



DAVIES TRACEY

(INCORPORATING GILCHRIST TASH)

CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

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DAVIES TRACEY CHARTERED ACCOUNTANTS

Some planning considerations...

My predictions:

- Current Tax & NI Rates
- Dividend Taxation
- Capital Gains Taxation
- Inheritance Tax Overhaul
- Personal Pension Tax Relief



Current Tax & NI rates

Might there be an attack on these rates?

Income Tax 20/40/45%

Employers' NIC 13.8%

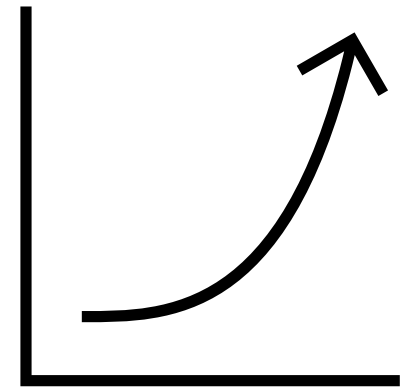
Corporation Tax 19%

VAT 0/5/20%

IHT 40%

What could it mean for you?

Lower disposable income for individuals, increased costs, and tax and NIC payable by businesses.



Dividend Taxation

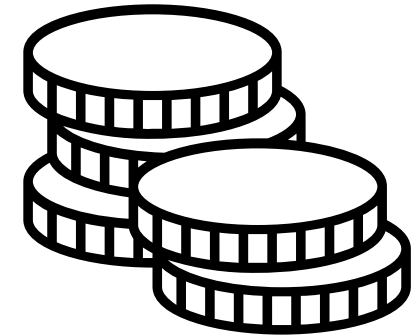
Could the £2,000 exemption be under threat? It started life as £5,000.

Align income tax and dividend income tax rates?

7.5%; 32.5% and 38.1% to become 20%; 40% and 45%?

A charge to National Insurance Contributions on close company dividends?

A flat 13.8% employer only liability as with benefits in kind?



What could it mean for you?

Would the attraction and tax efficiencies of company dividends over pay be reduced? **Should dividends be accelerated from post 6 April 2021 to before?**

Capital Gains Taxation

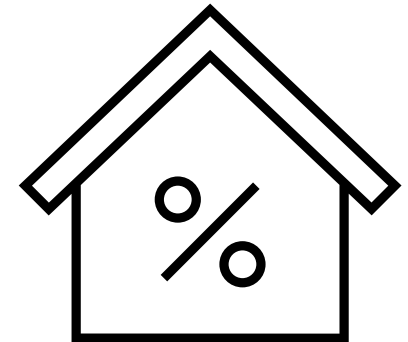
Reduce annual exemption to £5,000 or £10,000? Currently £12,300

Changes to Business Asset Disposal (Entrepreneurs') Relief

Current CGT rate of 10% and £1 million lifetime allowance?

Increase CGT rates to, or nearer, IT rates?

10/18/20/28% to 20/40/45%?



What could it mean for you?

Would reduce or wipe out the tax benefit of income from capital over earnings. It would also affect those looking to sell residential property, and who already pay 18% and 28% CGT, and so **you may want to accelerate that sale** to take advantage of the current tax regime.

Inheritance Tax Overhaul

Abolish the Residence Nil Rate Band?

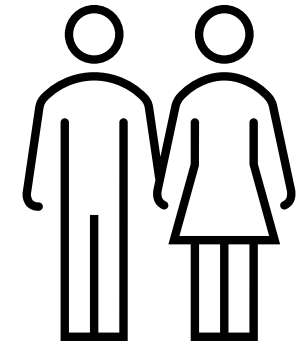
Currently £175,000 per spouse

Scrap the CGT uplift on death?

Lower base costs would follow

Introduce an annual gift exemption of £30,000?

Current gifts would go.



What could it mean for you?

If you're thinking of making a substantial gift, it would be advisable to consider doing it **sooner rather than later**. Action taken in anticipation of changes does, however, involve significant risk as changes may not be introduced as expected.

Personal Pension Tax Relief

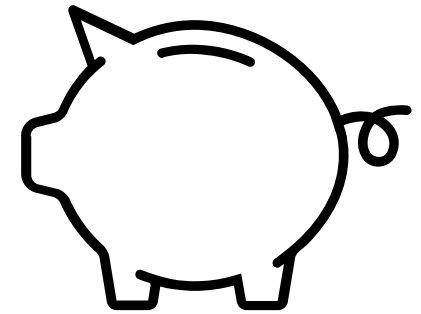
Limit tax relief to 20% or introduce a hybrid 30% rate?

Higher rate taxpayer chasing?

Annual abolition prediction; cost £39.9m

Cash saving v incentive to contribute

Tax relief when pension drawn instead?



What could it mean for you?

You may already be contributing less to your pension pot, or dipping into savings and pensions to meet current costs as a result of the pandemic. New legislation won't help, and **will further add confusion**, meaning people understand the system even less. However, changes may lead to a set of consistent pension rules to ensure people feel confident in saving for the future.



To Conclude

Remember this has just been a look at my suggestions and predictions about what might be in the Budget on 3 March.

There are always omissions and surprises, some changes are effective from Budget Day, others usually from the following 6 April.

Please take guidance from trusted tax and financial advisors before acting.

What would the odds be on Sunak making no changes before 6 April 2022?

Please post your questions in the comments or raise them when prompted later in this meeting. **Thank you.**

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