



WEALTH MANAGEMENT

Heath House, 156a Sandridge Road, St Albans, Herts, AL1 4AP

Tel: 01727 899244

Email: info@aquawm.co.uk Web: www.aquawm.co.uk

Aqua Wealth Management Limited is Authorised and Regulated by the Financial Conduct Authority.

UK BUDGET OVERVIEW

MARCH 2015

“THIS IS THE BUDGET FOR BRITAIN, THE COME-BACK COUNTRY”

The Chancellor of the Exchequer, George Osborne, launched his 2015 Budget with the words: *“Britain is walking tall again.”* He went on to add that: *“Britain is growing, creating jobs, and paying its way.”*

More people have jobs in Britain than ever before, living standards are higher and Britain can boast a long-term economic plan that it needs to stick to, according to the Organisation for Economic Cooperation and Development (OECD).

Economic growth has been revised upwards to 2.5% from the 2.4% stated in his Autumn Statement and the economy has been forecast to grow by 2.3% in 2016 and to 2.4% by 2019.

The national debt, as a percentage of GDP, was 80.4% in tax year 2014/15, but this is now forecast to fall to 80.2%, in 2015/16, 79.8% in 2016/17, 77.8% in 2017/18 74.8% in 2018/19 and to 71.6% in 2019/20. Therefore, the Chancellor has made good on his promise to reduce the national debt by the end of this current Government.

However, Government borrowing that stood at £150bn in 2010, will fall to £90.2bn in 2014/15, which is £1bn less than forecast at the Autumn Statement. This will fall to £75.3bn in 2015/16, £39.4bn in 2016/17, and £12.8bn in 2017/18. In 2019/20 there will be a projected £7bn surplus.

The Government still plans to make £30bn of cost savings, made up of £13bn from Government departments, £12bn cuts in the welfare budget and £5bn in savings from clamping down on tax avoidance measures across the board.

Inflation has remained low and is predicted to sit at 0.2% this year, whilst the Government will retain the 2% target given to the Bank of England moving forward.

The UK now has the highest rate of employment in its history, with those newly created jobs being 80% full-time and 80% being in high-skilled areas. The Job Seeker’s Allowance claimant count has also fallen to its lowest level since 1975. The national minimum wage will be increased to £6.70 per hour and rise to over £8 by 2020.

ONLINE SUBMISSION

In relation to tax the Chancellor announced that the paper self-assessment tax return was to be abolished, with the information required by the Revenue automatically uploaded into new digital accounts.

The basic rate income tax personal allowances rises to £10,800 in 2016 and then to £11,000 in 2017. The higher rate threshold will rise to £42,380 in 2016/17 and to £43,300 in 2017/18. He will also abolish Class 2 National Insurance (NI) payments for the self-employed. NI payments will also be abolished for those businesses employing workers under the age of 21. And from next April, this will be extended to those employing a young apprentice.

Corporation tax is to be reduced to 20% from this April.

Provisional agreement has been reached for Greater Manchester to keep 100% of any additional local business rates they raise, with Cambridge and surrounding councils being offered the same deal.



“SAVERS AND THE RETIRED SEE SEVERAL ADDITIONAL BENEFITS”

It is hoped that this concession will be extended to other cities across the country in due course.

Fuel duty will remain unchanged, but the fuel escalation increase, due in September, will be cancelled. Gaming tax remains the same. Alcohol tax sees wine duty frozen, beer duty down 1p a pint, cider duty reduced by 2%. Duty on Scotch whisky and other spirits is also cut by 2%.

Petroleum Revenue Tax, charged to oil exploration and production companies, mainly in the North Sea, is to be reduced from 50% to 35%. Supplementary charges will also be reduced from 30% to 20% which together, it is hoped, will increase oil production from older fields by 15%.

Aggressive tax avoidance has been addressed by the introduction of a ‘Diverted Profits Tax’, to be introduced next month, aimed at large multi-national companies operating in the UK, which it is hoped will raise £3.1bn per year. The chancellor announced that ‘Deeds of Variation’, a currently legal method of amending the intent of a deceased person’s will, as to the distribution of their estate, will be subject to review. Deliberate tax evasion will also be made a criminal offence.

INTERESTING NEWS FOR SAVERS

Savers and the retired see several additional benefits. For those with existing annuities, they will now be able to withdraw those funds as they see fit. The current punitive tax rate of 55% applied to such income, will be reduced to their marginal rate. More importantly, savers in general will benefit from a new tax-free personal allowance on interest payments received from their savings of £1,000pa for basic-rate tax payers and £500pa for higher-rate tax payers. This is estimated to take 95% of savers out of the tax net.

ISAs, with a 2015/16 savings limit of £15,240, remain unchanged, but people will now be able to withdraw funds from existing ISAs and later in the tax year replace those funds, without losing their tax-free status. In addition, Mr Osborne announced the creation of a

new ‘Help to Buy ISA’. This will allow prospective new home buyers the chance to invest in an ISA for the purpose of buying a home. For every £200 thus saved, the Government will add £50. Thereby, if a saver puts £12,000 into one, the Government will add £3,000, enhancing their ability to raise a suitable house deposit.

Banks are expected to contribute £5.3bn in extra tax over a five-year period. There will be an increase in the ‘Bank Levy’ to 0.21%, bringing in £900million extra and an additional £2.5bn by stopping the banks claiming tax relief on compensation claims for the mis-selling of PPI and interest rate swaps. At the same time the Government plans to sell £13bn of mortgage loans formerly held by Northern Rock and Bradford and Bingley, whilst selling £9bn of shares held in the partially nationalised Lloyds Banking Group. These funds raised will be used to further reduce the national debt.

Other areas highlighted in the Budget were an increase in charitable contributions to the likes of the Essex and Herts, East Anglia, Scottish, and Lucy air ambulances and the refunding of VAT payments made by the ‘Blood-Bikes’ charities.

