

Don't sugar coat it Mr Osborne – how the budget will really affect you!

We have compiled this summary of Acumen Financial's thoughts on how the Budget may affect you, your business and your family. We hope you find the summary useful and easy to follow.

The cat's out of the bag - or more accurately the red box - as Acumen had been predicting, even before the Treasury spokesman reassured us all, the tax free cash lump sum from pensions has not been hit and nor has tax relief on pensions. The scare stories were just that – and hopefully not too many people rushed to make what may now be the wrong decisions based on rumours fuelled by some financial sales forces and journalists.

All is not as Mr Osborne hoped with the economy. In the words of the song, "There may be trouble ahead." But despite having missed targets that he set for himself, he has used the Budget to get some positive headlines.

The new Sugar Tax

After much speculation, there will be a "**Sugar Tax**" of 5% or 8% aimed at companies in the soft drinks industry, so as to encourage them to reduce the amount of sugar in drinks. It's not just obesity and tooth decay among our children after all, that "sugar rush" can cause all sorts of behavioural problems too. So it looks like the right time to put those fizzy drink manufacturers under pressure to cut back on the frightening amounts of the white stuff that our kids consume.

How will the Budget affect me?

Insurance Premium Tax is going up by 0.5% - that's less than expected - and Fuel Duty will be frozen again, which is certainly welcome news for those of us who spend a lot of time behind the wheel.

Capital Gains Tax will be cut to 20% for Higher Rate Tax payers and 10% for Basic Rate Tax payers, encouraging investment in real assets, company shares and collective investments. But not if the profits you are being taxed on come from a residential property that isn't your main home. If that's the case, then the rates will stay as they are at 28% or 18%.

Encouragement to save via Lifetime ISAs

So the Chancellor wants us to invest and save more and for longer. The introduction of the **Lifetime ISA** is excellent news and will give savers a real incentive. An upfront boost from the Government, a tax efficient fund and the flexibility to use the capital to buy a home.

Lifetime ISAs will be incorporated into **Acumen's financial plans** for the under 40's from launch in April 2017. There will be an annual savings limit of £4,000, and for every £4 someone puts into a Lifetime ISA they will get a £1 bonus from the Government. That is actually the same amount as the tax relief given to basic rate taxpayers on payments into pensions.

Extra savings can be paid with the Government bonus up to age 50. Lifetime ISAs can be used to buy a first home (worth up to £450,000) at any point from 12 months after the account is opened, or to pay an income in retirement from age 60.

Savings can be withdrawn tax-free and with the full government bonus. If savings are withdrawn on it the bonus plus a 5% charge will be paid back to the Government. As time goes on there may be other lifetime events that allow withdrawals without penalty but that's where we are at the moment.

Future outlook of lifetime ISAs & Help to Buy ISAs

It may be possible to borrow against the savings in a **Lifetime ISA** - a bit like in the US where there is a scheme to borrow against the 401k policies. Anyone with a Help to Buy ISA will be able to roll those savings into their Lifetime ISA during 2017/18 and still save an additional £4,000.

Help to Buy ISAs will continue to be available until November 2019, but anyone who has both a Help to Buy ISA and a Lifetime ISA will only be able to use the government bonus from one of their accounts to purchase their first home.

Changes to Personal Allowance

We are delighted to see that from 2017 the **personal allowance** will be increased to £11,500 and it's important to know that if you earn over £100,000 you can pay pension contributions to reduce what is called your "adjusted net income" to regain some of your allowance.

From April 2017, the **higher rate income tax** threshold will be increased to £45,000 too. There are also changes to the taxation of pension benefits payable to those in serious ill health, to young dependents who reach age 23 whilst receiving a dependent's pension, and for those with pension savings up to £30,000. These correct some badly drafted tax legislation, following the introduction of the so-called "pension freedoms" last year and they are very welcome.

Changes to small business rates

Small businesses that have paid **Business rates** and **stamp duty** on commercial property are both benefitting from the Budget. Properties with a Rateable Value of £12000 or less are paying no rates at all. However, we also noted that the Rateable Values are due for reassessment in 2017, so it will be interesting to see whether the new values mean some of these businesses lose out.

The information given above is based on our understanding of the proposed changes. The information is based on current law and HM Revenue and Customs (HMRC) practice, which is subject to change. Well, of course, that's not the whole Budget story but we hope you find our overview quick and easy to follow. Watch this space – as more detail emerges, we'll be blogging about it.