

The Chancellor's Autumn Statement on 5 December contained very few surprises. One area that we will be monitoring closely is the consultation on Inheritance Tax and the potential implications for clients with multiple trusts (under the heading of "Tax" below).

### Economic News

- The UK economy is growing at a faster pace than had previously been expected. The Office for Budget Responsibility has estimated that the country's GDP will expand by 1.4% in 2013, and by 2.4% next year. Growth of 0.6% had originally been forecast for the year in March; the revision is the greatest since the beginning of the Treasury's records in 1997. Forecasts for the Public Sector Borrowing Requirement have also been cut.

### Pensions

- The increase in state pension age to 68, which had been scheduled for the mid-2040s, could come forward to the mid 2030s, while the increase to 69 could come as soon as the late 2040s.
- The basic state pension will be increased in line with the triple lock (the highest of inflation or average earnings increases or a minimum of 2.5%) in April 2014. The monetary impact is £2.95 per week for the full pension.
- The government will not change the basis on which GAD tables are formulated for income drawdown. This ignored calls by the pensions industry to decouple income drawdown from annuity rates and gilt yields.

### ISAs

- The 2014-15 ISA limit will be increased to £11,880 (half of which can be saved in a cash ISA). The Junior ISA and Child Trust Fund limits will both be increased to £3,840.
- Disappointingly, no provision has been made for child trust funds to be converted to Junior ISAs.

### Tax

- The personal income tax allowance will rise to £10,000 from April 2014 and then increase from 2015-16 by the Consumer Prices Index (CPI) measure of inflation.
- A married couples and civil partners tax break, which is set to cost about £700m a year, is proposed to start in April 2015, enabling people to transfer £1,000 of their income tax allowance to their partners.
- The government will consult on proposals to overhaul inheritance tax (IHT) by applying just one nil-rate band to multiple trusts held by an individual. This is something to keep a close eye on, but there are no further details available yet.

- The government is to withdraw income tax relief on share buy-backs in venture capital trusts in April 2014.
- Non-residents will have to pay capital gains tax (CGT) on residential property sales in the UK from April 2015. This may make London a less attractive property market to overseas buyers.
- Tax on business partnerships is “under review”. The proposed changes are likely to affect 'mixed partnerships' in a range of industries, including asset management, that set up a corporate entity to act as an additional partner in order to reduce tax on working capital. Detractors say this can be used for tax avoidance.
- Measures to tackle tax avoidance, evasion, fraud and error were also announced.

### **Other Measures**

- Stamp duty on shares bought in Exchange Traded Funds (ETFs) is to be abolished from April 2014 in a bid to encourage more firms to domicile products in the UK. Providers currently pay 0.5% tax on shares purchased. This could be good for London and bad for Dublin.
- 2014's fuel duty rise will be cancelled.

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