

## Mortgage Rates Hit Record Low

The average two-year fixed has dropped to a record low of 3.46%, down from 3.65% six months ago, according to data firm Moneyfacts. Some Lenders are also offering borrowers special offers such as cashback, with some of their mortgages.

Provided you have access to a deposit of at least 25%, you can lock into a two-year fixed below 2% and a host of five-year fixed, well below 3%. Previously any five-year fixed below 5% seemed to offer great value for money. This shows how things have changed in a relatively short space of time.

“Swap rates – the cost of borrowing for banks – are also incredibly low at the moment, which is helping

the Lenders to offer such great deals. Banks are also telling us that they are keen to lend and offer low rates because they have such huge levels of savings in their accounts.” This could all come to an end in the next year, so borrowers shouldn’t be complacent and just expect rates to get cheaper and cheaper.

It is, though, no easier to win approval for a loan because of the much stricter eligibility criteria stemming from the Mortgage Market Review (MMR). Borrowers may still find it tough to get a mortgage, particularly if they require interest-only, are an older borrower or are self-employed.

## Annual Tax on Enveloped Dwellings!!!

Previously called Annual Residential Property Tax, the Annual Tax on Enveloped Dwellings (ATED) is a tax payable by companies that own a high value residential property (a ‘dwelling’). It came into effect from 1st April 2013 and, as the name implies, is payable annually. In some cases a dwelling may be owned by a company, a partnership with a corporate member or other collective investment vehicle. In these circumstances the dwelling is said to be ‘enveloped’ because the ownership sits within a corporate ‘wrapper’ or ‘envelope’.

An ATED Tax Return is required in respect of a property, if all of the following apply:

- It’s a dwelling
- It’s situated in the UK
- It was valued at more than £2 million on 1st April 2012, or at acquisition, if later
- It’s owned, completely or partly, by a company, a partnership where one of the partners is a company, or a ‘collective investment vehicle’ - for example, a Unit Trust or OEIC

The annual chargeable amounts for ATED are increased each year in line with Consumer Price Index (CPI). Budget 2014 announced a reduction in the threshold from £2 million to £500,000 to be introduced over 2 years. From 1st April 2015 a new band will come into effect for properties with a value greater than £1 million but not more than £2 million with an annual charge of £7,000. For those persons who fall into this new threshold there will be a transitional rule where returns will be due by 1st October 2015 and payment by 31st October 2015. From 1st April 2016 a further new band will come into effect for properties with a value greater than £500,000 but not more than £1 million with an annual charge of £3,500. For future years these charges will be indexed in line with the previous September CPI.

For further information on this topic  
please call us on 01536 512724

# Carry forward Pension Relief

From tax year 2011/12 onwards, it has been possible, subject to conditions, for unused annual allowance from the three previous tax years to be carried forward to the current tax year. This can allow pension contributions in excess of the standard annual allowance to be made in a tax year. There are strict rules governing how carry forward works:

- Unused annual allowance can be carried forward to the current tax year, from the previous three tax years.
- It's only possible to do this once the current year's annual allowance has been fully used up (i.e. a person's total annual contribution(s) from all sources to registered pension schemes with Pension Input Periods (PIPs) ending in the current tax year to total at least £40,000 gross, before carry forward can be used).
- Unused annual allowance is used up starting with the earliest year first (when calculating how much annual allowance has been used up in a particular tax year it is necessary to add together all Defined Contribution (DC) pension contributions and Defined Benefit (DB) accrual – not contributions) made by, or on behalf of, the individual in any Pension Input Period ending in that tax year.
- The person must have been a member of a registered Pension scheme at some point during the carry forward year in question (a member includes an active member, a Pensioner member, a deferred member or a Pension credit member of a Pension scheme). However, there's no need for any contributions to have been made to the scheme in that year and the new contributions don't have to be paid into the earlier arrangement.
- For tax years 2008/09 to 2010/11 the annual allowance was deemed to be £50,000 for carry



forward purposes. For tax years 2011/12 to 2013/14 the annual allowance actually was £50,000 (and this amount can still be carried forward) and from 2014/15 onwards the annual allowance reduced to £40,000.

- Where there's unused annual allowance to carry forward from a tax year but the annual allowance has been exceeded in a later year (known as an intervening year) within the three year carry forward period, the excess will use up some or all of the unused allowance from the earlier year(s) - but only for overpayments in tax years 2011/12 or later. For tax years 2009/10 or 2010/11, any 'overpayments' above £50,000 don't eat into any unused annual allowance carried forward from earlier years - the excess will simply be set to £0.
- Also, where someone is subject to the special transitional rules (i.e. they had a PIP ending in 2011/12 that started before 14th October 2010), they could have provision valued at up to £255,000 for tax year 2011/12 (with a maximum of £50,000 after 13th October 2010) without eating into unused allowance from earlier years.

## Carry forward and tax relief

If unused annual allowance is being carried forward, the usual tax relief rules still apply to any contributions made. Tax relief on employer contributions is subject to the usual wholly and exclusively test and tax relief on personal contributions is limited to 100% of the individual's relevant UK earnings for the current tax year (or £3,600 if greater).



## 10,000 jumbo jets fly towards better retirement with Automatic Enrolment...

Four million people have now been automatically enrolled in workplace pensions – an increase of over 1 million this year or over 6,000 a day on average. This is the equivalent of enough people to fill 10,000 jumbo jets.

# Pension death benefits

## - you can take it or leave it!

Those looking to pass on their pension fund received a boost when the Government confirmed they're following through on their promise to scrap the current 55% tax charge on death. This means the tax system will no longer penalise those who draw sensibly on their Pension fund, making Pensions a very attractive wealth transfer wrapper.

### What's changing?

Your age at death will still determine how your Pension death benefits are treated. The age 75 threshold remains, but with some very welcome amendments.

- **Death before 75** - The Pension fund can be taken tax-free, at anytime, whether in instalments, or as a one-off lump sum. This will apply to both crystallised and uncrystallised funds, which means those in drawdown will see their potential tax charge on death cut from 55% to zero overnight. Using the fund to provide beneficiaries with a sustainable stream of income allows it to potentially grow tax-free, while remaining outside their estate for Inheritance Tax (IHT).

The tax system will no longer penalise those who draw sensibly on their Pension fund, making Pensions a very attractive wealth transfer wrapper.



- **Death after 75 – Defined Contribution (DC)** Pension savers will be able to nominate who 'inherits' their remaining pension fund. This fund can then be taken under the new Pension flexibility and will be taxed at the beneficiaries marginal rate, as they draw income from it. Alternatively, they'll be able to take it as a lump sum, less a 45% tax charge.

These new rules will apply to payments made on or after 6 April 2015 rather than the date of death. So where payment of death benefits can be delayed until after 5 April 2015, the beneficiaries will be able to take advantage of the new rules.

The changes can be summarised as follows:

Death before 75		
	Old rules	New rules
Lump sum	Uncrystallised funds - tax-free. Crystallised funds - 55% tax.	All tax-free.
Income	Option only available to dependants. Taxed as income.	Tax-free if taken via new flexible income. Option available to any beneficiary.
Death after 75		
	Old rules	New rules
Lump sum	Subject to 55% tax.	Subject to 45% tax.
Income	Taxed as income. Option only available to dependants.	Taxed as income. Option available to any beneficiary.

Continued overleaf

## Pension death benefits – you can take it or leave it! - *continued*

### What does this mean for Pension funding?

#### Funding

Taken with all the other Pension changes coming in April 2015, this creates a genuine incentive to save, knowing that family members can benefit from the remaining fund. It means that a Pension will become a family savings plan, enabling one generation to support the next.

#### Drawing an Income

The current 55% tax charge on death acts as a penalty for scheme members who take a sustainable income from their Pension pot. The only way to delay this charge is for a surviving dependant to continue taking an income from the fund.

The option of taking a lump sum is often overlooked in favour of postponing the tax charge until the dependant's death.

The new rules will mean that beneficiaries other than dependants may now benefit from the remaining fund, without suffering a 55% penalty.

Death before age 75 offers the option of a tax-free lump sum. But it also allows the fund to remain within the Pension wrapper which the beneficiaries would have flexible access to. And nominating a loved one to take over the flexible Pension pot will also be a popular choice when death occurs after this age.

These changes will standardise the death benefit treatment for the different flexible income options from next April. There won't, for example, be any difference between taking phased flexi-drawdown or phased withdrawal, as crystallised and uncrystallised funds will be treated the same on death.

#### Making instructions known

It will become even more important that death benefit instructions mirror our clients wishes. A nomination or expression of wish, will help to guide the Scheme Trustees in their decision making. If there are no instructions in place, you're relying on the Pension Scheme Trustees to second guess your intentions. And with such wholesale changes to the death benefit rules to come, it is important we revisit existing nominations at all our next client reviews.

#### All eyes on 3rd December

It's worth stressing that more detail is awaited, particularly on the operational elements of how the new rules will work in practice. The next step is to see the full details in the Autumn Statement on 3rd December. We'll provide updates on the final pieces of the Pensions reform jigsaw, as it all starts to slot into place. Watch this space.



## Widowed Parents – Government help slashed!

The Government is proposing changes to the help for widowed parents from 2017. The changes mean 75% of claimants could end up being worse off than under the present rules. Under current rules the widowed parents allowance pays up to £111.20 a week (depending on NI contributions) and continue until the youngest child no longer qualifies for child benefit, so payments can be made for up to 20 years and a lump sum of £2,000, known as the Bereavement Payment.

The changes mean the lump sum which is tax-free will be increased to £5,000, but the monthly payment will be £400 and only be paid for 12 months.

A Family Income Benefit policy can provide an essential safety net for the survivor, if a premature death occurs.

A Family Income Benefit policy can provide an essential safety net for the survivor, if a premature death occurs. This type of policy can be tailor made to individual circumstances and are designed to pay out a monthly amount tax-free to cover the dependency period of the children.



# Some can't do's, as hefty tax penalties apply ...

At Aaron Tawny we get more and more enquires regarding the types of property that can be held within a SIPP.

So here are some **can't do's**, as hefty tax penalties will be imposed by HMRC if a registered Pension arrangement invests in a property that falls within the residential property definition:

- A building or structure that is used or suitable for use as a dwelling.
- Any related land that is wholly or partly the garden for the building or structure.
- Any related land that is wholly or partly grounds for the residential property and which is used or intended for use for a purpose connected with the enjoyment of the building.
- Any building or structure on any such related land.
- In limited situations a hotel, which includes an inn, or similar accommodation, will be counted as taxable property, though this will only be where it provides accommodation rights, such as timeshare.
- A beach hut.
- Any building specified in Regulations as residential property.

A building used for any of the following purposes is not however classed as a residential property:

- A home or other institution providing residential accommodation for children. This means a dedicated children's home, not simply any home that children can live in, for example, a family's house.
- A hall of residence for students. This does not include normal houses or flats let to, for example, university students. HMRC's document RPSM07109085 gives more information on halls of residence for students.
- A home or other institution providing residential accommodation with personal care for persons in need of personal care by reason of old age, disability, past or present dependence on alcohol or drugs or past or present mental disorder.
- A hospital or hospice.
- A prison or similar establishment !!!!!!!.
- Any building specified in Regulations as not to be treated as residential property.

If a building is not currently in use and if it was last used for one of the non-residential purposes set out above, then it is not treated as residential property. If the building has never been used and is more suitable for one of the uses specified above than for any other purpose, it is not treated as residential property regardless of its suitability for use as a dwelling.

## Big business benefits for small businesses

Until now only larger businesses have been able to invest in and benefit from health and wellness programmes for their employees. That's why Relevant Life Policy (RLP) with Vitality is worth a consideration.

### WHAT ARE THE BENEFITS OF RLP WITH VITALITY?

- Life cover for employees that is flexible and tax efficient – save nearly 50% tax
- Access to healthy living reward programmes, get health partner discounts on things like health screening, stop smoking sessions and money off rewards, such as stays at health spas

- Access even more benefits with Vitality Plus and Vitality Optimiser, including great benefits like discounted gym membership, a cinema ticket each week, cashback on cycles and money off holidays
- Premium discount and cashback for the employer when they choose Vitality Optimiser

We don't think it should just be big businesses that have the tools to attract, motivate and protect their employees. RLP with Vitality means small businesses can now enjoy big business benefits.

# Thinking of leaving the UK?

## Issues to consider...

Assuming that the individual will be classed as a non-UK resident following their departure (either immediately or in due course) the following general planning points should be considered. Bear in mind that if someone wishes to establish a new non-UK domicile it is advisable that, as far as possible, no UK investments/property/assets are retained.

- All planning should start well in advance of the planned date of departure.
- Although we are only in a position to advise on the UK tax consequences of any actions, it is crucial that the tax rules of the country to which the individual is moving are taken into account (which is likely to involve specialist input).
- The details of any double tax treaty between the UK and the new country of residence should be checked.
- European Economic Area citizens (including British), or current or former Crown employees, are given the UK Personal Allowance to reduce the amount of UK Income Tax due. Commonwealth citizens only received the Personal Allowance up to tax year 2009/10 - they may still qualify in later tax years depending on the relevant double taxation treaty with the UK. Members of certain other special groups also qualify.
- The annual Capital Gains Tax (CGT) exemption is also available each year to certain categories of people and depending on the relevant double tax treaty (in a similar way to the personal allowance) although this will be irrelevant if the individual leaves the UK on a long term basis and therefore doesn't fall foul of the temporary non-residence rules (which would cause gains made whilst outside the UK to be taxed on their return).
- So as to plan with some certainty the individual can confirm their tax status with HMRC by completion of Form P85.
- UK source income may still be subject to UK income tax even when the individual is no longer UK resident (possibly with a personal allowance/ married couple's allowance if applicable) but normally limited to the tax deducted at source.
- Becoming a non-UK resident may cause previously held-over capital gains to be reinstated (e.g. gifts, EIS investments if becomes non-UK resident within 3 years).



- If leaving the UK permanently or on a long-term basis (i.e. the temporary non-residence rules won't apply) the individual will not be subject to UK CGT on disposals of assets (wherever situated). Once the individual is classed as non-UK resident assets can be disposed of without incurring UK CGT (although the tax position in the new country of residence should be compared when deciding on the timing of any disposals, e.g. would it make financial sense to dispose of an asset whilst still a UK resident?).
- Under the new Statutory Residence Test a person is either a UK resident or non-UK resident for a particular tax year - however in the tax year in which an individual either arrives in or departs from the UK, split year treatment may apply. There are eight occasions that might give rise to split year treatment and each of these have specific rules. When split year treatment applies, the year of assessment is split into a UK part and an overseas part. Normally this will mean that the individual is not chargeable to CGT in respect of any chargeable gains accruing to him or her in the overseas part of the year.
- In order to be certain that UK CGT won't apply, disposal of any assets could be deferred until the first full tax year in which non-resident status is established.

Continued overleaf

## Thinking of Leaving the UK? Issues to consider... - *continued*

- However, any assets which are likely to produce a loss when disposed of should generally be disposed of before departure.
- Inheritance tax - unless already non-UK domiciled, or until such time as the individual becomes non-UK domiciled, UK inheritance tax will continue to apply to the individual's worldwide assets. Individuals who are leaving the UK permanently and wish to establish a new domicile of choice, will continue to be deemed UK domiciled for at least three years after leaving the UK.
- Investments/Pensions/Protection etc. - Where the individual holds UK investments, consideration needs to be given to whether it is advisable to keep the investment, replace it with an investment in the new country of residence or replace it with an investment in another offshore location (i.e. neither UK, nor the new country of residence).
- Deposit accounts – consider moving to offshore accounts to earn gross interest and avoid potentially wasting the UK personal allowance (if available). If UK deposit accounts are kept, complete a declaration to have interest paid gross.
- Gilts - interest on Gilts is now generally paid gross to non-UK residents under the FOTRA arrangements (Free of Tax to Residents Abroad). For IHT purposes, Gilts are treated as excluded property if they are owned by a non-UK domiciliary.
- In order to subscribe to an ISA/NISA the investor must be a UK resident at the time of subscription (the ordinary residence rule no longer applies). Once a non-UK resident, no further subscriptions can be made, but existing ISA/NISAs can be kept and will continue with their tax-free status.
- Stocks and Shares, OEICs and Unit Trusts – as per the CGT bullet points above, consideration should be given (alongside other non-tax issues) to whether investments which are likely to produce a loss should be disposed of before leaving the UK (the loss could be used or carried forward) and whether investments likely to produce gains, should be kept until non-UK resident (bear in mind gains will be taxed on return to the UK if the temporary non-residence rules apply). UK income tax could be avoided by any reinvestment being made outside the UK (including in the new country of residence) after comparing such issues as taxation in the new country of residence, investor protection issues etc.



- Investment bonds – if encashments/chargeable gains are made once the investor is a non-UK resident there will be no UK tax liability (unless the temporary non-residence rules should apply on a future return to the UK). If encashment is to be deferred, the taxation implications in the new country of residence should, of course, be ascertained.
- Protection policies – inform the relevant insurers that the insured person is leaving the UK. It may be necessary to maintain a UK bank account for payment of ongoing premiums.
- Rental income – in general, rents from a UK property which are payable to a non-resident landlord are paid after deduction of basic rate tax. However, under the Non-resident Landlord Scheme, a non-UK resident can apply to HMRC for permission to receive rent with no tax deducted, if for example, their total UK income falls within their personal allowance.

### Offshore tax evasion - to be extended to cover Inheritance Tax (IHT)

HMRC has launched two consultations on new powers to defeat offshore tax evasion. They propose extending the existing punitive penalties for offshore evasion to cover Inheritance Tax as well as the existing powers relating to offshore Income Tax and Capital Gains Tax evasion. HMRC has stated that IHT ranks alongside Income Tax and Capital Gains Tax as one of the most significant taxes evaded through the use of offshore territories and complex structures. Both consultation periods end on 31st October 2014.



# New Intestacy Rules - who gets what when you tie the knot?

Hot on the heels of the announcement on the changes to pension death benefits came a revamp of the intestacy laws in England & Wales. While this will see spouses and civil partners potentially getting more than before, it may not match your clients' intentions. Both sets of changes highlight the importance of letting people know how you intend for your death benefits to be distributed.

This means making sure Wills and Pension death benefit instructions are in place and regularly reviewed. And with greater inheritability of pension wealth on the horizon, this could considerably change the size and destination of gifts your clients' might want to leave through their Will.

## What's changing?

The intestacy rules determine how a deceased's estate is divided if they don't have a valid Will. And how certain investments are set up can dictate how they're passed on. Remember that although jointly held investments will typically form part of the estate for IHT, they'll pass automatically to the survivor outside the terms of the Will or intestacy.



It's only married couples and civil partners who'll see any benefit from the intestacy changes. There are still no statutory rules that would give the growing number of cohabiting couples a right to a deceased loved one's estate.

The purpose of the changes is to simplify and improve the rights of married couples and civil partners, both with and without children.

## Married couples/Civil partners without children

From 1 October 2014, if someone dies intestate with no children, the estate will be inherited entirely by the surviving spouse or civil partner.

Before the changes, a share of the estate could have gone to parents or siblings – leaving less for the spouse or civil partner.

## Married couples/Civil partners with children

The position for those with children has been simplified too. If someone dies intestate and leaves a spouse/civil partner and children, the spouse/civil partner will inherit three elements from the estate:

1. All "personal chattels" i.e. moveable property such as jewellery, furniture and cars.
2. £250,000 (or the whole of the estate, if its value is less than this).
3. One half of any balance left over.

The remaining half share still goes to the deceased's children. And if those children are still minors, their share is held on Bereaved Minor's Trust, until they reach age 18.

So, the rights under 1 and 2 remain unaltered. But the right to one half of the balance has changed. Previously, a spouse or civil partner would have only been entitled to a right to income from one half of the balance left over, with the other half ultimately passing to the children. But now they'll receive their half share outright, without creating a statutory life interest trust.

While the changes strengthen the rights for surviving spouses and civil partners, it won't be to everyone's liking. For example, some would like more of their wealth preserved for their children should their spouse remarry. Others may not want anything to go to their children initially, and would prefer that children only inherited once both parents were gone. And the only way to deal with specific wishes such as these is by making a Will.

## What about Cohabitees?

There's less 'inheritance protection' for cohabiting couples. Calls for them to be given similar rights to married couples and civil partners continue to go unanswered. And if marriage vows are not for them, they should at least vow to make a Will. Otherwise, their estate could end up passing to parents or siblings rather than their partner. Or it could pass directly to their children and skip the partner completely.

Continued overleaf



## New Intestacy Rules - who gets what when you tie the knot? - *continued*

But it is possible for a cohabiting partner to make a claim on the estate of the deceased in England and Wales. The Inheritance (Provision for Family and Dependants) Act 1975 allows someone to challenge the distribution of an estate if they feel they haven't been adequately provided for under the Will or intestacy. This remains a complex area which is best avoided by making a Will whereby the partner benefits, removing any uncertainty about who gets what. Without one, the surviving partner could face the prospect of having to go through the courts to get a slice of the estate, which is a stressful and costly thing to have to do at an extremely difficult time.

### Take control

The new intestacy rules are a fall back provision which give improved results for some, but it's always advisable to control exactly who gets what by making a Will and keeping it reviewed. And it's the same for pension death benefits, making sure that death benefit instructions continue to reflect a clients' wishes - especially following recent announcements.

For further information on this topic  
please call us on 01536 512724

## If you start early it's not as hard as you think!

Simple tips to amass lifetime savings for a Pension pot based on a 30 year old working to age 68

NEST - a non-profit-making organisation which supplies pensions under Automatic Enrolment - has also produced some tips for saving into a Pension.

It claims that if a 30-year-old worker replaced a takeaway with a home-cooked meal at least once a week, they could save £12 a week. If all of that was paid into a pension, it could build up to a pot worth more than £50,000.

By buying a packed lunch to take to work, people could amass a pension pot of more than £63,000.

## One to Ponder.....

if...    A B C D E F G H I J K L M N O P Q R S T U V W X Y Z  
equals..1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26

then... K N O W L E D G E

11+14+15+23+12+5+4+7+5= 96%

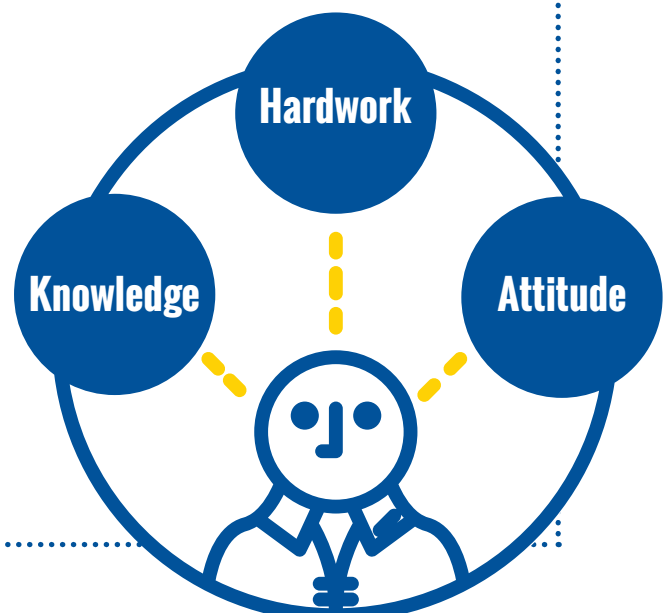
and... H A R D W O R K

8+1+18+4+23+15+18+11 = 98%

both are important but fall short of 100%

but... A T T I T U D E

1+20+20+9+20+21+4+5 = 100%



# Keeping it lite - Computer Says No!

Computer: Please set a password to register.

User: *cabbage*

Computer: Sorry, the password must be more than 8 characters.

User: *boiledcabbage*

Computer: Sorry, the password must contain 1 numerical character.

User: *1boiledcabbage*

Computer: Sorry, the password cannot have blank spaces.

User: *50soddingboiledcabbages*

Computer: Sorry, the password must contain at least one upper case character.

User: *50SODDINGboiledcabbages*

Computer: Sorry, the password cannot use more than one upper case character consecutively.

User: *50SoddingBoiledCabbagesShovedUpYours,IfYouDon'tGiveMeAccessImmediately!*

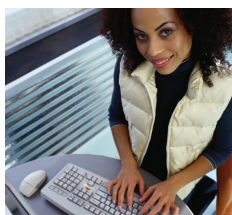
Computer: Sorry, the password cannot contain punctuation.

User: *NowIamGettingReallyMiffed50SoddingBoiledCabbagesShovedUpYoursIfYouDontGiveMeAccessImmediately!*

Computer: Sorry, that password is already in use !



We hope you find this a useful and informative read. With our constant strive for excellence in customer service we always appreciate to hear your feedback, whether good or bad.



If you would like to receive the newsletter via email, please email us at: [enquiries@atawny.co.uk](mailto:enquiries@atawny.co.uk)



6 Market Place  
Kettering  
Northants  
NN16 0AL

T: 01536 512724

F: 01536 312232

E: [enquiries@atawny.co.uk](mailto:enquiries@atawny.co.uk)

W: [www.atawny.co.uk](http://www.atawny.co.uk)

**Aaron Tawny**

Aaron Tawny Mortgages Ltd is Authorised and Regulated by the Financial Conduct Authority. The Financial Conduct Authority does not regulate: Some forms of Buy to Lets, Commercial Loans and some Estate Planning.



To detach please cut along dotted line

If you would like more information on any of the following areas, please tick the relevant section, fill in your details and send this back to us at:

Aaron Tawny Mortgages Ltd. 6 Market Place, Kettering, Northants, NN16 0AL

☐

Mortgages

☐

Annual Tax on Enveloped Dwellings

☐

Carry Forward Pension Relief

☐

Pension Death Benefits

☐

SIPPS

☐

Relevant Life Policies

Name: ..... Address: .....

Telephone: ..... Email: .....

