

# METCALF MOAT UPDATE

YOUR FIRST CALL FOR INDEPENDENT FINANCIAL ADVICE

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**METCALF MOAT**

IFA LIMITED

*'Growing by  
recommendation'*

## **The tax year end cometh - use it or lose it**

I think it's fair to say the taxman (Her Majesty's Revenue and Customs – HMRC) is not renowned for generosity, or in giving things away. Especially it would seem to those who pay any element of higher rate tax.

It is said the two certainties in life are Death and Taxes, and this seems ever more prevalent as more people than ever are now subject to a tax bill on their death, as well as at almost every point whilst they are alive. This is evidenced by the increased revenue generated by HMRC in Inheritance tax.

With this in mind it underlines that on those occasions when the taxman does give an opportunity to get something back, every effort should be made to make the most of it.

I choose to use the word "opportunity" as the taxman's gifts usually come in the form of annual allowances, which don't tend to roll over year on year, and expire at the end of each tax year. It is therefore a case of use it or lose it...

The tax year end (5<sup>th</sup> April) is fast approaching, so now is the time to make sure all possible and relevant opportunities are being maximised.

Listed below are some of the areas that might be appropriate to consider:

- **Inheritance Tax – Annual Gift Allowance**  
*These could be in the form of a premium which funds a policy that aims to pay the future tax bill, thus meaning your family/beneficiaries receive all of your intended assets.*
- **ISA allowance – Tax efficient savings and investments – Annual Allowance that cannot be rolled forward.**  
*With tax automatically being taken from what little interest you are getting on your money in the bank, coupled with inflation, it could, in real terms, be costing you money by holding cash in a normal savings account. Using your ISA allowance to its maximum can help to reduce this. It could also be the means by which you make your money work harder for you. For more information, please see overleaf.*
- **Pension Contribution – Make a payment into a pension in the current tax year**  
*Perhaps you've been fortunate enough to receive a Christmas or other bonus, but unfortunate enough to have paid higher rate tax on it. A Pension payment would mean the tax can be returned to you in the form of additional funding into your pension (equivalent to basic rate tax), and the high rate element returned to you by means of a cheque from the taxman.*
- **Capital Gains Tax – Annual Allowance**  
*Changing taxed investments into tax efficient investments by making use of this year's tax allowance which is lost after the 5th of April i.e. Transferring Unit Trusts into Individual Savings Accounts.*

Note - It is important when considering the above suggestions that your overall financial situation is taken into account, and we would advocate financial advice before making any decision.

The tax year end is the 5<sup>th</sup> of April, but all documentation must be completed before this date. So now is the time to act. Please start by returning the tear off strip overleaf to the Freepost address shown, highlighting the area (or areas) you wish to consider.

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# Individual Savings Accounts (ISAs)

The Government is keen to build on the success of ISAs to meet its objective to develop and extend the savings habit. They are proposing the following changes to the PEP and ISA regimes:

## **Bringing PEPs within the ISA wrapper**

The aim is to enable investors to integrate their stocks and shares investments within the ISA wrapper and so manage their funds more effectively; reduce administration costs for providers; and rationalise the savings landscape. The Government will align the qualifying investments regime for the wrappers by allowing investment trusts with rental income to be held in ISAs (currently only allowed for PEPs) and will also allow funds that were held in PEPs to be invested in the full range of ISA qualifying investments.

Whilst PEPs and stocks and shares ISAs are primarily vehicles for equity and investment, savers are allowed to hold some uninvested cash in their accounts.

There are currently differences in the way the interest earned on uninvested cash is treated in PEPs and the stocks and shares component of ISAs. In a PEP, such interest is only subject to tax if more than £180 of interest is withdrawn from the PEP per tax year, whereas all interest earned on cash held in a stocks and shares ISA is subject to a 20% flat rate charge. The treatment of interest earned will be brought into line for both types of wrapper and the ISA rules are to apply to all uninvested cash held in PEPs.

The Government also proposes that, on a given date, all PEP accounts will become stocks and shares ISAs and as such, PEPs will cease to exist. However, providers that currently offer both PEPs and stocks and shares ISAs will not be forced to amalgamate individual clients' accounts into one ISA account.

## **Removing the mini/maxi distinction and limits**

The Government will remove the distinction between Mini and Maxi accounts. The aim is to simplify the ISA regime, making it easier to understand,

administer and increase the flexibility for savers. The Mini and Maxi labels will cease to exist and savers will instead be able to contribute to two components: cash and stocks and shares. They will be able to hold one of each component per year, with either the same or different providers. The overall annual investment limit will remain at £7,000 and savers will be able to invest up to £3,000 in cash and the balance in stocks and shares. For example, an individual will be able to save £1,000 in cash with one provider and £6,000 in stocks and shares with the same or a different provider.

## **Transfers from cash into equity ISAs**

The Government proposes to allow individuals to transfer funds from cash subscribed in previous tax years to the stocks and shares component, without affecting their annual investment limit. The aim is to further promote share ownership, by encouraging savers to diversify their assets and benefit from the potentially higher returns offered by stocks and shares over the medium to long term.

----- CUT HERE -----

Name \_\_\_\_\_

Contact No. \_\_\_\_\_

Address \_\_\_\_\_

Email \_\_\_\_\_

Please contact me regarding:

- Changes in ISA regulations
- Inheritance Tax
- ISA Allowance
- Pension Contributions
- Capital Gains Tax

**PLEASE RETURN TO OUR FREEPOST ADDRESS -  
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