PARTNERS WEALTH MANAGEMENT

PWM Insights:

Planning your financial freedom (November 2019)

Welcome to the November 2019 edition of PWM Insights. This edition will have a quick look at some of the issues that have been hitting the financial headlines, which could have an impact on you and your financial planning going forwards. If this raises any questions or concerns, please do get in touch with your usual Partners Wealth Management adviser.

Partners Wealth win prestigious award from the Society of Trust and Estate Planners

We are very proud to announce that September saw Partners Wealth Management winning the "Financial Advisor Team of the Year 2019" award at the annual Society of Trust and Estate Planners (STEP) Private Client Awards in London.

When presenting the award, STEP paid particular notice to our team as being "focused and innovative; demonstrating a clear and transparent business model and a progressive approach to career development within its highly qualified, multi-disciplinary team."

Whilst we are always delighted to be recognised, and win awards from our own professional bodies and trade press, we were extremely proud that our peers within the legal and accountancy world recognised our abilities at what is often referred to as "The OSCARS of the private client world."

Left to right – Richard Pease TEP presenting the award to David Stoll, Duncan Wilson, Fiona Oliver and Nathan Prior.

Inheritance tax (IHT) take rises

Recent figures on the collection of Inheritance tax (IHT) showed that the amount which has been collected each tax year in the past nine years by HMRC through IHT has more than doubled to £5.4 billion in 2018-19.

Of the £5.4 billion collected, 72% was from estates worth over £1 million. In 2016 17, 4.6% of deaths resulted in a charge. This figure was 5.9% before the financial crisis, but fell to 2.7% in 2009-10. It has increased steadily since then, due to long-term rises in property prices and the nil-rate band remaining at £325,000 for the past decade.

Experts believe that the introduction of the additional Residence Nil Rate Band (RNRB) in 2017-18 on the normal IHT threshold is yet to have a strong impact. RNRB gives an additional allowance of £150,000 (2019/20) to people leaving their family home to direct descendants like children or grandchildren. It will be worth an additional £25,000 (therefore £175,000 in total) by 2020-21, but the figures show the RNRB hasn't reduced the amount paid overall in 2018-19. This is because so much of the tax is collected from larger estates that begin to lose this additional relief as soon as their estate is over £2 million. Interestingly, the Office of Tax Simplification proposed several changes to inheritance tax in July this year (which I commented upon in a **blog update** at the time), but it did not make any proposals on the RNRB, saying it was too soon to do so.

IR35 tribunal implications for freelancers

HMRC has won an IR35 tribunal case at the High Court against three BBC presenters who will now have to pay back tens of thousands of pounds in taxes.

The High Court ruled that they had effectively been forced into contracting through personal service companies by the BBC, arguing that there was an "imbalance of bargaining power".

The judges said: "The BBC were in a unique position and used it to force the presenters into contracting through personal service companies and to accept reductions in pay." The presenters argued that they were self-employed, but the court ruled that because they were told how, where and when to work, that the "assumed relationships were ones of employment".

HMRC published draft legislation in July that, from April next year, places the onus on private sector firms to check whether contractors need to pay tax and National Insurance contributions, shifting responsibility from the contractor to the employer using their services. However, commentators have emphasised how vital it is that HMRC now provides greater clarity to avoid others having to go through this ordeal.

Capital Gains Tax change – impact on divorcing couples

In our July update, we mentioned that the 2019/20 Finance Bill confirmed a shift in capital gains tax rules limiting the extra amount of private residence relief second home owners are entitled to. Private residence relief is a reduction in capital gains tax and includes circumstances where the individual originally lived in the property then kept it as a rental after moving to a new home. This change could also have an impact if you move out of a home that was your main residence because of a marriage breakdown.

Under current rules valid until the end of the tax year, individuals have 18 months to sell their home after moving out before gains are assessed for capital gains tax. However, that time period will be reduced to nine months from April 2020.

If we take the example of a married couple who bought a house and lived in it for 10 years. They have decided to divorce and the husband moved out three years before the property is sold. If you only have one house and you live in it for the entire time you own it, then you do not pay capital gains tax on any gain when you come to sell it.

In this example, the wife will therefore get full private residence relief on her gain and will not pay capital gains tax. However, since the husband has not lived there for three years, and he has only lived in the property as his main residence for some of the time of owning it, he will only get relief for a fraction of the gain and pay some capital gains tax. Therefore, after the exemption period (currently 18 months) tax must be paid for the time he did not live in the home. If he earns £50,000 a year, under the current rules, he would pay tax of £840 as a higher rate taxpayer. Under the new rules from April 2020, he will pay £2,940 so the rule change will cost him £2,100.

Crypto crackdown

Investigations into cryptocurrency firms by the Financial Conduct Authority (FCA) have surged by three-quarters this year, as the agency tightens reins on the crypto sector. According to research from Pinsent Masons, active investigations into cryptocurrency firms have increased to 87 companies in 2019 compared to 50 a year ago.

The rise in investigations reflects the FCA's increasingly hands-on and no-nonsense approach to enforcing the law in the cryptocurrency market. For cryptocurrency businesses acting lawfully these statistics will be encouraging. Whilst the hope within the crypto sector is that the FCA's crackdown on businesses operating on its regulatory perimeter will help provide a degree of confidence, care should still be taken with such arrangements as crypto scams remain incredibly prevalent. These scams often ramp up within "bull cycles" as more eyes get drawn to the sector.

Twitter recently launched a new policy to help shut down what they term, "money flipping schemes" as such scams have become such an issue. This particular scam urges unsuspecting investors to send a relatively small amount of crypto in return for a much larger reward; with scammers often using a fake celebrity account as bait. Incredibly, an estimate from the city of London police suggests that investors lose around £74,000 per day due to various cryptocurrency rackets.

I hope that this update is useful and informative, if you have any questions regarding any part of this, please contact me or your Partners Wealth Management adviser.

Duncan Wilson
Partner and Chartered Financial Planner
dwilson@partnerswealthmanagement.co.uk
020 7444 4066

partnerswealthmanagement.co.uk