The Budget 2020: What you need to know to help your clients

When the Conservatives won the General Election back in December 2019, it was on the back of some manifesto promises that would move the UK forward post Brexit. Now we have officially left the EU, the new Chancellor has stood up to deliver the first Budget of this new era, facing a number of challenges, which were not in anyone's plans.

The bulk of the Chancellor's Budget speech focused on the current Coronavirus outbreak and what temporary measures the government will employ to help business, the Health sector and individuals. Another key aspect was initiatives to assist those who had felt the force of the recent storms and the devastating effects of the recent floods. Given the current market uncertainty, there was little announced to ruffle many feathers or was not foreseen from the financial services sector point of view but given the ever changing landscape at present this might change, with daily briefings being held by the government.

Our Technical team at Sanlam have constructed a summary of the main points which advisers need to be aware of from the Budget and this can be found by clicking **here < https://www.sanlam.co.uk/knowledge-hub/insights/technical-view/spring-budget-2020-summary>** .

What this article aims to do is to focus on some of these key aspects and take a more in depth look as to how this might affect clients.

Changes to the Tapered Annual Allowance (TAA) for pensions.

One of the key promises in the Conservative manifesto was to set up an urgent review on the tapered annual allowance for high income individuals, which was affecting many NHS senior staff. This is being tackled two-fold, firstly by raising the "threshold income" to £200,000, below which individuals will not be affected by the taper, and secondly for those whose adjusted income is £300,000 or over then their annual allowance could taper further to £4,000.

What this means for clients is:

- While the threshold income has been raised by £90,000 to £200,000, the new adjusted income on which the TAA applies is between £240,000 and £300,000 (over which period the annual allowance will reduce from £40,000 to £10,000)
- For those with total income (including pension savings /accrual) over £300,000, the tapered annual allowance will reduce further, to a minimum of £4,000. For example, someone with total income of £312,000 or more will have a tapered annual allowance of £4,000.
- In view of the revision in the tapered annual allowance thresholds, which applies to all, the proposals to offer greater pay in lieu of pensions for senior clinicians in the NHS pension scheme are not being adopted.
- What this means is fewer pension members will be impacted by the tapered annual allowance and individuals with income between £110,000 and £200,000 will have more scope to make pension contributions from the new tax year.
- This is opportunity for you to revisit previous recommendations to clients that they opt out or reduce their pension contributions in exchange for other benefits within their remuneration package when the new tax year rolls around.

Further information on this can be found on the HMRC website by clicking **here < https://www.gov.uk/government/publications/pensions-tax-changes-to-income-thresholds-for-calculating-the-tapered-annual-allowance-from-6-april-2020/pensions-tax-changes-to-income-thresholds-for-calculating-the-tapered-annual-allowance-from-6-april-2020>**

Impact of changes affecting Capital Gains Tax (CGT).

Annual Exemptions

The capital gains tax annual exemption will increase to £12,300 for individuals and for trustees this will increase to £6,150 in tax year 2020/21, although this could be diluted where the settlor has created more than one trust subject to a minimum of £1,230 per trust.

What this means for clients is:

- The CGT exemption is a "use it or lose it" exemption, in that it cannot be carried forward to a subsequent tax year. So as an adviser you might want to speak to clients and where appropriate, equalise assets between spouses and registered civil partners, as this would be exempt from CGT, to ensure both exemptions can be utilised.
- Where the current year's allowance has been used, you should consider waiting until the increased exemptions are in force before making changes to unwrapped portfolios, which would cause a CGT event for both individuals and trustees.
- Trustees should be looking, where appropriate, to assign to individual beneficiaries before assets are sold to potentially make use of their higher exemption.
- While the market volatility is not ideal, it might provide an opportunity for some clients to make use of any losses they have experienced, if this is something that fits with their holistic financial plan.
- For some clients who have the specific risk appetite, deferral of large capital gains could be achieved by investing in EIS investments.
- Going forward you will need to consider the impact on available allowances if/when advising a client to create a trust

Entrepreneurs Relief

A reduction in the lifetime limit on gains eligible for Entrepreneurs' Relief came in to effect on 11 March 2020. This relief offers a reduced 10% rate of Capital Gains Tax on qualifying disposals and the lifetime limit will now be reduced from £10 million to £1 million.

- You should be identifying and contacting your clients as well as their tax professionals, such as their accountants, if making a qualifying ER disposal, or who have made such a disposal prior to 11 March 2020 that has not completed to advise them whether they will be affected by this reduction in the lifetime limit.

Summary

We hope that highlighting some of the key points which could affect your clients has given you some food for thought in your upcoming meetings or given you a reason to contact some clients now rather than waiting until their annual review rolls around.

At present, the world is a strange place and there is some uncertainty, which could lead to further volatility in the markets. However, this will pass and what we need to do for our clients is to continue to advise them and help them plan for their current and future financial goals.

As ever, our technical team are working hard to help advisers clarify new rules and legislation as and when this comes and they can be contacted on **technical@sanlam.co.uk** if you wish further clarification on the content of this article or if you need assistance with a technical Sanlam related query.

At Sanlam, we have a range of different investment products and services which can help your clients. Whether that be plan for their retirement, school fees, manage different pots of money and help with inheritance planning, so please get in touch to discuss how we can help you help your clients.