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Investor / Saver

'Tax nudge' letters sent to crypto investors

HM Revenue & Customs plans to send crypto investors nudge letters warning them to check they have the paid the right tax. News of the letters, which have yet to be issued, was recently released by CryptoUK, a trade association, accountants reported. HMRC told CryptoUK it was taking an "educational approach" in issuing the letters. It added its aim was to highlight areas "people may not be aware of when considering if they have to pay any tax". If you receive a nudge letter it does not necessarily mean you have made an error on your tax return, but you need to ensure that you respond correctly to HMRC. The letters will be used to encourage cryptocurrency investors to review whether they have paid the correct amount of capital gains tax (CGT) and in some cases, income tax, on their crypto holdings. Tax experts said the development was a sign of HMRC seeking to clamp down on possible evasion or avoidance by some crypto investors. It is likely that HMRC believes large amounts of CGT and income tax generated from cryptocurrency investments have been undeclared for tax purposes. In some cases, this could constitute criminal tax evasion. HMRC suspects that there is an increasing amount of hidden wealth thanks to the rise of cryptocurrencies. Many retail investors in cryptocurrencies are under the misunderstanding that HMRC is unable to find out about their crypto investments and any gains they may have made. However, HMRC has used its information-gathering powers to demand lists of crypto investors from exchanges over the past couple of years.

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Vaccinations key for affordable life insurance

Countries are currently fighting the dilemma of creating a two-tiered society versus freedom of choice with policies like domestic covid vaccine passports. The UK government has flip flopped on the concept of covid passports for the last few months. Sajid Javid, secretary of state for health and social care, recently said plans to introduce vaccine passports for access into nightclubs and large events in England will not go ahead. Since the pandemic, many life and health insurers have spoken about a rise in demand for policies to protect families should the worst happen. But how much of a factor will their covid vaccine status impact the ability of Brits to obtain cover? Here's what some insurers are saying:

A spokesperson for **Vitality** said: "We don't currently ask whether our members or those applying for a policy have received the covid-19 vaccination. We will continue to monitor the impact of the vaccine as more data becomes available and if necessary, adjust our underwriting accordingly."

Aegon have a similar attitude and said that the firm "won't turn clients away" and it is "not routinely asking clients if they have been vaccinated, especially with now over 80% of people having had at least one jab".

A spokesperson for the **Association of British Insurers** (ABI) added: "For life and health insurance, insurers will look at a wide range of factors impacting on the proposers' life expectancy and morbidity. This will include their medical history, and that of their immediate family. You may be required to disclose if you have had covid, which may have an impact depending on the individual circumstances, particularly if there are any underlying health issues."

But not all institutions are singing off the same hymn sheet.

A spokesperson for **Legal & General** said: "For those vulnerable customers who have not had the vaccine, which is expected to be a very small number of people, cover will be postponed for the time-being, until they have received the required vaccine doses. Allowances will be made for those who have not had the vaccine due to medical reasons, such as allergies or pregnancy."

Investor / Saver

Experts urge action ahead of interest rate hikes

Families have been told to get ready for an imminent interest rate hike. The Bank of England has given its clearest warning yet that rates will have to rise soon to keep a lid on soaring inflation following a surge in energy prices. But while some experts forecast that the base rate could rise from its all-time low of 0.1% before Christmas, others think it could be longer before any increase is announced. With interest rate changes notoriously hard to predict, this leaves savers in a quandary as to what to do with their money. Should they hold off investing in a fixed-rate bond in case rates go up? Or should they grab a top fixed deal now to avoid missing out on extra interest in the meantime? The consensus among experts is not to wait. Whatever happens to the UK and global economy over the next year, there is a clear sense that the ultra-low interest rates we have seen during the pandemic are on the way out. For borrowers, including mortgage holders, that's obviously bad news. For savers with cash deposits, it may bring a bit of relief after long years of negative real returns. Fixed-rate deals have edged up in recent weeks, with the best one-year bond now paying 1.33% compared to just 0.6% on easy-access accounts. There is also no guarantee that savings deals will rise in line with any increase to the base rate, as they have previously. Instead, returns are being driven up by fierce competition between smaller banks, which are keen to attract money to fund lending. And this has pushed up rates despite the base rate remaining at 0.1%. While rates have risen in the last couple of months, they are now easing off and there is a danger of more cuts. Many smaller banks now pay more than 1.2% on a one-year bond — up from less than 1% in the summer.

Investor / Saver / Retired / Employee / Business Owner

The drive for greener pensions

The government must show "global leadership on pensions and climate change", MPs have said. The call comes in a report published by the influential work and pensions select committee. It wants the government to "seize the opportunity" from the Glasgow-based COP26 (26th United Nations Climate Change conference). The committee's report makes recommendations on reporting standards, pension scheme governance and investment and stewardship. It argues harmonising climate-related reporting standards must not be a barrier to the UK rapidly implementing its own. The report concludes encouraging behavioural change in companies through good stewardship is more likely to drive change than divestment. Hosting COP26 provides the UK with a unique opportunity to build an international consensus on reporting standards and stewardship and the government must seize it with both hands. While taking a lead on pushing for the global harmonisation of climate-related reporting requirements, experts believe, the UK must not let up in implementing high standards of reporting and disclosures domestically. The thinking is that pension schemes can play a major role in helping the real economy transition to net zero but encouraging companies to become more sustainable through good and effective stewardship should always be the first step before moves to sell off assets that are unable to reduce their contribution to climate change. Key to change is government policy, which needs to ensure that its policies do not incentivise divestment over good stewardship of schemes.

All

House prices soar

The average cost of a UK home increased by £25,000 in the 12 months to August, official figures show, with rises recorded in all regions. The annual rate of price inflation hit 10.6% during the month, up from 8.5% in July, the Office for National Statistics said, bringing the average price to £264,000. The rebound in the property market since the Covid restrictions were eased in spring 2020 has been fuelled by a "race for space" among buyers and stamp duty holidays across the UK. The tax break in England, which was the most generous initially and fully phased out only at the end of September, helped drive up prices by 9.8% in the year to August, to an average of £281,000. The ONS figures show that prices in London hit a new high of £526,000 despite the capital recording the lowest level of growth among the regions for the ninth consecutive month. Although the stamp duty holiday has ended, experts suggest prices will not fall because demand for homes remains higher than supply. One of the UK's biggest lenders, Halifax, this week increased the sum it is willing to lend wealthy borrowers, in a move that will put more money into the market. The bank will consider loans of up to 5.5 times salary to those who earn more than £75,000, up from five times previously. With high-income earners now able to borrow 5.5 times their income on the high street, commentators believe this will help to maintain price growth as buyers have more ability to increase their bids, especially as it much easier to borrow at high loan-to-values today than it was this time last year.

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Concerns over pension fees cap

Under new plans, the Financial Times reports, the Government is considering a relaxation of the pension fee cap in the hopes of raising funds for its flagship "levelling up" agenda. The move could drastically affect the pensions landscape, but also have a palpable impact on Britons themselves. There are concerns about what this could mean for retirement plans of those hoping to leave the workforce at a certain age. According to XPS Pensions Group, based on reaching a typical pot of £305,000 by 66 - working out at £19,000 per year inclusive of the state pension - Britons may be forced to work five more years if fees rose from 0.75% to 1.5%. Adding five years onto one's working life is obviously a major concern for individuals who have already mapped out their retirement plans. The consultancy suggested that if fees rose to one percent, an extra year of work would be necessary. However, if fees were to rise to two percent, based on the same equation, there would be a staggering extra nine years of work on the table. The calculations assume a person saved from the age of 21, at £200 per month with a retune of five percent per year. The pensions cap was first introduced five years ago in an effort to protect workers who are auto-enrolled into workplace pensions. At the time, there were concerns workers would have their hard-earned pension savings eroded by high charges. But the higher fees could help to fund long-term projects such as better infrastructure, renewable energy projects and tech, all of which the Government is interested in for its "levelling up" agenda. The matter is not yet set in stone, however, if there were to be an announcement, it is expected imminently.

Past performance is not a guarantee to future performance. You may get back less than invested.

Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts and reliefs from taxation are subject to change. The FCA does not regulate tax advice.

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