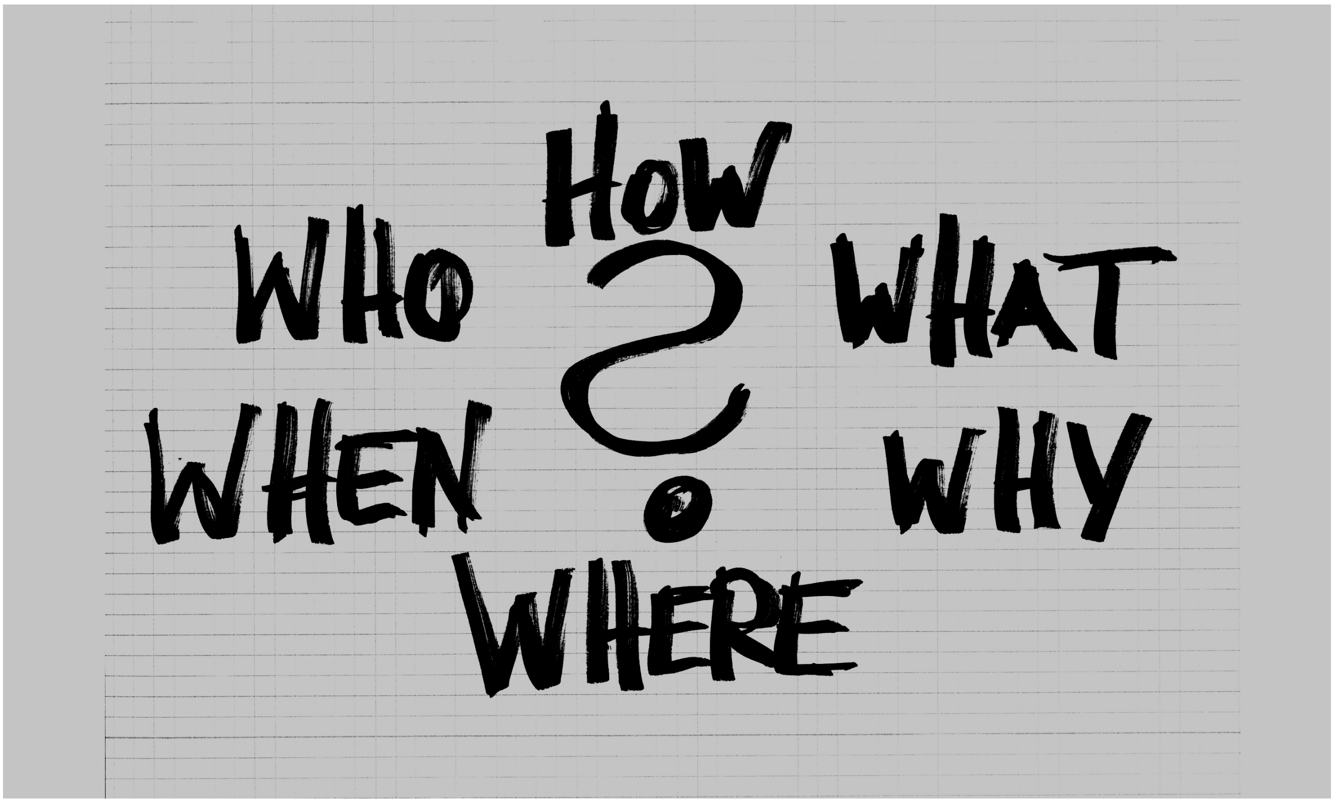
BLACKSTONE MOREGATE
INDEPENDENT FINANCIAL ADVISERS

NOVEMBER 2022

AUTUMN STATEMENT

BLACKSTONE MOREGATE LTD

WHO WILL BE MOST **AFFECTED?**



Over the last few days in conjunction with the Autumn statement, I have read some awful headlines in the press,

1. UK households set for the largest fall in living standards in six decades
2. Office of Budget Responsibility projects 7.1% drop in real disposal household income over the next two years. The biggest fall in living memory.
3. Surging inflation at 11.1%, rising mortgage costs, annual food prices rose by 14.7%
4. Fuel poverty, fall in real wages, recession to falling property prices
5. Volatile markets, drop in people's savings and investments

In the Autumn statement, Jeremy Hunt did say "We are asking more from those who have more". Doubt that really happened, as it seems people with the "broadest shoulders" seem to have had a soft landing and many with "small shoulders" will be dragged into paying more tax.

YOU'LL BE PAYING **MORE TAX** THEN EVEN BEFORE!

Let us see what he has decided to take from us (stealth tax) and done to our personal finances whilst he confronts and battles the fiscal storm.

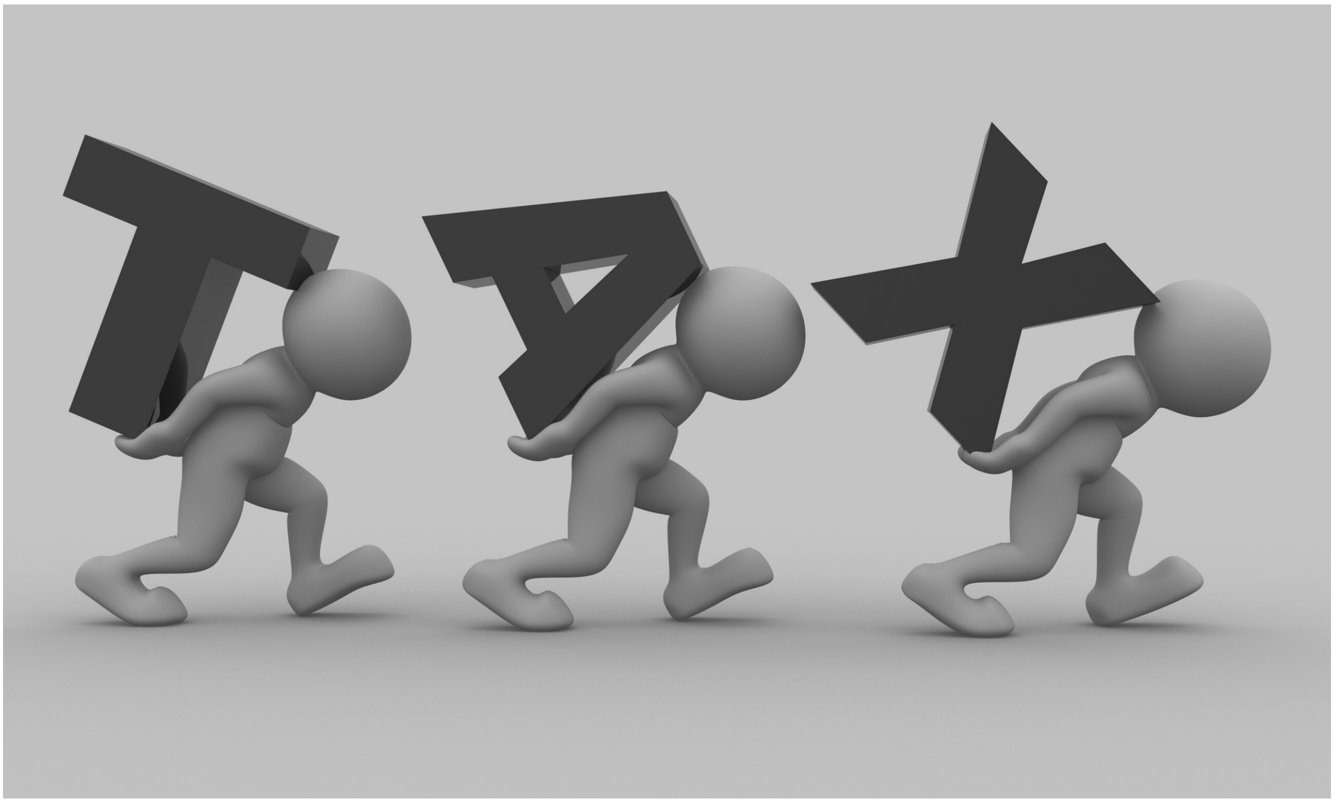
- The income tax additional rate threshold will be cut to £125,140. Previously it was £150,000.

Well, those who were already paying tax at 45% will pay more in 2023/24 and according to the government forecast, another 250,000 will pay some extra tax due to this measure.

- Rather than rise with inflation, Personal Allowance and basic rate band remain frozen at £12,750.00 and £37,700 respectively. This freeze of allowance has been extended by a further two years until April 2028.

- Personal Savings Allowance remains unchanged to £1000.00. This allowance means that basic rate taxpayers pay no tax on the first £1000 of savings interest. With savings interest rates rising this can be breached with a deposit of say £50,000.00

STEALTH TAX IS **HURTING** YOUR PERSONAL FINANCE!



This is "**Stealth Tax**" The higher rate threshold will remain at £50,270 for those entitled to a full personal allowance. Outcome, a lot more of us will be dragged into paying higher rate of income tax by 2026 and until April 2028.

- Triple lock – state and new pension will rise by 10.1% next April. The full new state pension introduced in 2016, will increase to more than £10,000 a year.

Andrew Tully, Technical Director with Canada Life says – "there is a sting in the tail as there is potential for the state pension to exceed the frozen personal income tax threshold by 2028, potentially many millions more pensioners into paying income tax".

DIVIDENDS

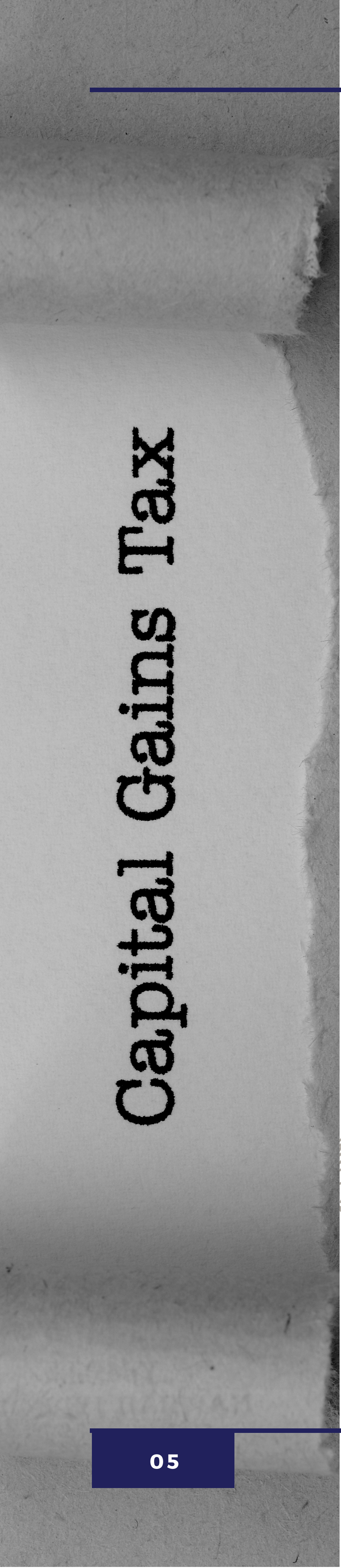
Dividend Allowance will be halved from £2000 to £1000 and halved again to £500 for 2024/25.

This means you may need to complete tax returns if your dividend income exceeds £1000 next year. The dividend tax rates for basic rate, higher rate and additional rate taxpayers will remain at 8.75%, 33.75% and 39.35%.

Things to do

For retirees relying on dividend income from shares and investment as part of your income strategy, this will hurt along with the cost-of-living crisis where everything is going up in cost. You should take time to review your income strategy.

Small business owners who relied on dividend income will also need to review how they remunerate themselves going forward.



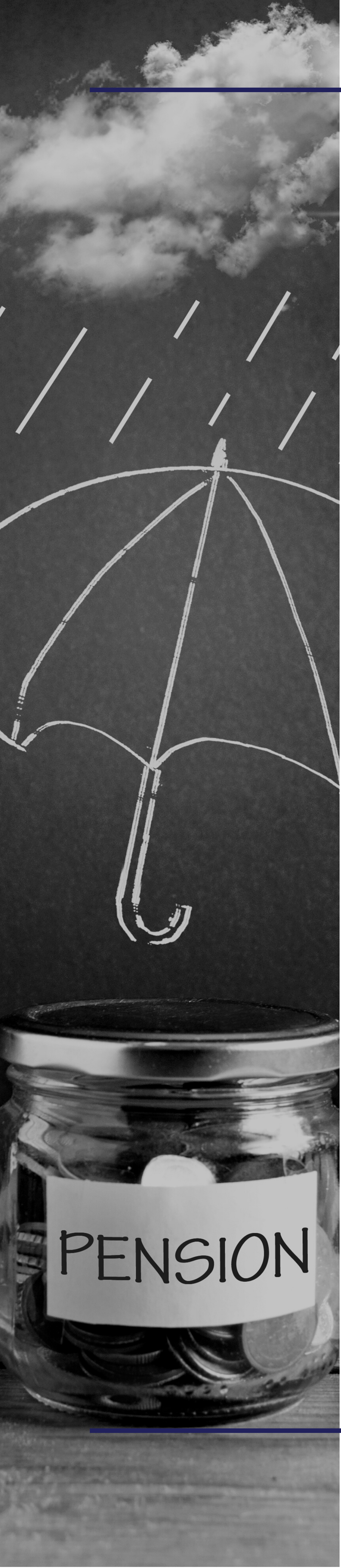
CAPITAL GAINS TAX

- The annual exemption will be cut from £12,300 to £6000 from April 2023, and to £3000 from April 2024. There is no change to the rates of CGT, and these will continue to be 10% and 20% (18% and 28% respectively for gains on residential property)

For many this means less income. People as part of retirement income strategy rely on using their CGT allowance to supplement their income. Not great when you also have increase in cost of living.

Things to do

Maximise your CGT allowance. Review your investments, consider selling assets pregnant with gains such as shares, share options and other investments etc. Transfer assets between husband and wife. Use these funds to either reduce your mortgage if it is at a high rate, contribute into pensions and maximise your tax relief, use your ISA allowances. Try and move as much as you can into non-taxable investments.



PENSIONS

No change, having said that if your income is above £125,140 you will benefit from relief at 45% on your pension contributions.

No change to lifetime allowance and will remain frozen at £1.07mill until 2026.

Things to do

If you can afford to and provided you are within your lifetime allowance pay more into your pensions, consider contributions through salary sacrifice, from a bonus and utilise your unused pension allowance over the last 3 years.

If you are struggling with income in the current cost of living crisis and have delayed taking your Define Contribution pension pot due to poor annuity rates. Review again, annuities are at a thirteen year high due to the combination of inflation interest rates and the fall out from the Mini Budget. Perfect time to capitalise.

INHERITANCE TAX

We keep the Nil Rate Band (NRB) of £325,000 and Residential Nil Rate Band (RRNB) of £175,000 however they will now remain the same until April 2028.

HMRC receipts from IHT is steadily increasing and has doubled in a decade. Whilst it does generate a huge amount of income for them, it still stops you passing wealth down the line.

Things to do

Consider giving away your surplus income or capital and help those that need it now. Provided you have adequate income to maintain your immediate and future lifestyle needs. You should also take into consideration long term care needs. We can help you work through this with proper cashflow planning to see what you can and cannot give away.

Council Tax

Local authorities will be able to raise council tax bills by up to 5% from next April without the need to hold a referendum. Well, another increase in cost to your monthly bill.

AUTUMN STATEMENT IN A NUTSHELL

ITS GLOOM TODAY AND WILL REMAIN GLOOMY TOMORROW

The surging inflation, cuts and freezes to tax allowances and threshold, increase in mortgage repayments and food prices will hurt personal finances of low- and middle-income households rather than the “broadest shoulders”.

As we settle into winter and approach 2023, unless you are super wealthy and money is no issue, we will likely face personal finance challenges.

High inflation and increased cost of living, below inflation investment returns, increasing interest rates, the energy crisis and a war in Ukraine does not bode well for all of us. **My suggestion is that you take a moment to schedule some time to review your personal finances post or during Christmas break. By doing so, you will give yourself the best gift for the next 12 months.**

Specialist advice can help avoid financial and emotional stress. Should you have a question or just want to talk about personal finance please give me or Andrew Fishtal a call/email us.

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PERSONAL FINANCE, TAX AND TRUST EXPERTISE

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