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Legal Notes – The 2014 Budget

Law, taxation and politics are often inseparable. This is especially so at the time of the Budget.

The big, headline-grabbing news, apart from 'beer and bingo', is about pensions. The changes do not create quite as much freedom as some commentators have been saying. The minimum-income guarantee is to reduce from a limit of £20,000 to £12,000 which seems to mean that the danger of less-than-astute people blowing their entire pension in just a few years and then falling back on the State for support is not that real. Income Tax is to be levied at the 'marginal rate' (i.e. top rate you would pay anyway) rather than the swingeing 55% at present. This suggests that those on good-to-average pensions will still have to spread their pension draw-down over several years to stay out of the 40% tax rate. What does seem clear is that the annuity market is due for a huge shake-up and it will have to offer much more attractive rates, as the erstwhile captive market has been given its freedom. The winners are those with a decent pension, financial discipline and who take good advice.

It has been a budget for the older person; Savings Bonds (one-year at 2.8%, and 3-year at 4%, gross), higher income tax personal allowances and changes to the ISA rules are all good news for them.

Sneaky Stamp Duty Land Tax avoidance schemes have effectively been scuppered by the increase of the SDLT rate to 15% on 'enveloped property' (i.e. houses owned by companies) worth more than £500,000.

There have been no changes to Inheritance Tax other than the populist extension of the exemption, previously limited to members of the armed forces dying in the service of their country, now to include policemen, firemen and other emergency services workers.

Capital Gain Tax seems due to change for non-UK residents selling UK residential property.

As always, the devil is in the detail and this should be revealed over the coming weeks.

If you require advice on this matter please contact Miranda on 01328 710210. If you require advice on any other legal matter please telephone our Wells office on 01328 710210 or email law@hayes-storr.com.