CHAMPAIN
FINANCIAL SERVICES

Bawtry
Selsfield Road, Ardingly
Haywards Heath
West Sussex RH17 6TJ

T: 01444 229 520
F: 01444 229 521
info@champain.co.uk
www.champain.co.uk

Technical Update No. 9 8th May 2018

Saver / Investor / Property Owner / Business Owner

HMRC pauses on digital tax plans

HMRC seems to be putting its flagship "making tax digital" (MTD) project on hold. Instead, it's all hands on deck at the Brit tax authority to handle its customs IT replacement system post-Brexit.

In an update on the Customs Declaration Service (CDS) IT programme, Jon Thompson, chief exec of HMRC, said the department has proposed a number of projects which should stop – or not start – and a number which should be stretched out over a longer time scale. He said the department will give a full update "in due course." While some have suggested the project may be scrapped entirely it's worth remembering that MTD is seen as an effective tool in closing the VAT tax gap, which is something like £13bn. So while a delay seems inevitable it is highly unlikely to be canned outright.

All

Services performance halts talk of interest rate rise

Analysts and investors had been very confident the Bank of England would raise the rate to 0.75% on 10th May. Not so now. The Bank of England is almost guaranteed to leave interest rates unchanged at 0.5%, analysts say, after news of poor service sector activity in April ended any remaining justification for a rise. Economists had expected a rebound in April after activity was curbed by March's bad weather. The disappointing services data will add to expectations that the MPC [Monetary Policy Committee] will take its finger firmly off the rate hike trigger – for now. Any further slowing will also raise questions as to whether the November rate hike may have been ill-timed.

Bawtry
Selsfield Road, Ardingly
Haywards Heath
West Sussex RH17 6TJ

T: 01444 229 520
F: 01444 229 521
info@champain.co.uk
www.champain.co.uk

Saver / Investor / Retired / Estate Planner / Business Owner / Property Owner

Making the most of the capital gains tax allowance

There is reported widespread under-use of the annual £11,700 capital gains allowance – a tax break that can be used as a tool to save thousands in tax bills. Each year you can take some gains before being subject to capital gains tax – this year it's £11,700. It is therefore worth planning when to take gains in order to stay below the threshold in any one year. Spouses also have an allowance, which means it's possible to share assets and both take advantage. One thing to note is that selling a fund or share counts as a disposal for capital gains purposes. If investors want to buy back the same share, they have to wait 30 days, otherwise the sale does not count as a disposal. But investors can sell a fund or share and then immediately buy something else, even if it's very similar. This allows investors to use the allowance without spending significant time out of the market.

All

California overtakes UK in term of GDP

Despite having a population of only 40 million compared with the UK's 65 million California's economy has surpassed that of the United Kingdom to become the world's fifth largest, according to new federal data made public last Friday. California's gross domestic product rose by $127 billion from 2016 to 2017, surpassing $2.7 trillion, the data said. Meanwhile, the UK's economic output slightly shrunk over that time when measured in U.S. dollars, due in part to exchange rate fluctuations. The data demonstrates the sheer immensity of California's economy: a thriving technology sector in Silicon Valley; the world's entertainment capital in Hollywood and; the nation's salad bowl in the Central Valley agricultural heartland.

Saver / Investor / Retired / Estate Planner

Steep charges for exceeding lifetime allowance

The amount of tax collected for people whose pension exceeds the Lifetime Allowance (LTA) has ballooned by 1,000% since the policy was introduced in 2006-07. When the LTA was brought in, the tax collected was less than £10m, but the tax taken has now grown to £110m in 2016-17. The LTA was introduced in 2006, aiming to limit the value of payments from pension schemes before tax charges occur. There is an obvious link to make between the increase in tax take and the slashing of the lifetime allowance over the last six tax years. And most experts think it is just the start, and that the government's tax take from the lifetime allowance will continue to grow substantially in the future.

Bawtry
Selsfield Road, Ardingly
Haywards Heath
West Sussex RH17 6TJ

T: 01444 229 520
F: 01444 229 521
info@champain.co.uk
www.champain.co.uk

Saver / Investor / Retired

Investing for income

Retirement investors looking to generate sustainable income should consider investing in a diversified portfolio of different types of investments. The combination of various asset classes that have low correlations with each other provides downside protection during tough times, helping to generate superior risk-adjusted returns. Beyond equities and bonds, investors should also consider investing in property and alternatives, such as private equity, infrastructure and credit investments, to further broaden a retirement portfolio. The Telegraph analysis also points to the long terms value of re-investing dividends.

Retired / Property Owner

Equity release on the rise

The surging growth of the equity release market suggests it is fast becoming a go-to option for many homeowners over 55. After a rapid rise in the amount of housing equity being withdrawn in the past 12 months, in particular, equity release is now a £3bn-a-year industry. This still represents less than half of the £6.5bn withdrawn from pensions using freedoms during the same period, but it is the direction of travel that catches the eye. Of note, The Equity Release Council reported that almost £10 million of housing wealth was withdrawn from UK property every day during the first quarter of 2018. Many remain concerned about the implications of such practices. But one often cited barrier to growth – a lack of household names getting involved in the market – is starting to lower.

Property Owner

Free the mortgage prisoners!

Tens of thousands of home owners who took out loans before the financial crisis are trapped on lenders' standard interest rates because of changes to rules on whether they can afford repayments. It means that even if they have been paying off their mortgages every month they may not qualify to switch to a deal which is cheaper. The Financial Conduct Authority (FCA) is to consider seeking an industry-wide agreement to approve applications from those who took mortgages out before the crisis and are up-to-date with payments. But this would only help a small fraction of the estimated 150,000 stuck in this position and for the rest it is seeking talks to find other "possible solutions". The findings are part of an interim report by the FCA into the mortgage market which found that around 30% of customers are failing to find the cheapest mortgage for them, typically overpaying by £550 a year over the introductory period of the loan.

Bawtry
Selsfield Road, Ardingly
Haywards Heath
West Sussex RH17 6TJ

T: 01444 229 520
F: 01444 229 521
info@champain.co.uk
www.champain.co.uk

Saver / Investor / Retired

UK stocks – a mixed bag

Brexit or not, cyclical factors do not favour UK stocks in a maturing bull market. Compared with global stocks, UK stocks are skewed heavily toward commodities and defensive sectors and almost no tech. Accordingly, they usually outperform global markets in the middle of bull markets. Since 1970, the MSCI UK outperformed the MSCI World 100% of the time during the middle-third of bull markets' lifetimes. But during the final third of those markets, UK stocks underperformed on five of the last six occasions, with a median lag of -17.2%. The one time they outperformed — during the 2003-07 bull market — there was a global commodities boom, benefiting UK markets' high energy and materials weighting. Not so today. The consensus from experts is don't overweight UK stocks — and be selective.

If you have any questions related to this update or indeed anything else then please contact your adviser at Champain.

Champain Financial Services

Bawtry, Selsfield Road, Ardingly

Haywards Heath, West Sussex

RH17 6TJ

T: +44 (0) 1444 229 520

F: +44 (0) 1444 229 521

E: info@champain.co.uk

www.champain.co.uk