Insider

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Savers get extra protection

There isn't much to cheer savers at the moment: rock bottom interest rates and stubbornly high inflation have combined to keep returns on funds at a puny low.

But there has been some good news for those concerned that a second banking crisis may serve to compound problems. The ceiling on the amount of savers' money that is safeguarded should a bank or building society collapse has risen from £50,000 to £85,000.

When the banking crisis first hit in 2007, the upper limit of compensation for savers was £31,700 per person, comprising 100 per cent of the first £2,000 and then 90 per cent of the next £33,000 of saving deposits. In October of that year the FSCS limit was raised to £35,000. A year later it increased again to £50,000. Now the limit is set at £85,000 of savings as from 31 December 2010.

As well as offering a higher level of protection, the new rules will also provide a quicker compensation service, with much of the money to be paid within seven days and the rest within 20 days. The practice of reducing payouts by the amount of money that a saver might owe their savings institution in the form of a mortgage or other loan is scrapped.

Business funding may get a boost

The woes suffered by smaller enterprises in attempting to secure finance have been well documented. But 2011 may herald at least a partial easing of the credit squeeze.

The UK's major high street banks have indicated that they will lend an extra £10 billion to small businesses this year. In 2010, the banks loaned some £60 billion to smaller enterprises.

After a meeting with the Chancellor, George Osborne and Business Secretary, Vince Cable, in December representatives of the UK's largest banks suggested that small business lending may rise to £70 billion in 2011.

If your business would like expert help when it comes to finding funds for growth and expansion, please don't hesitate to give us a call.

Government turns its eye to income splitting once more

The question of family firms that split income between husbands and wives in order to reduce tax bills may come under the scrutiny of the Office of Tax Simplification (OTS).

For HM Revenue and Customs (HMRC), the issue has long been a challenging one. In the past, the tax authority has used laws passed in 1930s to stop family businesses shifting income between spouses through dividend payments as a means of limiting tax liabilities.

The Treasury had promised to legislate in 2007 to make the law clearer, but a subsequent consultation yielded no new laws. Now the OTS, set up by the Government to streamline the tax system, may be re-examining the matter. John Whiting, the tax director at the OTS, has suggested that income splitting could be under review again.

Mr Whiting said: "Income splitting is in the pretty-difficult-to-do box because it has been looked at a heck of a lot. We have to come up with some ways forward. I hope we can come up with some quick tweaks that can make a difference, but I am no under illusions that some of the things we could come up with will require some serious study."

The tax system looks all set to undergo a series of reforms, which means that the start of 2011 may be an opportune

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time to examine your own tax planning. Remember: we are here to help make sure that you both comply with the rules and pay no more tax than you should be paying.

New VAT rate could be a long-term measure

The new standard rate of VAT could well become a permanent feature of the business landscape. The rate rose from 17.5 per cent to 20 per cent on 4 January.

In a press interview given late last year, the Chancellor, George Osborne suggested that the rise may be here for a good while. Mr Osborne told The Spectator magazine: "The VAT rise is not temporary. It can't be. We are talking about a totally different scale of revenue, and the VAT rise is a structural change to the tax system to deal with a structural deficit."

"Once we can bring some stability to the public finances, we can look at reducing the tax burden on people. But it is a complete mirage to cut taxes one year, then to have to borrow the money and put up taxes later to have to pay for that borrowing."

But the Chancellor also hinted that the new 50 per cent top rate for income tax would not be a long-term measure.

A recent survey suggested that many businesses are finding that, along with payroll management, VAT is becoming one of the more onerous admin burdens they face. We are more than happy to provide all the support your business requires when it come to dealing with the complexities of the tax system.

Retirement age change needs rethink

The Government has been urged to clarify its plans for scrapping the default retirement age in order to avoid the risk of extra tribunal claims. The call has come from the CBI.

The employers' group argued that firms could face greater risks of tribunal claims if the Government does not issue more precise legal clarity on the consequences of dropping the default retirement age of 65 as from April 2011.

Under the new rules, employers will no longer be able to terminate the employment of staff members simply because they have reached 65. But the CBI wants to see the new legislation put back a year in order to sidestep the 'huge uncertainty' and the 'unintended consequences' such a move would involve.

As from April next year, employers will not have the right to force someone to retire once they hit 65. The CBI described the measure as one of the 'biggest changes to employment law in 2011' yet maintained that the rules governing retirement will be less clear for both employers and employees.

To make good the regulatory gap, the CBI has said that the Government should delay the change for a year. Other recommendations include a simplification of the law on performance management and unfair dismissal; a spelling out of how employers can use objective justification' to defend a retirement age; and the establishment of the state pension age as a milestone' after which employers would no longer have to offer occupational benefits.

John Cridland, the CBI's director-general designate, commented: "The ageing population and the shortfall in pension savings make it inevitable that people will want to continue working for longer. However, in certain jobs, especially physically-demanding ones, working beyond 65 is not going to be possible for everyone. With the scrapping of the DRA in April, a legislative void is opening up. We need to modernise our employment law framework to ensure that it is fit for purpose."

Pension savers to get more freedom over their retirement money

The 2011 Finance Bill will give pension savers a greater degree of control over how they use their retirement pots.

Under the draft laws, the obligation to buy an annuity from an insurance company by the time someone reaches the age of 75 will be dropped as from April 2011. Instead, people could cash in a greater percentage of their pension pot or opt for continued investment.

There will, however, be a limit on the total amount of money pensioners may still draw down from their pension savings at any given time. The maximum that anyone can draw in any year will be the equivalent of the single person annuity they could purchase with their pension savings.

Only those able to demonstrate that they have a pension income of at least £20,000 a year, be it a combination of the state pension and a company pension, will be allowed to draw more from their retirement pots.

In the past, savers have been confined to a maximum lump sum of 25 per cent of their pension fund on retirement, with the remainder used to buy an annuity.

By not buying an annuity, people will have the chance to retain their pension funds for longer and to bequeath extra money to their families. The new rules mean that a pension pot can be passed to a beneficiary without a tax charge if no money has been withdrawn.

Many pension experts, however, are predicting that most savers will continue to buy annuities, which guarantee an income for life.

Planning for the day that we stop working has never been more important. If you would like guidance on how best to look forward to the retirement your hard work deserves, why not give us a call?