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Technical Update No. 10 21st May 2018

Saver / Investor / Estate Planner

Offshore tax investigations extended

Accountants are heavily critical of plans to extend the time limits for assessing cases involving offshore tax matters to 12 years. It looks increasingly likely that the UK government will grant HM Revenue & Customs more time to investigate cases where individuals have potentially made mistakes relating to offshore tax matters. The current assessment time limits of four or six years have been deemed not long enough to establish the facts and determine the amount of tax due. Under plans HMRC could have up to 12 years to investigate individuals with any connections to 'offshore matters', even where reasonable care by the individual is taken. But professionals are not happy and there are serious and widespread concerns that taxpayers who have made innocent mistakes will become caught up in unnecessary extended investigations.

Employee / Business Owner

Criticism of the apprenticeship levy

A further fall in the number of people starting apprenticeships and growing concerns about the quality of training have sparked further criticism of the shake-up of the system. New figures from the Department for Education revealed a 25% fall in the number of people starting apprenticeships. Just 232,700 apprenticeships were begun between August 2017 and February 2018, compared with 309,000 in the same period the previous year. The declines are being blamed on the Apprenticeship Levy which was introduced in April last year, and which critics say has caused confusion among businesses. Under the levy, every business with a wage bill of £3m or more must pay 0.5% of their staff cost into a fund topped up by the Government to finance training. Almost 20,000 companies are affected by the levy but the system – expected to raise more than £2bn – is widely regarded as too complex for smaller companies to navigate.

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Government tax takes aim at self-employed in new IR35 changes

The UK's 4.85 million self-employed have yet another problem to mull over – possibly – just as the UK prepares to cut itself loose and sail into uncharted waters outside the EU. Instead of supporting one of our most productive sectors, the Chancellor seems determined to further challenge it. Under latest developments private sector contractors could face higher tax bills after the Government announced plans to clamp down on tax avoidance by IR35. Contractors and the self-employed do not pay as much tax as regular employees, who receive additional benefits such as paid holiday and sick leave. "IR35" rules are meant to help ensure that those who are effectively employees don't use a company to avoid tax. But the Government believes that less than 10% of those who should have been within IR35 before the rule change were complying and is keen to clamp down further.

All

May's custom plan faces possible resistance from Brussels

Theresa May used a European Union meeting in Bulgaria to seek assurances (or at least reassuring noises) that the bloc will accept UK proposals to prevent a hard Irish border. The customs plans were pitched to German Chancellor Angela Merkel, French President Emmanuel Macron and others in Sofia, but according to commentators the plan was not met positively. An un-named senior EU official is reported to have said that Donald Tusk told May it was too early to give any assurances because of 'disorienting' messages the EU was getting from London.

Saver / Investor

Missed UK Equity opportunities

Doom and gloom about the UK equity market has become the pervading sentiment among global fund managers. In January of this year, data from Britain's Investment Association showed that UK equity funds experienced monthly net retail outflows of £532m, making London's market the least popular among private clients and their advisers. Many have taken flight from UK equity funds since the Brexit vote, fearing smaller companies would be hurt by future disruption to trade – UK All Companies was the worst-selling fund sector in March 2018, with outflows of £4.3bn. It was the 12th consecutive month of outflows from the sector and followed an outflow of £1.8bn in February. But investors that turned their backs on UK equity fund missed out on a record surge in UK company profits. There remain, though, far too many un-knowns in terms of Brexit to be able to recommend anything other than an extremely cautious approach.

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Saver / Investor / Retired / Business Owner / Employee

The pension's mountain

The amount pensioners need to save to live a comfortable life in retirement has soared by around 75% in a matter of 16 years, analysis earlier this month has warned. Latest research has predicted that the average pensioner will need a pot of around £260,000 on top of their state pension to maintain a decent standard of living. The so-called 'pension mountain' has gone up in real-terms since 2002-03, when it was around £150,000, due to people living longer and low interest rates yielding smaller incomes from pension pots. But for younger generations stuck in rented accommodation, the figure could be much higher. If around one in three retirees will be renting in the future, then it's likely they'd need £445,000 to live a comfortable retirement. Sadly experts believe most saving into the auto-enrolment scheme will only amass half of that target.

Saver / Investor

Death of the bull market? – It is far too early to say

The FTSE 100 has registered a new record high – signalling some cheer for UK pension funds as the economy stagnates. The share index closed last Thursday's session at 7787 points – a rise of 53 on the previous day as utility and retail stocks made some ground. It beat the previous record close of 7778, which was recorded in January before a stock market wobble. Values sank across the world amid fears of a US-inspired trade war that pushed the FTSE below the 7000-point barrier at one stage in March. Its fortunes have been largely governed by the pound since the Brexit vote – with weakness in the currency boosting the earnings of its dollar-earning constituents. But although FTSE did endure a shaky start to the year, after two months of steady climbing, it has now regained and surpassed its previous high. Where next?

All

British car insurance will be valid in a post-Brexit EU

British motorists will be able to use their existing insurance policies when driving in Europe after Brexit, officials have confirmed. There were fears Britons might be subject to a "green card" system with extra paperwork and nominal fees of about £10 to be able to drive on the continent. But the Government said the UK would remain inside the "free circulation zone" after it leaves the EU, allowing drivers to use their existing policies in the EU27 plus Serbia, Switzerland and Andorra. The UK's continued membership in the free circulation zone must be approved by the European Commission although insurers expect the plan will be pushed through without significant opposition.

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Property Owner

House prices falling

House prices saw the biggest dip since 2012 in April, as the upper and middle-priced tiers of the property market prove particularly challenging, surveyors have reported. The Royal Institution of Chartered Surveyors (RICS) said a net balance of 8% of surveyors reported prices falling rather than rising in April – the most negative figure since November 2012, albeit only a slight decline. Price falls in London are heavily weighing down the overall price growth reading across the UK. Furthermore 69% of surveyors reported sales prices coming in lower than asking prices for properties valued over £1m. Looking ahead, only 31% of surveyors expect house prices to be higher in a year's time.

Saver / Investor / Retired / Business Owner / Employee

Pensions – good news and bad news

Nearly 10 million people are now saving for a pension – a new record according to latest Office for National Statistics (ONS) analysis published earlier this month. Almost three-quarters of employees now contribute to a workplace pension with 73% of UK employees enrolled in 2017 – up from fewer than 47% in 2012. Much of this rise, it is fair to say, is down to the introduction of auto-enrolment. Since October 2012, more than 9.5 million people have been auto-enrolled through this process. But, on the flipside, the ONS said that since the introduction of auto-enrolment pension contributions had "clustered" at minimum levels required by law, which were a combined 2% of pensionable salary (from both employer and employee). In 2017, almost half of private sector employers with defined contribution (DC) pension schemes contributed less than 2% of employees' pensionable earnings, compared with about 6% in 2012.

The content of this newsletter is for information only. It does not represent personal advice or a personal recommendation, and should not be interpreted as such. Please do not act upon any part of it without first having consulted an Independent Financial Adviser.

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

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