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WEALTH KNOWLEDGE

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In this issue......

- Lower stamp duty land tax threshold in place until October
- Pensions tax trap catches out thousands more savers
- Environmentally-focused green savings bond details emerge
- Retirees set for bumper state pension rise in 2022/23

Lower stamp duty land tax threshold in place until October

The stamp duty land tax-free threshold in England and Northern Ireland reduced last month, as the tax holiday introduced in July 2020 began to be phased out.

The first cliff edge for residential property buyers came and went on 30 June 2021, marking the end of a three-month extension.

Buyers who completed their purchases before last month's deadline avoided having to pay this property tax on the first £500,000 of the property price.

The holiday enabled those who were able to complete their purchases before 30 June 2021 to save up to £15,000 on their stamp duty land tax bills, although others were not so fortunate.

Most of those who missed that extended deadline will now pay stamp duty on residential house purchases above £250,000 for transactions completed on or before 30 September 2021.

Above this, a 5% stamp duty land tax rate applies on the portion of the property price between £250,000 and £925,000.

For buyers of additional residential properties that are not their main residence, the 3% surcharge kicks in on top of stamp duty rates above £250,000.

First-time buyers, who also benefited from the stamp duty holiday, now pay tax on properties worth more than £300,000.

A 5% tax rate applies between £300,000 and £500,000, although these entitlements are lost when first-time buyers purchase a property for more than £500,000.

Pensions tax trap catches out thousands more savers

The number of savers who breached the annual pensions allowance increased in 2018/19, prompting calls for reform of the UK's pension tax system.

Figures from HMRC show 34,220 people reported saving more in their pension pots than the £40,000 annual allowance in 2018/19, triggering total tax charges worth £817 million.

The amount of people who exceeded their annual pension allowance in 2018/19 was 14% higher than the previous tax year, when 29,910 savers were caught.

Savers who breach this allowance can either pay the tax charge via an accounting-for-tax (AFT) return, or via self-assessment tax returns.

According to the data, the value of annual allowance charges reported by schemes via AFT returns in 2018/19 was £209m – up 71% on the £122m reported in 2017/18.

Andrew Tully, technical director at Canada Life, said:

"Even something which sounds as simple as an annual allowance is complicated by the fact we have three different limits – a standard allowance, a very low allowance for those who have flexibly accessed their benefits, and a fiendishly complicated position which reduces the limit for higher earners.

"This complexity means many individuals may be unintentionally caught by the annual allowance, although this should ease in more recent tax years due to the rise in the tapered annual allowance threshold."

Environmentally-focused green savings bond details emerge

The Government has released more details of a new savings product which will fund its environmental projects, although two key factors are missing.

The green savings bond will be available through National Savings & Investments (NS&I), the Treasury-backed savings organisation that also offers premium bonds.

Anyone aged 16 or over will be able to put between £100 and £100,000 into the bond, with the money being locked in for three years.

Crucially, the rate of interest on this investment and when the bonds go on sale have yet to be announced. They should be revealed later this year, and possibly next month.

The interest rate could either be fixed for three years or follow the format of premium bonds, where investors have the chance to win cash prizes of up to £1 million.

Chancellor Rishi Sunak had used his Spring Budget to say the bond would be available this summer, with previous reports suggesting it will be sold in two tranches.

The bond is expected to attract people who want to save risk-free in green projects, as their money is protected by the Financial Services Compensation

Scheme up to its normal £85,000 limit and then 100% guaranteed by the Government.

The funds raised will go towards environmental projects, such as wind and hydrogen power, as the Government aims to hit a net-zero carbon emissions target by 2050.

Retirees set for bumper state pension rise in 2022/23

Retired people could be in line for a significant rise in their state pension next year under the triple-lock system.

The triple-lock determines the annual increase in the state pension by whichever is the highest of average wage growth, price increases, or 2.5%.

The most relevant for the next rise in state pension will be the highest of these three elements, which is likely to be average wage growth.

Forecasts from the Office for Budget Responsibility (OBR) suggest average wage growth could result in an 8% rise in the amount paid from April 2022.

The OBR said in its Fiscal Risks Report:

"If earnings growth was 8%, that would add around £3bn a year to spending [on the state pension] relative to our forecast."

Late last year, and in March this year, the OBR predicted wages would rise by 4.6% in 2021/22. Now, it is expecting it to be higher.

The Bank of England's monetary policy committee (MPC) agreed that average wage growth could hit 8%.

In its June 2021 MPC summary, policymakers said:

"The base effect of the drop in pay in spring and summer 2020 will continue to distort the annual comparison, such that, even if the level of private-sector regular pay were to remain unchanged, 12-month pay growth would still rise to close to 8% in the second quarter."

In 2021/22, the full new flat-rate state pension is worth £179.60 a week and the full old basic state pension is worth £137.60 a week.