The big news of the week is obviously Rishi Sunak's second Budget and the fallout continues but generally speaking for financial services there were none of the dramatic announcements around tax free cash or pension tax relief or capital gains tax, that perhaps we feared.

Delivering the Budget in Parliament on 3 March 2021, Chancellor of the Exchequer Rishi Sunak said, "This Budget meets the moment with a three-part plan to protect the jobs and livelihoods of the British people. First, we will continue doing whatever it takes to support the British people and businesses through this moment of crisis. Second, once we are on the way to recovery, we will need to begin fixing the public finances – and I want to be honest today about our plans to do that. And, third, we begin the work of building our future economy."

This Budget follows a year of extraordinary economic challenge as a result of the ongoing COVID-19 pandemic. The announcements set out how the government is extending its economic support to reflect the cautious easing of social distancing rules and the reopening of the economy in the government's roadmap. As the economy reopens, this Budget also sets out the steps the government is taking to support the recovery. The Chancellor said his immediate priority continues to be supporting those hardest hit, with extensions to furlough, self-employed support, business grants, loans and VAT cuts. He also set out plans to drive jobs, growth and investment to help the economy rebound – and spoke about the tough choices required to put the public finances on a more sustainable path.

The freezing of the allowances and into the future should not be underestimated though as the impact on the amount of tax we are all required to pay will grow inexorably, especially if inflationary pressures return. Holly Mackay at Boring Money caught the mood very well when she said "freezing thresholds and allowances does not sound that dramatic. But millions of us will be affected by these moves. It's a bit like telling an 8 year old that you will only buy her Frozen tracksuits to wear for the next 5 years. She will shrug. Wha'evs, doesn't sound too bad. But by the time you're dropping her off at her first school disco aged 13, she will be furious. What feels OK now will not feel OK in 5 years"

For a detailed look at what the Budget contained please refer to our JB Wealth Guide to the Budget 2021 which aims to provide a clear and concise commentary of the main Budget proposals, focusing on the issues pertinent to you, your family and your business. This Guide can be found in our News and Blogs section. If you would like to review your current situation or discuss how Budget 2021 could affect your future plans, please contact us.

In the investment markets the week started strongly, although a warning from a top Chinese banking official about bubbles in overseas assets started weighing heavily on several major stock markets. By Tuesday, the S&P 500 recorded its biggest weekly drop in a month and the Nasdaq Composite suffered its worst decline since October. Guy Foster at Brewin Dolphin explores the impact of rising bond yields in this week's markets in a minute video below.

Markets in a Minute 2 March 2021 from Brewin Dolphin on Vimeo

In my series of articles about Environmental Social and Governance considerations when investing this week Eimear Toomey, Head of Responsible Investment at Quilter Investors takes a look at how the pandemic has particularly affected the way the 'Social' side of this is being looked at, in her paper entitled 'putting the S in ESG'.

We are now only one month away from the end of the tax year and with Easter weekend starting on the 2nd April the last working day for most companies is going to be April Fool's day so I will avoid the

obvious comment and just say that if you want to make any year-end contributions or changes then please do so early. As a further reminder please refer to our 'End of the Tax-Year checklist' below.

I wish you all another safe week, and if you need any help with any of the points raised in this bulletin please do not hesitate to contact your usual JB Wealth adviser.

Ian

The comments in this bulletin remain those of the author and do not constitute investment advice.

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End of the tax year checklist! Ten things savers and investors should consider before 5 April to make the most of their money

- **Ensure you benefit from free Government cash**
- **Work out which ISA is right for you and start saving for your children**
- **Use your annual capital gains tax-free allowance**
- **Get your tax-free personal allowance back**

1. Use your ISA and pension annual allowances

ISAs and pensions are a great way to save for the future because any income and capital gains made on investments held in both products are free from income tax and capital gains tax.

All adults can save a total of £20,000 each year in ISAs, whether that be a cash ISA, Stocks and Shares ISA or a Lifetime ISA. Importantly, if you don't use all the allowance, it can't be carried forward, so you lose it for good. Investors with unused ISA allowance for this year should consider using it if they can before the 5 April deadline.

Things to do: February and March are a good time to get your tax affairs and finances in order.

The pension annual allowance for 2020/21 is £40,000 - this includes both contributions made by you and your employer.

The annual allowance can be carried forward for up to three years, so investors should consider whether they have made as much use of their pension annual allowance as possible ahead of the end of the tax year.

Those with very high incomes or those who have started to take taxable income from drawdown will have a restricted annual allowance.

If you are looking to make use of carry forward, note that personal contributions in any year are also limited for tax relief to 100 per cent of your earnings. People with no earnings (including children) can still save up to £3,600 a year in a pension (including basic rate tax relief).

2. Ensure you benefit from free Government cash

A significant benefit of pensions and Lifetime ISAs is that money you pay into them will benefit from a top up from the Government.

This is most generous in pensions, where personal contributions are automatically topped up by 20 per cent pension tax relief from the Government. That means that every 80p you pay into your pension is automatically topped up to £1. Higher rate and additional rate tax payers can reclaim an additional 20 per cent or 25 per cent tax relief respectively via their tax return.

So, for a higher rate tax payer, every £1 that ends up in their pension only costs them 60p. Even with just basic rate tax relief, if you contribute £100 a month to a pension and assume 5 per cent investment growth each year, the Government contribution to your pension would be worth £38,000 after 40 years of saving.

With the Lifetime ISA you can get up to £1,000 a year in the form of a Government bonus, up until the age of 50. If you opened a Lifetime ISA at age 18, that is a maximum Government bonus of £33,000 (or £32,000 if you're unlucky enough to have your birthday on 6th April).

The Lifetime ISA can be opened by those aged 18 up to the day before your 40th birthday, and you can save up to £4,000 each year – either in one or more lump sums or as a regular monthly saving.

You can withdraw Lifetime ISA money once you've reached age 60 or earlier to buy your first property, but be warned that if you take the money for any other reason (apart from severe ill health) you'll pay an exit penalty which is currently 20 per cent but is due to increase to 25 per cent on 5 April.

3. Work out which ISA is right for you

ISAs are a simple savings product but there are a number of versions, which cater for different needs.

If you are saving for a house deposit, the Lifetime ISA is worth considering because it benefits from a 25 per cent Government bonus on up to £4,000 that can be paid in each year and a withdrawal for a first-time house purchase incurs no penalty. So that is up to £1,000 bonus each year and a Lifetime ISA can be held in cash or invested in stocks and shares.

4. Don't forget Bed and ISA

If you have investments held outside an ISA wrapper a 'Bed and ISA' transaction is a simple way to open and fund a new ISA or top up an existing one. The investment outside of the ISA is sold, the proceeds moved into an ISA and used immediately to purchase the same investment within the ISA.

Depending on which investment platform you use, the two transactions that make up a 'Bed and ISA' may be counted as just one deal so you will only be charged one dealing charge.

'Bed and ISA' can be useful if you want to take advantage of the tax benefits in your ISA but don't have readily available cash to invest and you do have investments held outside your ISA that you want to keep.

There may be a capital gains tax liability if the profit on the sale of the investment outside of the ISA exceed your annual CGT allowance of £12,300 in 2020/21 but once in the ISA all dividends and future capital growth are free from income or capital gains tax.

5. Put your dividend income investments in an ISA

Dividend income from investments held outside of an ISA or pension wrapper might be taxed.

You do not pay tax on any dividend income that falls within your Personal Allowance (the amount of income you can earn each year without paying tax). You also get a dividend allowance each year of £2,000.

Dividend income from investments held outside of an ISA or pension wrapper might be taxed

Any dividend income you get above this amount is taxed at 7.5 per cent for a basic-rate taxpayer, 32.5 per cent for a higher-rate taxpayer or 38.1 per cent for additional-rate taxpayers.

An investment pot of £100,000 that is yielding around 4 per cent as dividends would incur £150 a year in income tax outside an Isa if you are already a basic-rate taxpayer, £650 a year if you are a higher-rate taxpayer and £762 a year if you are an additional rate payer.

6. Use your annual capital gains tax-free allowance

For investments held outside an ISA or pension, the annual capital Gains tax-free allowance is very valuable. Investors can make investment gains of up to £12,300 in 2020/21 without paying any tax.

Gains over that amount are added to income and if they fall in the basic rate tax band are taxed at 10 per cent and if they fall in the higher rate tax band are taxed at 20 per cent. An additional 8 per cent is added to the tax rate if the gains are from a second property.

The annual capital gains tax-free allowance cannot be carried forward into future years so if you don't use it, you lose it. If you have investments with gains outside of an ISA or pension you should consider whether to realise some of that gain before the end the tax year to make the most of your tax-free allowance.

You can also transfer investments to your spouse, in order to use their annual CGT allowance.

7. Get your tax-free personal allowance back

The tax-free personal allowance for most people is currently £12,500. When your taxable income reaches £100,000, your personal allowance is cut by £1 for every £2 of your income, which means you lose it completely once your income reaches £125,000.

For example, someone who gets a pay rise from £100,000 to £110,000 will lose £5,000 of their personal allowance. They will be taxed at 40 per cent on their pay rise, amounting to £4,000, and then taxed at 40 per cent on their lost personal allowance, amounting to £2,000. This means they pay £6,000 on the £10,000 pay rise – an effective tax rate of 60 per cent.

The tax-free personal allowance for most people is currently £12,500

If you are in this position you could consider reducing your taxable income so that it falls below the £100,000 level where the personal allowance starts to be eroded. You can do this by making charity donations or contributing to a pension.

By contributing to a pension you are a making tax savings in the form of getting your personal allowance back whilst also saving for your future and benefiting from pension tax relief at 40 per cent, so you wipe out the 60 per cent effective tax rate completely.

8. Ensure you continue to receive child benefit

All parents are entitled to child benefit, but as soon as one of them earns more than £50,000 they will see the amount they get whittled away, before the benefit is completely wiped out when they earn £60,000 or more.

A parent with two children will get £1,820. a year in child benefit, but for every £1,000 they earn over £50,000 they will lose 10 per cent of their child benefit – so someone earning £51,000 will lose £182.

However, parents who haven't tipped too far over the threshold can get around this by increasing their pension contributions. What's counted for the purposes of the child benefit 'High Income Charge' is your salary after any pension deductions. This means if you contribute enough to your pension to get your salary back to £49,999 then you'll get the full child benefit again.

Another option is to make charitable donations from the income over the £50,000 limit, which you'll need to declare to HMRC on your tax return.

However, the frustrating factor for many parents is that the rule applies if one parent is earning more than £50,000, regardless of their partner's income. So, you could have both parents earning £48,000 each and have no problem, but if one earns nothing and the other earns £60,000 then you'll lose the benefit.

While there are ways around the charge, ultimately some people will struggle to contribute enough to their pension to bring their income down below the £50,000 limit.

9. Start saving for your children

Like adults, children also have tax allowances that can be used each year. The Junior ISA allowance is now a very generous £9,000 a year which enables you to start building a very healthy fund to help them transition into their adult lives. They won't be able to access the money until they are 18, at which point it automatically turns into a normal ISA and transfers into their name, giving them full access.

Saving for your children: The Junior ISA allowance is now a very generous £9,000 a year

If you contribute the maximum £9,000 each year and achieved a 4.5% investment return after charges each year, the pot would be worth just over £252,000 by the time your child turns 18. If they don't touch the fund and don't pay any more into it, the pot would be worth £1million by the time they turn 50.

You can also pay up to £2,880 into a Junior SIPP each year, with Government tax relief automatically boosting that to £3,600. Your child won't be able to access the money until they are at least age 57, maybe later if the Government increases the age limit. This ensures there is plenty of time for them to benefit from compound investment returns.

If you paid in the maximum each year until your child turns 18 and then they don't contribute anything else, assuming 4.5 per cent investment returns each year after charges, the pot would be worth just under £562,000 by the time they turn 57 or just over £835,000 by the time they hit the current state pension age of 66.

10. Consider lifetime gifts

Gifting money in your lifetime needs careful consideration to avoid any surprise tax bills. Lifetime cash gifts are known as PETs or potentially exempt transfers and can create an inheritance tax charge if you, as the donor, pass away within seven years of the date of the gift.

However, you also have an annual gift allowance of £3,000 and any unused allowance from the previous tax year can be carried forward. Gifts of up to £250 made to an individual are also exempt each tax year.

You can also make regular gifts of any size out of surplus income without paying tax, provided your lifestyle is not affected.