



WEALTH KNOWLEDGE

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OTS proposal could trigger a spike in pension tax relief bills

Higher-rate taxpayers who save into personal pensions and fail to claim extra tax relief could soon have it handed to them automatically under a new proposal.

Currently, individuals pay into their personal pension scheme out of their net income, while their pension provider claims basic-rate relief on total contributions.

Those who pay higher or additional-rate income tax can get extra tax relief, but they have to claim this through their tax return.

The Office for Tax Simplification (OTS) is consulting on whether third-party information, such as from pension providers, could be directly sent to HMRC and inserted into tax returns.

For those who fail to claim additional tax relief that's due to them on personal pension contributions, this information could automatically be reclaimed and reported to HMRC.

Doing this, however, could cause the Government's tax relief bill to soar at a time when the UK's national debt, expressed as a percentage of GDP, reached the highest levels since the early 1960s.

Steve Webb, the former pensions minister, said:

"Many people who put money into a personal pension fail to claim the higher-rate tax relief to which they are entitled.

"Making this happen automatically via data sharing between the pension provider and HMRC would streamline this process.

"But what is good for the saver may be regarded as bad news by the Treasury, who would fear the cost of tax relief could soar."

Rapid COVID-19 vaccine rollout set to revive UK economy

The UK's speedy COVID-19 vaccination programme will help the economy bounce back strongly this year, the Bank of England has said.

The economy is expected to shrink by around 4% in the first three months of 2021, with the UK locked down since 4 January 2021 in a bid to slow the spread of the virus.

But monetary policymakers expect UK GDP to rebound this spring as consumer confidence returns and tight lockdown restrictions begin to ease.

The Bank said any economic recovery would depend on the UK staying on top of any new strains of the virus, plus households' willingness to spend.

Andrew Bailey, Governor of the Bank of England, said:

"The central forecast assumes that COVID-19 restrictions weigh on activity in the near term, but as the vaccination programme leads to those easing, GDP is projected to recover strongly from the second quarter of 2021 towards pre-COVID levels."

Last month, the Bank held interest rates at a record low of 0.1% while warning commercial lenders to further prepare for negative interest rates.

High street banks have been given six months to be operationally ready for negative interest rates, suggesting they could come in from September 2021.

Policymakers stressed, however, that this does not mean that sub-zero borrowing costs were imminent, or indeed in prospect.

Coronavirus spurs adults to take action on their wills

More women than men are likely to create a will as a result of the ongoing coronavirus pandemic, according to research.

YouGov polled more than 2,300 people in January 2020 on behalf of heir-hunting company, Finders International.

Almost three in ten (28%) female respondents said COVID-19 has made them more likely to create a will, compared to 19% of male respondents.

The research also showed 59% of those polled did not have a will, rising to 85% of those who were under the age of 35.

Nearly a third (29%) of respondents over the age of 55 did not have a legally valid will.

Usually, the law in England and Wales requires a will to be signed “in the presence of” at least two witnesses, and then signed by those two witnesses, to be deemed legally valid.

Due to the pandemic, however, witnessing of wills over video-conferencing platforms such as FaceTime or Zoom is legal until 31 January 2022.

Mona Patel, consumer spokesperson at Royal London, said:

“The coronavirus has spurred adults in the UK to take action on their will as many people are finding themselves with more time at home to prioritise their personal finances.

“These figures echo previous research carried out last year, which show that the coronavirus and concerns for becoming ill were both prompts for people to update their will during the pandemic.”

More than three in four (76%) adults surveyed said they do not know a lot about what would happen to their assets if they died without a legally valid will.

House prices slow as end to stamp duty holiday nears

The recent uplift in house prices fuelled largely by the stamp duty holiday is showing signs of slowing down, figures show.

Research from IHS Markit showed the average house price in the UK fell 0.3% in January 2021 to £251,968 – the biggest monthly fall since April 2020.

House prices still climbed 5.4% over the past year, leaving the average UK property worth £13,000 more than in January 2020.

The housing market was turbocharged by the introduction of the stamp duty land tax holiday in England and Northern Ireland on 8 July 2020.

This raised the nil-rate band from £125,000 to £500,000 for a period of nine months, prompting a stampede in households looking for larger properties.

But this stamp duty reprieve is due to end on 31 March 2021, suggesting the January slowdown reflected sales approaching cliff-edge.

Meanwhile, statistics from the Bank of England showed mortgage approvals fell in December 2020 for the first time in seven months.

The number of mortgages approved in December 2020 was 1.8% down month-on-month, but 53.6% higher year-on-year.

As a result, lenders are offering an increasing amount of mortgage products with deposits as low as 10% of the property’s value.

Eleanor Williams, finance expert at Moneyfacts.co.uk, said:

“Those with a 10% deposit might be especially pleased to note that, for a second month in a row, these have seen the largest uplift in availability.

“Willingness to extend lending in this risk bracket could be an indication that lenders have confidence in the sector, despite ongoing, wider economic uncertainty.”

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future.

ISA eligibility depends on individual circumstances.

Pension eligibility depends on individual circumstances. Pension benefits cannot usually be taken until age 55.

Your home may be repossessed if you do not keep up repayments on your mortgage.

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