

An uphill climb?

Tackling the Autumn Budget outcomes

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Investment in a world of higher capital gains tax

Investors face higher tax on investment gains after the rates of capital gains tax (CGT) were increased in the Autumn Budget.

The Budget raised the main CGT rates to 18% or 24% (from 10% and 20%). This follows a cut to the CGT annual exempt amount (AEA) last year to just £3,000. This makes tax-efficient savings vehicles like ISAs and pensions more attractive as there is no CGT to pay on gains made in either wrapper.

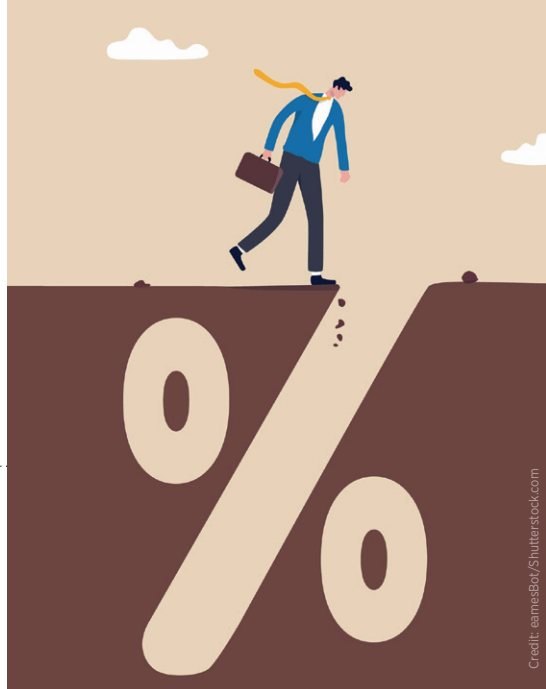
Utilise pensions or sell shares

Other ways to potentially reduce future CGT liabilities include making additional contributions to pensions outside the CGT regime and making strategic use of the CGT AEA. If you are looking to realise a large gain, it may be worth selling shares in tranches over two or more years to utilise each year's CGT AEA, as it cannot be carried forward.

Offset against losses

Capital losses can offset capital gains, and losses can be carried forward indefinitely to offset future gains if reported to HMRC within four years of the end of the tax year in which the asset was disposed of.

Transfers of assets between married couples and civil partners are CGT free, so there is scope to arrange finances as a couple, potentially reducing the total tax paid. Owning assets jointly is also effective as any gain is split equally.



As always, take advice before making key decisions about your finances.

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Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

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“ *Capital losses can offset capital gains, and losses can be carried forward indefinitely to offset future gains if reported within four years.* ”

Time to review your estate planning?

The October Budget could mean a radical rethink in your estate planning.

Changes to inheritance tax (IHT) coming over the next three years, outlined in our feature article on the Autumn Budget, could mean that a review of your estate planning is required. There are two main areas that need to be examined.

Pensions

If part of your estate planning involves pension benefits paid on death, then the new rules from 2027/28 could significantly increase the IHT liability on your estate. This applies both to traditional death in service life cover provided by your employer and to residual pension funds, unused at the date of death.

Pensions become subject to IHT, also increasing the overall value of the estate, which may lead to a loss of some or all of the residence nil-rate band.

What can be done to mitigate the extra IHT liability depends upon a variety of factors, not least of which is where you are on the retirement journey.

Business and agricultural reliefs

If you own shares in a private business, a partnership interest or agricultural land, the £1 million overall cap on 100% IHT relief means you can no longer assume these will pass to your beneficiaries free of IHT if you die after 5 April 2026. Relief of 50% will be available above the cap and the IHT can be paid over ten years in interest-free instalments.

Assets can be transferred between partners

In theory, a married couple or civil partners can transfer business assets and/or agricultural land worth £2 million before IHT bites, but as the £1 million limit is not transferable, each partner would need to make their own bequest. It could be necessary to restructure ownership and revise wills before 6 April 2026 arrives. As with pensions, any approach must be tailored to your personal circumstances and financial goals.

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The Financial Conduct Authority does not regulate will writing and some forms of estate planning.



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The first Budget from a Labour government in over 14 years reflects the financial strain we have been briefed to expect.

“...And the only way to drive economic growth... is to invest, invest, invest.” So said Rachel Reeves, early on in her first Budget on 30 October. Those who kept listening learned, however, that invest, invest, invest would only follow borrow, borrow, borrow and tax, tax, tax.

There were three major tax highlights.

Employer's national insurance contributions (NICs)

There were two main increases and one small mitigation. From 2025/26:

- The main rate will rise from 13.8% to 15.0%.
- The secondary earnings threshold, below which no employer's NICs are levied, will fall from £9,100 to £5,000 and be frozen until April 2028.
- The employment allowance, effectively an annual NIC rebate, will rise from £5,000 to £10,500. However, this remains unavailable for companies with a single director employee or if the employee is providing domestic services (e.g. a nanny).

Combined with a 6.7% increase in the National Living Wage from April 2025, the higher NICs will mean a significant additional cost for employers, particularly those operating in low wage sectors, such as retail and hospitality.

One notable upshot is that salary sacrifice schemes involving low emission cars or pension contributions will be more attractive from 2025/26 because of the employer NIC savings they offer.

Capital gains tax (CGT)

Changes to CGT were well trailed in the run up to the Budget, but proved to be less dramatic than some rumours had suggested:

“ Combined with a 6.7% increase in the National Living Wage from April 2025, the higher NICs will mean a significant additional cost for employers.





Credit: Vitalii Vodolazskyi/Shutterstock.com

- The main rates rose from 10% to 18% for basic- and nil-rate taxpayers and from 20% to 24% for higher- and additional-rate taxpayers, effective from Budget day. The move brings the rates into line with those already applying to residential property.
- The rate for business assets disposal relief (BADR) will increase from 10% to 14% for 2025/26 and 18% thereafter, while the BADR lifetime limit stays at £1 million.

Some consequences of these increased tax rates are considered on p. 2 of this newsletter.

Inheritance tax (IHT)

Like CGT, changes to IHT were widely expected, and they lived up to, if not exceeded, the rumours:

- The nil rate band (£325,000 since 6 April 2009), residence nil rate band (£175,000 since 6 April 2020) and its taper threshold (£2 million since 6 April 2017) will all be frozen for a further two years, until 6 April 2030.
- From 6 April 2026, 100% agricultural relief and 100% business relief will be capped at a non-transferable £1 million. Above that level, relief will be at 50%. From the same 2026 date, relief on certain shares listed on the AIM will be halved to 50% in all instances.
- From April 2027, death benefits from pension arrangements (including death in service benefits) will be included in the estate for IHT purposes, meaning that in some instances, they will be liable to both income tax and inheritance tax.

These changes will make little difference for some people, but will upend estate planning for others, something examined further in 'Time to review your estate planning?'.

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New bank rules on fraud

Under new rules, banks and building societies now have to reimburse customers who have been tricked into authorising a payment to fraudsters. These increasingly sophisticated scammers persuade people they are talking to their bank, HMRC, or another legitimate organisation. The rules also cover those caught by 'romance' scams and paying for goods that don't exist. The maximum refund is £85,000, although banks can refuse if they can prove the customer has shown a 'significant degree of carelessness'.

Tax deadline looms

The self-assessment deadline of 31 January is looming, with late submissions incurring penalties and interest charges. Those needing to complete a return include the self-employed, those earning over £60,000 who also claim child benefit, anyone with untaxed income, including landlords, anyone with savings or investment income of more than £10,000 before tax, and those with total taxable income of more than £150,000. In total an estimated 12 million will need to file one of these returns by this deadline.

Company car tax

The tax on most company cars will start rising from April 2025, after a three-year freeze. Increases are scheduled for the following two years, and will impact all vehicles, including electric and hybrid cars, although the latter will still have a lower tax rate than more polluting vehicles. Electric cars with zero emissions are currently taxed at 2%, but this will rise by one percentage point each year to stand at 5% by the 2027/28 tax year.



CTFs grown up – the importance of children's savings

Young adults and their parents are being urged to track down lost Child Trust Funds (CTFs), as an estimated £1.4bn is sitting unclaimed in these dormant accounts.

CTFs were opened for all children born between 1 September 2002 and 2 January 2011. Parents received a £250 voucher (low income families received £500) to open a cash or investment CTF. Accounts were opened automatically for children if parents failed to take action, and the government then made a further payment on the child's 7th birthday.

Parents, grandparents and family friends can contribute into these accounts, currently up to £9,000 a year, meaning many CTFs have sizeable balances on maturity. However, government payments ceased on 31 July 2010 and a year later CTFs were replaced by Junior ISAs, which never had a government contribution.

A CTF reverts to the child's name at 16, and they can access this money on their 18th birthday, or transfer funds to an adult ISA so savings can continue to grow.

Unclaimed funds

Government figures show that 670,000 of these maturing CTFs are untouched – with the average balance on these 'lost' accounts standing at £2,212.

CTFs maturing today would have been paper-based accounts, but there is a [digital tool via gov.uk](#) to help people track down lost

accounts. This can be useful if parents have mislaid statements and paperwork, forgotten which provider was used, or if that provider has subsequently merged or been taken over.

The account holder will also need to set up a Government Gateway account. If they don't know the CTF provider, they will need a few key details, including their home address (at birth) and national insurance number.

The online tool will then identify the original CTF provider. The account holder then contacts the provider directly, who can disclose details on the balance in the account, and what they need to do to access these funds or transfer them into another savings vehicle.

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Could you afford to live to 100?

The number of people reaching their 100th birthday is expected to treble over the next 25 years, raising a long-term financial planning challenge. How can savers ensure they have sufficient funds to maintain living standards through a potentially far longer retirement?

This problem was made significantly harder with the government announcement that it was cancelling planned reforms to long-term care funding in England, due to the cost.

Planning for the twilight years

This makes planning for the twilight years difficult. While people's spending on essential bills remains fairly constant through retirement, discretionary spending, on travel and entertaining for example, is higher in the early years of retirement, but typically declines as people enter their 80s. However, it can rise steeply if care is needed, whether at home or in a residential setting.

Build funds as long as possible

Building a decent retirement fund can provide flexibility through retirement, regardless of circumstances. It can help to save what you can while working to build up funds. Starting early means your savings benefit from compound growth. Retiring later, or working part-time in retirement, can help these savings go further.

Seeking advice when it comes to retirement income options is imperative. Annuities offer a secure income and will continue to be paid for life, however long that is, but may represent poor value if you die young. Drawdown, where funds remain invested, offers more flexibility but less security. Many will opt for a blend of the two.

Consider all your assets

It can also help to take a holistic view of your finances. For many people it is unrealistic to save enough to cover day-to-day living expenses through retirement plus potential care costs. Other assets, such as a property, could be sold to pay for care should the need arise.

+ Occupational pension schemes are regulated by The Pensions Regulator.

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Credit: John M Chase/Shutterstock.com

Hitting the mid 20s – what's next?

Five years on from the start of the 2020s, it's time to take stock and look forward.

Think back to 1 January 2020. Boris Johnson had become prime minister with a majority of 80 seats. Covid-19 was still a month away from being declared an international public health emergency. The Bank of England Bank Rate was just 0.75%.

As 2025 approaches, the picture is radically different. While today Covid-19 is of little concern, its economic consequences remain. As the pandemic took hold, the Bank of England was prompted to cut rates to 0.1% in March 2020. However, from December 2021 rates started to climb, reaching 5.25% before reversing direction in 2024 to their current 4.75%.

Impact of inflation

A pandemic-induced inflationary surge saw UK inflation peak at 11.1% in October 2022, a 41-year high, but it is now back to around January 2020's 1.8%. Inflation's return to a norm of around 2% is no solace for most people, who feel price rises over longer periods than the

12 months favoured by economists. In the UK prices will have risen by around a quarter in the first half of the decade.

Cumulative inflation, higher interest rates and a return to a Labour government means the backdrop for the second half of the 2020s is substantially different. Have your financial plans taken account of the new landscape? For example, the 2020s' wedge of inflation means the funds you need for a comfortable retirement are correspondingly higher. At the same time, higher interest rates and a harsher tax environment could require a reassessment of your investment approach.

This halfway point is a good time to pause, review and prepare for whatever the next five years might bring.

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