Pension ISAs
In advance of the Chancellor's 2016 Budget statement, there was widespread expectation that tax relief on pension contributions would be reduced. In the event, however, with the EU debate raging, the Government decided against making any controversial changes – at least for the time being.

What did happen was that the Chancellor announced a new variant of the Individual Savings Account ('ISA') which some are suggesting could in the long term supplant pensions as the principal means of saving for retirement.

The 'Lifetime ISA' ('LISA') will be available as from 6 April 2017 to people aged between 18 and 40 and will include a savings incentive which is not provided by standard ISAs.

By contrast to pensions, to which contributions can be made up to age 75, contributions can only be made to LISAs up to the age of 50.

The maximum permitted contribution will be £4,000 a year, and the Government will add a 25% bonus, so that those investing the full £4,000 will receive a top-up of £1,000. Spouses could each contribute to their own LISA and qualify for the bonus.

Apart from providing a source of retirement income after the age of 60, the LISA is designed to assist first time buyers to purchase a home with a value of up to £450,000.

Withdrawals will be permitted at any time, but if made before the investor is 60, other than for paying a deposit on a home purchase, the Government bonus and any growth in its value will be lost and a 5% penalty imposed.

Concerns are already being expressed that the LISA may discourage the lower paid from contributing to workplace pensions. There is also an apparent conflict with the 'Right to Buy' ISAs which were announced only a few months ago, and which appear less attractive by comparison with LISAs. However, transfers to LISAs will be permitted.

Standard ISAs
The annual ISA savings limit of £15,240 for 2016/17 will rise to £20,000 for all adults from April 2017.

Help with advice charges
The Government has been concerned to ensure that consumers grappling with the complexities of 'pension freedom' should have access to advice, and the Budget statement includes plans to consult on a proposal which would enable holders of personal pensions and other defined contribution schemes over the age of 55 to withdraw up to £500 of their pension pot tax-free to redeem against the cost of advice.

Tax allowances and rates
The personal allowance stands at £10,600 and the Government has stated its intention of raising this to £12,500 during the current Parliament. The steps now put in place will see the allowance rise to £11,000 in 2016/17 and £11,500 in 2017/18.

Another of the Chancellor's objectives is to reduce the number of people who suffer higher rate tax, and with this in mind he has proposed to increase the higher rate tax band from £32,000 in 2016/17 to £33,500 in 2017/18.

Combined with the increase in the personal allowance, this will mean that in 2017/18 an individual will be able to earn £45,000 without paying higher rate tax. 28.9 million individual taxpayers are expected to benefit from this change.

The Chancellor will also be assisting the self-employed, by discontinuing Class 2 National Insurance contributions with effect from April 2018. This will save the individuals affected approximately £150 per year.

Capital Gains Tax

CGT rates will fall in April 2016 for both basic rate taxpayers (for whom the rate will reduce from 18% to 10%) and higher and additional rate taxpayers (for whom it will reduce from 28% to 20%).

The new rates will apply to investments and other valuable items, but not buy-to-let properties and second homes.

Entrepreneurs' Relief, which reduces to 10% the rate of CGT payable on the sale of qualifying businesses, is to be extended to certain long-term investors in unlisted companies.

Salary sacrifice

One dog which did not bark in the Budget speech was salary sacrifice. This is the arrangement whereby employees can arrange with their employer for a proportion of their salary to be paid as a pension contribution, thereby reducing taxable income and avoiding the payment of National Insurance contributions.

However, this is likely only to be a deferral. The Government, which is keen to close down any schemes for minimising tax other than those which it has itself created or approved, has reiterated its concern about the growth in salary sacrifice, citing the fact that the number of schemes which have been notified to HMRC for approval has increased by 30% in the past 6 years.

While salary sacrifice arrangements may not be available indefinitely, the Government has stated that pension savings, childcare and health-related benefits such as Cycle to Work will continue to be approved.

Business rates

To the delight of small business owners, George Osborne has announced a permanent increase in Business Rate Relief for small companies from £6,000 to £15,000 and the higher rate from £18,000 to £51,000. As a result, as from April 2017, an additional 600,000 small business will pay no rates.

If you would like to discuss any of these matters further please contact:

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