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WEALTH KNOWLEDGE

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Quarter of over-55s unaware of pension tax

More than a quarter of people approaching retirement are unaware of the tax charge they will face if they withdraw their pension savings as cash.

According to a survey of more than 2,000 over-55s by Legal & General, 27% believe they can access their pension pot tax-free, while 21% say they would be shocked at having to pay tax on it.

Of those who expect to get some or all of their pot tax-free, 37% think they wouldn't pay any tax on a lump sum greater than a quarter of their savings.

In fact, pension withdrawals are only tax-free for up to 25% of the amount withdrawn, with income tax due on the other 75%.

Savers were also reluctant to take risks with their pension pots. Nearly half (46%) don't want to take any risk at all, and 73% would avoid any big risks.

However, figures from the Financial Conduct Authority show that a third of people who recently invested in pension funds were not sure where their money had been invested.

Emma Byron, managing director at Legal & General, said:

"None of us spend as much time as we should thinking about pensions and retirement planning.

"But leaving important decisions about later life to the last minute could potentially leave you poorer in retirement."

Speak to us about your pension saving strategy.

Lettings relief restricted from 2020

Changes to lettings relief from April 2020 will mean landlords may have to pay more in capital gains tax (CGT) when they sell a property.

Currently, landlords that qualify for private residence relief when they sell a property can also claim lettings relief of up to £40,000. From April 2020, this will only apply where the owner of the property is in shared occupancy with the tenant.

In a separate measure, the final period exemption for private residence relief will be halved from 18 months to nine months. Chancellor Philip Hammond said that while the Government is committed to keeping family homes out of CGT, "some aspects of private residence relief extend it beyond that objective".

Meera Chindooroy, policy and public affairs manager at the National Landlords Association, said:

"It's disappointing to see landlords being targeted again with the reduction in lettings relief on CGT, particularly when there was an opportunity to incentivise landlords through CGT relief.

"However, we're glad the Chancellor didn't seek to increase stamp duty or further reduce income tax relief for private landlords."

Chindooroy added that the decision to raise the higher-rate income tax threshold from £46,350 to £50,000 should help to reduce the effects of restrictions to finance cost relief for some landlords.

Contact us to discuss your property.

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Pensions dashboard to include state pension data

State pension data will be available as part of the pensions dashboard, it was confirmed in Budget 2018.

According to the Budget Red Book, the online dashboard will “for the first time allow an individual to see their pension pots – including their state pension – in one place”.

The Department for Work and Pensions will consult on a detailed design, and work with the pensions industry and financial technology firms to develop it.

It was also revealed that an extra £5 million will be provided to fund the dashboard’s development in 2019/20.

Steve Webb, director of policy at Royal London, said:

“It is a real step forward that the Government has indicated state pension data will be included in the design of the pensions dashboard.

“This greatly increases the prospect of dashboards which cover all the key pension information which consumers need to know.”

Huw Evans, director-general at the Association of British Insurers (ABI), added:

“Delivering comprehensive dashboards, including details of the state pension, will help millions of savers keep track of their funds and work out if they are saving enough for retirement.

“Our sector is ready to continue its collaboration with Government on making this vital service a reality.”

The ABI estimates there are around 1.6 million unclaimed pension pots in the UK, totalling nearly £20 billion.

The pensions dashboard is intended to help tackle this problem by making it easier to find lost pension pots, as well as helping people plan for retirement.

A prototype was built in 2017, and the Government said it would launch the dashboard in 2019.

Future development of the scheme came under question in July 2018, after it was reported that former pensions secretary Esther McVey was considering scrapping it altogether.

Since then, the Government confirmed it would back the pensions dashboard, but that the scheme would be led and delivered by industry.

The official website for the pensions dashboard prototype project says that while “much work is still needed” to deliver the dashboard in 2019, “there is great momentum” to build on.

[Get in touch to discuss your pension planning.](#)

Stamp duty relief extended to shared ownership

First-time buyers of shared-ownership homes will benefit from relief on stamp duty land tax on properties worth up to £500,000.

Since Autumn Budget 2017, first-time buyers have not had to pay stamp duty on the first £300,000 of homes up to a value of £500,000.

Following a new measure in Budget 2018, the same relief has been extended to all qualifying shared-ownership homes.

This applies retrospectively to property purchases from 22 November 2017, so eligible homebuyers who were not previously able to claim the relief can now amend their return to claim a refund.

It was also confirmed that the help-to-buy equity loan scheme, which offers a low-interest loan of up to 20% on qualifying new-build homes, will be extended until March 2023 for first-time buyers.

Jeff Bromage, managing director for Saga Personal Finance, said the Government should have reduced the costs for people downsizing for retirement, not just first-time buyers.

Bromage added:

“While many people in larger homes would like to downsize, three in five members tell us the costs of doing so are often so prohibitive it would eat up much of the benefit they hoped to gain. “They tell us that this leaves them little choice but to stay put in houses that are not designed, or indeed appropriate, for them for the future.

“The Chancellor had a prime opportunity in this Budget to allow one stamp-duty free move to those looking to downsize.”

In response to the Budget announcement, the Institute of Economic Affairs (IEA) argued that stamp duty should instead be scrapped altogether.

Mark Littlewood, director-general at the IEA, said:

“By giving stamp duty relief to multiple groups, the Chancellor has all but admitted that stamp duty is a distortive tax that contributes to the UK’s housing crisis.

“Britain’s extortionate housing market is broken enough already without further penalising homeowners by charging them thousands of pounds unless they stay put in their current property.”

[Talk to us about how stamp duty affects you.](#)

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

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