

Focus on tax in wake of savers' Budget

The excitement of the Budget is over for another year but what do the changes mean for taxpayers?

The personal allowance will increase to £10,000 in 2014-15. This is a significant increase from 2010-11 when it stood at £6,475. At the same time however, the point at which taxpayers start to pay higher rate tax at 40% has been falling. This will also increase from 2014/15.

Announced again was the transferable personal allowance for spouses and civil partners though this will not take effect until 2015/16. This will increase from the previously announced £1,000 to £1,050. This is not as impressive as it first appears. The only people who will benefit from this will be couples where one earner is a basic rate taxpayer and the other is not using their personal allowance in full. For those able to take advantage of this in full, it will be worth £210 per year or £4.04 a week, with the Chancellor's trumpeted £50 increase worth 19p per week.

Another "re-announcement" was the "tax free childcare" scheme which has also been extended though it seems to me that this is not really anything to do with tax, other than that the rate is 20%. From September 2015, parents paying childcare costs of up to £10,000 per child up to the age of 12 will receive a 20% contribution from the Government.

FINANCE MATTERS

Helen Lewis, tax technical director at Francis Clark look at the changes and allowances that taxpayers can expect in the wake of the 2014 Budget that had a focus upon businesses, savers and pensioners



This will only be where both parents in the couple are working or for single parents who are working. The income limit is set quite high at £150,000 per person.

The main measure for businesses was a doubling of the Annual Investment Allowance to £500,000 until December 2015 meaning that full tax relief will immediately be available on capital expenditure up to this amount.

Significant reform of ISAs was announced. From 1 July 2014 ISAs will be rebranded as NISAs. Up to £15,000 per annum will be able to be invested in NISAs and this can all be in cash (compared to the current 50% limit). The cumulative effect of this will be to enable taxpayers to keep a significant amount of their savings outside of the income tax net.

More help for savers came in extension of the starting rate band for savings from 2015/16. This will be extended to £5,000 and the rate of tax reduced to 0%. For a pensioner with a pension of £10,000 and savings income of £5,000 this will save them £721 of tax per annum

compared to that which would have been paid in 2013-14. The Government expects 1.5 million individuals to benefit and will take over one million individuals out of tax.

The big surprise was the wholesale reform of pensions. From April 2015 the requirement to buy an annuity will go and the tax charge of 55% on accessing cash from pension pots will be replaced with the tax payers' marginal rate. Unfortunately, those who have already purchased an annuity will not be able to benefit from this; however, those who have done so quite recently may find that they are still in the "cooling off" period and able to cancel the contract. This has completely changed the pensions landscape.

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CHARTERED ACCOUNTANTS

Learn about options if debts are spiralling

We only deal with businesses, but of course anyone can have money problems and worries. You don't need to be in business to run up loans and credit card debts just to live. The availability of credit in the last 20 years has made the problem a lot worse as it has been possible for the level of debt to spiral as new loans are taken out just to service old ones.

So if you find yourself in this spiral (whether in business or not) what can you actually do? Well the first thing you have to do is recognise that you have the problem. That means realising that you just cannot repay the debt or even service the interest out of your income and still live. That in itself is not easy. We are not taught these sorts of things at school or college and no one wants to admit they are in debt.

The first port of call for this advice is the Citizens Advice Bureau or failing that someone like us – a firm of Licensed Insolvency Practitioners. Even though we may not be able to help we will point you in the right direction. Usually we try and work out what options you have left from the following list:

Bankruptcy

This is a very effective way of writing off all your debts. You might think it has a stigma and is a bad thing to do but actually most people who make themselves bankrupt say it is lib-

BUSINESS MATTERS

Facing up to debt is something not generally taught in school. This week, **Lisa Thomas**, an insolvency practitioner at Plymouth-based Neville & Co, gives a lesson in the steps you can take, when credit issues begin to get out of hand



erating. You can call your local County Court who will post you the forms to do it. You do have to pay for the privilege (about £700) but it stops the credit card and loan companies chasing you. The usual reasons for not doing it are if you own your home or have a certain job that means you cannot be made bankrupt.

Individual Voluntary Arrangement

I see these advertised in the back of some magazines or on daytime TV and they sound too good to be true. Sometimes they are but they can be very useful way to spread a debt over a period of five years and freeze the interest. You need 75% in value of creditors to agree to them. In my opinion they tend to be best suited to self-employed people but in fact anyone can apply for one. Any excess debt you cannot afford is just written off.

Debt Management Plan

This is basically where you agree with your credit card and loan companies to freeze the interest and pay them back a small monthly amount. They want proof that you cannot

afford to pay in full but as a whole the lenders like them because if you went bankrupt they would get back even less or nothing at all. You can arrange one of these yourself with the help of someone like the Citizens Advice Bureau or you can ask a firm to do it for you – a firm will typically charge a 10% of the monthly payment you make as a fee.

The issue with them is that they don't really solve the problem they are just deferring it but it does suit some people.

This whole area is a bit of a minefield and there are some unscrupulous firms out there trying to sell you something that earns them a fee but may not be right for you. If in doubt take advice from licensed Insolvency Practitioners like us, a qualified accountant or your solicitor who should point you in the right direction.

NEVILLE & CO

If you, or someone you know, needs advice, contact Lisa Thomas on 01752 786800

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