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FINANCIAL PLANNING

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WEALTH KNOWLEDGE

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Curtain comes down on stamp duty land tax holiday

The stamp duty holiday in England and Northern Ireland has ended, more than 14 months after it first came into effect.

The tax break saw buyers who purchased residential properties for £500,000 or less pay no stamp duty until 30 June 2021, although landlords still had to pay the 3% surcharge.

HMRC collected £5.7 billion in stamp duty between April and July 2021, £2.2bn more than the same pandemic-affected period in 2020.

Unsurprisingly, July 2021 was the highest month on record for stamp duty receipts after £1.3bn was collected.

HMRC said many of those July receipts related to June completions, due to the 14-day window in which stamp duty land tax needs to be paid.

From 1 July to 30 September 2021, a temporary tapered regime saw no stamp duty paid on the first £250,000 of a residential property completion.

Now and until at least 31 March 2022, house buyers will pay stamp duty for purchases above £125,000 as the usual nil-rate threshold is reintroduced.

The 2% tax rate which applies on the portion of the house price between £125,001 and £250,000 also returns after being omitted during the holiday.

Above that up to £925,000, the 5% tax rate applies. After that, the rate rises to 10% up to £1.5m and the 12% rate applies on the portion above £1.5m.

New trust registration service sets trustees' deadline

Millions of trustees need to register details of their trusts before next autumn, following the launch of a new trust registration service.

The service was originally announced in draft form in 2017, at a time when it would only have applied to taxable-relevant trusts.

Since then it has been expanded to include all UK-resident express trusts, with a few exemptions for pension trusts and charity trusts.

As such, details of up to two million trusts must be registered with HMRC on or before 1 September 2022.

Trustees who fail to do this will run the risk of a fine, with the potential for large penalties if the tax authority deems the behaviour to be deliberate.

All trusts in scope will need to provide details on trustees, settlors, protectors and beneficiaries.

The nature and extent of the beneficiary's beneficial interest and mental capacity at the time of registration also needs to be included in the disclosure.

HMRC has said these details will not be available to the public and the information on each trust will remain confidential.

Trusts will need to be registered by 1 September 2022 or 90 days from the trust creation, whichever is later.

Many trusts play a significant role in estate planning for sensitive and complex family financial situations, requiring considerable care and tact.

Post-pandemic Britain faces £371bn savings shortfall

Britons could be facing a significant savings shortfall, despite putting away more money during the pandemic, according to a report.

The Centre for Economics and Business Research (CEBR) polled 2,000 adults in a bid to assess the nation's savings habits following COVID-19.

It found the difference between people's current savings and the amount they would need to feel financially secure totals £371 billion, despite the UK household savings rate increasing to 16% in 2020.

With lockdown restrictions reducing outgoings such as commuting costs, many people were able to work from home and save more over the past year and a half.

In terms of the regional picture, the report claimed the East of England emerged from the pandemic as the most financially secure region in the UK in 2020, followed by Scotland and London.

However, Wales, Yorkshire, and the North East were the least financially resilient regions in the UK last year, according to the CEBR's findings.

If there's a silver lining to the pandemic, one might be that it has brought home why everyone needs to prepare for sudden events that can hit their pockets.

Usually, having an emergency fund to cover between three and six months' worth of essential expenses can help protect against a potential job loss or loss of income.

This money could be saved in instant access deposit accounts, which provide immediate access to savings whenever required – and are free of charge.

There are also insurance policies that offer protection from an unexpected loss of income, while investments have the potential to outperform cash savings due to ongoing low rates of interest.

National Insurance rise to help fund social care costs

Paying for long-term care in England should be about to become a little easier, following the Government's decision to raise National Insurance rates.

An increase of 1.25% in National Insurance contributions (NICs) for both employees and employers was announced by the Prime Minister last month.

The move, which was announced alongside a 1.25% rise in dividend tax rates, kicks in from April 2022 and is expected to raise more than £36 billion by 2025/26.

From October 2023, people will no longer pay any more than £86,000 in actual care costs – rather than accommodation – over their lifetime, while those with less than £20,000 in assets will have their care fully paid for.

There will be help for people who own between £20,000 and £100,000 in assets, although the amount of help provided will be determined by a means test.

The move should partially address fears that many retirees in the UK are relying on their state pensions to fund long-term care costs.

A report published by Canada Life claimed that 37% of over-60s would use their full new state pension of just £179.60 per week to contribute towards care costs.

Alice Watson, head of marketing for insurance at Canada Life, said:

"These findings indicate that a worrying number of people haven't thought about their long-term care needs and think their state pension will be enough to foot the bill.

"It is important to discuss plans with family members, and speaking to an adviser can help highlight how different financial products can be used to meet the increasing needs of an ageing population."

Important Information

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.

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation.

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