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Saver / Investor / Estate Planner

HMRC goes hunting for 'hidden' offshore assets

The number of tax evasion cases identified by HMRC for the 2017/18 year was 3,809 – an 18% rise on 3,216 in 2016/17. It is likely this development has something to do with the Revenue's extensive new data collection powers under the Common Reporting Standard (CRS). Under CRS, businesses in participating countries must share certain information about their foreign-resident clients and customers with the authorities. The ever-increasing sources of data to which HMRC has access are effectively helping it to uncover more and more cases of non-compliance. To illustrate this point, HMRC's specialist investigation department (the offshore, corporate and wealthy unit) has opened 839 investigations into UK taxpayers with assets in offshore tax havens over the past year. The message is clear that for those with extensive offshore arrangements, it is particularly important to review these to make sure that they remain compliant.

Business Owner

Self employed face big tax bills

HMRC has quietly extended a deadline for tens of thousands of contractors and self-employed people facing bankruptcy to settle their tax affairs. Approximately 50,000 people face penalties relating to the use of complex tax avoidance arrangements that were popular in the early 2000s. The arrangements, which usually involved loans and offshore trusts, were widely accepted to be a legitimate way to reduce income tax and were used by many contractors in the IT and healthcare sectors. Football club Glasgow Rangers used similar schemes to pay players and managers. Those who used the arrangements now face a "loan charge" in April next year unless they settle their affairs with the taxman. The charge could be much higher than the original tax bill as the loans will be rolled into one and taxed in one year.

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Saver / Investor / Retired / Property Owner

Later in life lending on the rise

Lending in later life is on the increase as people live and work for longer, retire later and the cost of living continues to increase. More solutions are needed but older borrowers have been benefiting in the form of retirement interest-only (RIO) loans. These loans differ from other mortgages targeted at older people as RIO loans do not have any upper age limit. This means the borrower does not need to have any form of repayment plan set up alongside the mortgage, the property is simply sold when they die or move into long term care. The City watchdog, the Financial Conduct Authority, gave mortgage lenders permission to offer RIO to customers earlier this year. Older buy-to-let landlords seeking safe ways to generate income, in particular, could benefit from these solutions.

Saver / Investor / Property Owner

Property market doldrums

UK house prices barely grew in June, with homeowners reluctant to sell and few signs of a pick-up in activity according to monthly data from mortgage lender Halifax. Prices climbed 0.3% from May, which followed a 1.5% month-on-month rebound in May after a very weak April, when prices had fallen more than 3%. While homeowners could still expect to receive more for their property than a year ago — prices in the three months to June were 1.8% higher than the same period in 2017 — prices are likely to rise by at most 3% over 2018 as a whole and could end up seeing no growth at all, according to Halifax. Of note, as price growth has stagnated, fewer people have been choosing to sell their homes. UK home sales were almost 5% lower in the three months to May than the same time last year.

Saver / investor

Good news for mini-bond investors

The Financial Ombudsman has upheld complaints about the role of an authorised company in selling failed mini-bonds that cost investors millions, offering hope that they may get their money back. Secured Energy Bonds collapsed in early 2015 after taking more than £7m of investors' cash, intended to fund solar panel installations with an advertised return of 6.5% annually. The investment itself, as with all mini-bonds, was not regulated nor protected under the Financial Services Compensation Scheme. The fate of the SEB bond investors is good news for other retail investors who have been lured to mini-bonds by the promise of relatively high returns.

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Property Owner

Landlord backlash to 3 year tenancy plans

The main body representing landlords' interests has reacted angrily to government plans to introduce mandatory three-year tenancies, with a six-month break clause, to give tenants more security. The National Landlords Association (NLA) says that the new proposals will be too "rigid" and that it has been "misled". Richard Lambert, the NLA's chief executive, said that when plans for a consultation on longer tenancies were announced last October, he believed the tone of the discussion was one of consultation and encouragement. He now says he feels misled as he believes the new plans should be about making existing tenancy agreements more flexible rather than introducing a minimum three-year rental contract. In particular landlords have highlighted that the research on which recommendations are based found that although around 40% of tenants want longer tenancies, just as many are perfectly happy with the status quo.

All

Savings help Britain keep on spending

Households have significantly depleted their savings, bringing them to their lowest level since 2005, official figures have revealed. A rise in consumer spending was behind the sharp decline in savings, according to the Office for National Statistics. The amount tucked away for a rainy day fell by £68.9bn between 2015 and 2017. Now, UK households are £8.4bn in the red. The saving ratio – the amount of money households have available to save as a share of their disposable income – also fell to the lowest level on record.

Retired

The price of freedom

Pensions freedom has overwhelmed some savers (and cost others far more than they should have) but new rules are possibly on the way. Tens of thousands of savers may have their money invested in expensive and inappropriate retirement products, says the Financial Conduct Authority (FCA) – In fact the FCA identified 44 separate types of fee levied across the market. The most expensive plans are four times as costly as the cheapest alternatives, with annual charges of around 1.6%, compared with 0.4% at the most cost-effective providers. The FCA is now mulling new rules forcing pension providers to issue savers with clearer information before they choose how to cash in their savings. This could include a requirement to encourage savers to shop around, while savers would have to choose cash funds deliberately rather than being placed in them as a default option. The regulator may also insist on "investment pathways" – standardised approaches to drawdown that savers could opt for if they aren't receiving any independent advice.

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Bitcoin bounces back

Bitcoin has broken the $6,700 mark after a few days of hovering above the $6,500 mark. This price level is particularly significant given that it was the first drop level after the 10% dip in mid-June 2018. Many analysts had identified $6,700 and $6,900 as crucial resistance points in the march towards $7,000. The big question now is whether the recent gains in the cryptocurrency market signal the start of a sustained bull run or whether it is only a relief rally as some analysts have claimed. The cryptocurrency market has endured a tough 2018 declining by more than 50% of its all-time high set in the last days of 2017.

Business Owner

Help for small businesses

A new £8m Business Basics Fund was announced in a speech to the CBI at the end of June. The Business Basics Fund aims to boost the productivity and performance of small businesses in England. Run by BEIS in partnership with Innovate UK, the Business Basics Fund will help businesses, charities, trade organisations and public sector organisations support small businesses in adopting tried and tested technologies and management techniques. Once the projects are launched, the Government will then work with leading experts to evaluate the effectiveness of each project in boosting productivity, helping to inform future policies.

Saver / Investor / Property Owner

The beginning of the end for buy-to-let tax breaks?

Private landlords are putting home ownership beyond the reach of at least 2 million families, that's the conclusion of a radical new report from a new Conservative think tank "Onward". The Conservatives are concerned about the "unbalanced" nature of the housing market and how it may affect future voting patterns. With now approximately one-fifth of voters – predominantly young voters – living in rented accommodation, and likely to vote for an alternative government, the Conservatives see an urgent need for rebalancing! The report published by the Onward group recommends ending, or severely curtailing, all tax breaks for buy-to-let and private landlords.

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

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