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Investor / Saver

UK fund outflows continues

UK investors continued to withdraw their savings from funds in October, however the pace of outflows slowed considerably. Some £3.7bn was redeemed from UK funds in October, the ninth month of net redemptions this year, according to figures from the Investment Association. However, this was a drop from the £7.6bn redeemed in September, the second worst month for funds in the UK. Tracker and corporate bond funds were the most popular, with inflows of £1.4bn and £879mn respectively. Responsible investment funds saw net investment hitting £131mn.Targeted Absolute Return, UK All Companies and Mixed Asset funds all saw outflows, with investors pulling £914mn, £502mn and £808mn respectively in the month. Equity funds saw net outflows of £2.3bn and fixed income funds had £335mn withdrawn. Commentators say there are pockets of promising news, with investors once again favouring tracker funds, with inflows the second highest so far this year. Responsible investment funds, which have seen consistent inflows throughout the year, also moved back to inflows following last month's outflow. Looking ahead to next year, analysts believe, there will hopefully be more stability in markets and inflation come under control following the interventions from central banks.

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All

100,000 make costly mistakes submitting tax returns

The taxman handed penalties to 100,000 people last year for submitting inaccurate tax returns, according to a Freedom of Information request obtained by tax firm RSM. Every year millions must complete a self-assessment return for HMRC. More than 12.2 million taxpayers were expected to file a tax return last year and of those 10.2 million did so before the 31 January deadline. Anyone who needs to complete a tax return for 2021-22 tax year must file by 31 January 2023 to avoid incurring late penalties. As well as penalties for filing late there are also penalties for mistakes. HMRC can fine taxpayers for up to 30% of the tax due for careless inaccuracies – but if they believe the error was deliberate, then it could hit them with a 50%to 100% charge. Matt Taylor, of RSM, said that he expects the number of taxpayers getting fined for inaccuracies to grow because HMRC is currently increasing the number of taxpayer enquiries up to pre-pandemic levels. With the deadline for self-assessment returns fast-approaching, The Telegraph asked experts what taxpayers need to watch out for when filing:

Forgetting about pensions

It is not just the income that triggered the need for a tax return that you must report, but also employment income and any other income. Michelle Denny-West of accountancy firm Moore Kingston Smith, said that taxpayers often think the state pension does not need to be reported, however "for those drawing their state pension with total income (including their state pension) higher than £12,570, there will be tax to pay".

Getting property income wrong

Ms Denny-West said property income – rental income minus expenses like landlord insurance and advertising costs – is one that many landlords neglect to include or get wrong on their tax return.

Earning foreign income

Dawn Register, of accountancy firm BDO, said taxpayers need to pay particular attention to the reporting of foreign income, such as money earned renting out an overseas property or interest earned in an overseas account. "Some people mistakenly think that submitting a return in the jurisdiction where the income arose satisfies their obligations but this isn't the case," Ms Register said. "A UK tax resident individual is normally taxed upon the arising basis's which means that they are subject to UK tax upon their worldwide income and assets and need to report this to HMRC. However, a foreign tax credit relief may apply if income or gains are reported to both HMRC and a foreign tax authority."

Covid support payments

All payments received under coronavirus support schemes are taxable, and even if you declared these in your last tax return, you may not be in the clear. John Hood, of Moore Kingston Smith, said: "The schemes finished on 31 September 2021. Individuals might have received support payments in the period 6 April 2021 to 31 September 2021 that should be reported on their tax returns."

Child benefit payments

Many parents claiming child benefit do not realise that once they earn over £50,000, the benefit is clawed back at 1% for every £100 they earn up to £60,000. Those who fit this criteria must declare the liability on their tax return. However, Ms Register said: "If you were previously paying the charge but your income dropped during the year due to furlough, you may have paid too much tax through PAYE, so check if you are due a refund. "She urged taxpayers to think about earlier years, too: "If you did not spot this issue in 2020-21 or earlier, contact HMRC directly to get it put right. The sooner you sort it out the less you will have to pay interest on tax paid late."

All

Chancellor’s post-Brexit city overhaul faces opposition

Jeremy Hunt has been accused of encouraging a “race to the bottom” after he unveiled ‘big bang’ plans to slash City red tape. The sweeping package of more than 30 reforms, aimed at boosting Britain’s financial services sector and the UK’s flagging economy, is being billed by ministers as one of the big opportunities of Brexit. But with the City bruised by the UK’s exit from the EU, critics and political opponents said reducing regulatory oversight of banks was unlikely to make up for the damage. Others added that loosening regulations could risk a repeat of previous banking failures. Speaking on Friday morning Prime Minister Rishi Sunak insisted the UK’s financial services industry would “always be a safe place where consumers will be protected.” He added: “We've always had and always will have an incredibly respected and robust system of regulation for the financial services sector. That's the right thing to do. “But it's also important to make sure that the industry is competitive.” Frances Coppola, a banking analyst, told the BBC: “I think we have to be completely honest and say London is falling behind on competitiveness. And the reason is the form of Brexit that we had, which didn’t pay sufficient attention to the concerns of financial services companies. “I don’t think we should ignore that there’s quite been quite a lot of damage. We certainly shouldn’t be using regulatory reforms as a form of compensation for the damage that has done to the financial services industry.” Last month analysis by Bloomberg revealed that Paris has overtaken London as Europe’s biggest stock market. The French stock market now has a combined value of $2.823 trillion, marginally above the UK stock market which is worth $2.821 trillion altogether, according to Bloomberg’s research. Fiscal watchdog the Office for Budget Responsibility (OBR) has said Brexit caused a “significant adverse impact” to trade volumes and business relationships between UK and EU firms. And the Chancellor conceded last month that leaving the EU had created trade barriers which will take time to remove. The City reforms - dubbed the Edinburgh Reforms by the Treasury - were being outlined at a meeting between Mr Hunt, City minister Andrew Griffith and senior executives from banks including NatWest, TSB, Citi and Barclays in the Scottish capital this afternoon.

They include:

- Reforming the ring-fencing regime for banks to free companies with assets lower than £35billion from requirements to separate their retail banking services from their investment and international banking activities.
- Widening the role of City regulators the Financial Conduct Authority and the Prudential Regulation Authority to include targets for growth and competitiveness.
- Repealing a series of laws and rules left over from the UK’s membership of the EU to boost City freedoms.

Property Owner

More mortgage support for the vulnerable

The chancellor is expected to tell lenders they should do everything they can to support borrowers, including interest-only payments that could temporarily reduce their monthly bills during the economic downturn. Homeowners have been hit with higher mortgage payments as a result of the disastrous mini-budget in September, which spooked financial markets and pushed up borrowing costs. It increased payments for borrowers on variable rate mortgages as well as those that have had to remortgage at higher rates. While borrowing rates have eased since then, average five-year fixed mortgage deals are still hovering at about 5%, putting further strain on households already facing soaring energy and food bills that have pushed inflation to a 41-year high of 11.1%. Banking executives are expected to come armed with data outlining the health of their mortgage lending books, as Britain braces for the longest recession in a century. Most lenders are already contacting customers that might be at risk of falling behind on payments, but some say they have been cautious over the kind of help they might provide to vulnerable customers due to a lack of guidance from the regulator. While the FCA instructed lenders to be flexible during the Covid crisis by providing payment holidays and interest-only arrangements, it has been less prescriptive on the kind of support that should be provided during the cost-of-living crisis.

All

HMRC gets tough on offshore companies

HMRC is preparing to write to more than 5,500 overseas companies that it suspects have failed to pay enough tax on the British properties that they own. As part of the tax agency's latest attempt to ensure taxpayers comply with the rules, the Revenue will send "nudge" letters to thousands of individuals who own UK property through offshore companies that "appear to have failed to notify" it of tax owed. HMRC said it plans to write to more than 4,000 companies within the next year that it thinks owe either corporate income tax or annual tax on enveloped dwellings (Ated) on UK property. A further 1,500 companies will be targeted for unpaid capital gains tax on property sales between 2015 and 2019. "These numbers sound like a lot, but they also sound realistic," said Adam Craggs, partner at law firm RPC, adding that many non-UK domiciled individuals choose to own property via a company to preserve their anonymity on the UK's land registries. HM Land Registry data in November showed that around 93,000 property titles in England and Wales were owned by overseas companies. The tax advantages for wealthy non-doms of owning UK property through an offshore company have been tightened over the past decade. Ated was introduced in 2013 as an annual tax charged on companies which own UK homes worth more than £500,000 and not let on a commercial basis. According to HMRC's accounts, Ated raised about £100mn in tax over the 12 months to March 2022. The annual charge payable through Ated increases with the value of the property, from £3,800 for properties valued between £500,000 and £1mn, to £244,750 for properties worth more than £20mn, in the current tax year.

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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