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No fault divorce laws

New divorce laws have now been rolled out, making separation easier for married couples – but this may have consequences for family finances, lawyers warned. Under the new "no-fault" rules, couples will no longer have to provide grounds for their divorce or civil partnership dissolution. Under the old system, in England and Wales, couples could only prove their marriage had broken down as a result of adultery, unreasonable behaviour or desertion. But, since April 6, they only need to state that their relationship has "irretrievably" broken down. The change – part of the changes in the Divorce, Dissolution and Separation Act – aims to remove the element of blame from split-ups, which can complicate a process which is already traumatic and difficult. Separating couples may find the new system fairer and more amicable – but there are concerns it could lead to an increase in divorce rates. The divorce rate dropped in 2020, declining by 4.5% to 103,592 cases in England and Wales, according to the Office for National Statistics – but this may just be the calm before the storm as people wait for the new rules to kick in. It is important to remember the divorce element only serves to officially end a marriage or civil partnership. It is critical that couples realise that, and still take all the necessary – additional – steps to settle their money matters. While there are lots of options separating couples can take when it comes to finances, full and frank conversations about the value of assets and income remains key to achieving the best outcome. Additionally, all agreements will still need final court approval to ensure they are legally binding and tie up any loose ends.

All

Tougher times ahead for Britain’s economy

British manufacturing expanded in March at the weakest pace in 13 months and price pressures, which had previously shown some signs of moderating, worsened, a survey showed recently. The S&P Global/CIPS UK Manufacturing Purchasing Managers' Index (PMI) fell to 55.2 - revised down from a preliminary "flash" reading of 55.5 - from 58.0 in February. The survey's gauge of new orders sank to its lowest level since January 2021, hurt by slowing domestic demand and the sixth drop in seven months for export orders. Survey compiler S&P Global linked the weakness in export orders to geopolitical tensions, Brexit and ongoing difficulty with supply chains, though delays were their shortest since October 2020. Overall, the survey pointed to tougher times ahead for Britain's economy, with growth set to slow amid a global surge in inflation pressure, fuelled by turmoil in commodity markets following Russia's invasion of Ukraine. Consumer price inflation hit a 30-year high of 6.2% in February and the government's budget watchdog last week forecast it would go close to 9% in late 2022, contributing to the biggest fall in living standards since at least the 1950s.

Estate Planner / Retired

Pay less inheritance tax

Inheritance tax costs Britons billions of pounds every year yet a significant part of this can be avoided. With property prices rising every year, more and more people will be liable to pay inheritance tax. It is estimated that £6.9billion will be collected by HM Revenue and Customs (HMRC) in inheritance tax in 2023 as more and more people fall foul. The standard inheritance tax rate is 40% and is charged on anything above the allowable thresholds. Experts recommend following 10 rules or legal loopholes that will help people pay less taxes to HMRC. These include spending it while still alive and considering putting the family house into trust. Britons can also make use of gifting allowances which could save them thousands. Britons can make sure they don’t go over the threshold by giving throughout their lifetime. A parent can give at least £3,000 to family members and friends tax free in one year. It can be up to £11,000 if they also carry forward an unused £3,000 allowance over from a previous year or if the giftee is getting married.

10 ways people could pay less inheritance tax:

- Talk to parents or grandparents about putting the property into trust.
- Make sure they know about Business Owner Exemptions.
- Donate a part of it (above the threshold) to charity.
- Gift up to £3,000 each year to family members and friends tax free.
- Give away assets seven years before they die.
- Make the most of wedding gift allowances.
- Buy a funeral plan.
- Spend it.
- Be mindful of inheritance tax thresholds.
- Speak to an independent financial adviser.

Employee / Business Owner

HMRC using MSC legislation to extract 'tens of millions in tax', contractors warned

Firms flouting tax rules designed to punish "disguised" employment could now face millions in financial penalties. The 6 April marked the end of the grace period following the introduction of IR35 reform last year, with the cost of non-compliance now set to rise considerably. Reform of the legislation saw the responsibility for assessing contractors' tax status shift from the contractor to the medium and large business engaging their services. Liability for mistakes was also transferred to the fee-paying party, whether that is a recruitment agency or the end-client. The legislation was first introduced in 2000 to wipe out tax benefits for those working in "disguised employment" – where the contractor could provide similar services within the rules of a limited company, thereby paying less tax than if they were employed by the client. But widespread non-compliance – estimated to have cost the Exchequer £440m in 2016-17 – prompted the government to reform the legislation in 2017. Since then, HMRC has issued roughly £263m in IR35 bills across the public sector, where the changes were first introduced. The reforms were eventually extended to the private sector in April 2021 – delayed by the coronavirus pandemic – although HMRC promised to take a "light touch" approach to mistakes for the first year unless there was evidence of deliberate non-compliance. The end of this so-called soft landing means private sector firms could face big penalties in the future.

All

Tax rises and what it means

The UK government raised the rate of National Insurance (NI) by 1.25 percentage points as of 6 April, a measure undertaken to raise £12bn in funding to support the NHS and social care. But the hike's introduction – which breaks a key Conservative Party manifesto pledge from the 2019 general election – coincides with a deepening cost of living crisis, the worst inflation Britain has seen in 30 years and a 54% hike in Ofgem's energy price cap, adding almost £700 per year to average domestic electricity and gas bills.

NI is a direct tax paid by employees earning more than £184 a week and the self-employed making a profit of £6,515 or more per year and is regarded as "progressive" in that it charges higher earners more on the assumption that they have more to give than those less fortunate. The rate increase first announced by the government last September means that workers will now pay a 13.25% contribution, up from 12%, until the start of the new tax year on 5 April 2023. For the moment, that means that those earning £20,000 per annum will pay an additional £130 a year, those on £30,000 will pay £255 more, those on £40,000 will pay £380 more, those on £50,000 will pay £505 more and those on £80,000 will pay £880 more. However, Chancellor Rishi Sunak has been under intense pressure to do more to help households with spiralling costs and duly announced in his Spring Statement last month that the earnings threshold before which people are required to begin paying NI would be raised from £9,880 in April to £12,570 in July. Between April and July then, all NI contributors will pay more because of the hike, as outlined above. But afterwards, according to the government's figures, those earning £20,000 per annum will pay £197 a year less, those on £30,000 will pay £53 less, those on £50,000 will pay £197 more, those on £80,000 will pay £572 more and those on £100,000 will pay £822 more. Essentially, that means that the combined impact of the rate increase and threshold hike coming in from July will see workers earning less than £34,000 a year paying less in NI than they did previously.

Retired / Estate Planner

Lasting power of attorney reforms

A legal failsafe for people who can no longer fend for themselves needs a major overhaul, says consumer group Which?. Lasting Power of Attorney (LPA) allows people to appoint someone they trust, usually a family member or friend, to take control of their affairs if they fall ill. The 'creaking' system is in desperate need of improvement, with the public having poor understanding of how it works, while bank red tape hampers attorneys' ability to exercise their duties, according to new research from Which?. There are two types of LPA, covering finances and health, and registrations have surged in recent years to cover around five million people. Government proposals to modernise the system, like digitising the registration process and improving awareness, need to be acted on urgently to make it fit for purpose, says Which?. The LPA service is run by the Office of the Public Guardian, an arm of the Government, which is also consulting on plans such as fast-track to grant LPAs to those who need them urgently and removing the requirement for a witness.

Which?'s survey of 2,000 people across the UK found:

- 85% said they know what LPA is, but only 15% said they would give someone else power of attorney over their affairs. This could be explained by 16% mistakenly thinking they would lose access to their financial accounts immediately after an LPA is registered, rather than when they fall ill.
- 70% of those surveyed who did not have an LPA said they were healthy so did not need one.
- 77% of people incorrectly thought an LPA could be set up at any time in life, when actually after you are incapacitated, it involves your loved ones applying for deputyship, a complicated and costly court process.

All

Fastest house price rise in 18 years

UK house prices grew in March at the fastest rate since 2004, continuing the ascent to new record levels – with the price of an average home now a fifth higher than at the start of the coronavirus pandemic. Prices rose by 14.3% in the year to March, the strongest pace of increase since November 2004, when the UK experienced a housing boom that preceded the financial crisis, according to Nationwide, the UK’s largest building society. The price of an average UK home hit £265,312, more than £33,000 higher than March 2021. Price rises were evident across the country, with prices in Wales increasing by 15% over the year. House price growth accelerated in every region of England and Scotland. Detached homes have gone up nearly £68,000 in price since the start of pandemic, a 22% rise, as people working from home sought out bigger properties, while average flat prices have increased by £24,000, or 14%. The near-relentless rise in house prices has come despite the economic damage from the pandemic, which caused a deep slump in activity. However, government wage support schemes and savings during lockdowns have supported the housing market. Nationwide estimated that reduced spending has meant that households were on average able to save £190bn more than would have been expected before the pandemic – £6,500 a household, albeit unevenly spread.

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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