

TAX HELP

FOR OLDER PEOPLE

Untangling the budget

I am sure we are not the only ones who get confused with all the different budget announcements. In the autumn we get told of changes happening next spring. Then, when spring arrives we get told of more changes happening at differing dates in the future and we have already forgotten the changes announced in spring 2013! For this reason we thought a list of some of the more useful changes might be appreciated.

6th April 2014 - The basic personal allowance increases to £10,000. The age related allowances remain the same at £10,500 (for those born before 6th April 1948) and £10,660 (if born before 6th April 1938). The basic rate (20%) limit is now £31,865.

Other allowances increased to:-

Married couples allowance	£8,165
Blind Person's allowance	£2,230
10% savings rate	£2,880
Capital gains tax exemption	£11,000

27th March 2014 – Interim changes to defined contribution pensions (personal/private pensions not company schemes) were introduced as a first step towards further reform in April 2015 (more below). The changes allow people to have greater freedom and choice over accessing their defined contribution pension savings at retirement.

The drawdown rules changed:-

- reducing the amount of guaranteed income people need in retirement to access their savings flexibly, from £20,000 to £12,000; and
- increasing the capped drawdown withdrawal limit from 120% to 150% of an equivalent annuity

The trivial commutation rules (taking your pension savings pot as a lump sum rather than buying an annuity) also changed:-

- increasing the amount of total pension savings that can be taken as a lump sum, from £18,000 to £30,000; and
- increasing the maximum size of a small pension pot which can be taken as a lump sum (regardless of total pension wealth) from £2,000 to £10,000, and increasing the number of personal pots that can be taken under these rules from two to three

July 2014 – The new individual savings accounts (NISAs) become more flexible. The annual subscription limit for cash and stocks and shares ISA's will be equalised at £15,000, and restrictions on the transfer of funds between stocks and shares and cash ISA's will be removed.

January 2015 – NSI pensioner bonds are returning. Indicative interest payable on the 1 year bond will be 2.8% and 4% on the 3 year bond.



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The personal allowance for those born after 5th April 1948 will increase to £10,500, and the £10,660 allowance will remain for those born before 6th April 1938. The basic rate limit will be £31,785.

The starting rate for savings income will reduce from 10% to 0%, and the maximum amount of an individual's savings income that can qualify for this starting rate will increase to £5,000. Savers who are not liable to pay income tax on their savings income can register to receive interest payments from their bank or building society without tax being deducted (form R85).

The married couple's transferable tax allowance will be introduced. It will benefit eligible couples by allowing the transfer of up to £1,000 of unused allowances, provided neither party is a higher rate tax payer. The policy will benefit married couples, including same sex married couples and civil partners, where one is a basic rate taxpayer and one has unused personal allowances.

Further reform of defined contribution pensions is planned. By removing the effective requirement to buy an annuity, people will have greater flexibility in accessing their pensions. The government have released a consultation document available at www.gov.uk

This article is by Tax Help for Older People (operated by registered charity no 1102276), offering free tax advice to older people on lower incomes. Our Helpline number is 0845 601 3321 or geographical 01308 488066.