Severn bridge crossings will be reduced.
- £75m in LIBOR banking fines will go to charities for army regiments which served in Afghanistan.
- £13bn of mortgage assets from Northern Rock and Bradford & Bingley will be sold.

