WEALTH KNOWLEDGE

APRIL 2020

CORONAVIRUS PANDEMIC COULD HALVE GLOBAL GROWTH OUTLOOK TO 1.5%

Coronavirus could slow global economic growth to its slowest rate since 2009, the Organisation for Economic Cooperation and Development (OECD) has warned.

The organisation currently estimates global growth of 2.4% over the course of 2020 – down from 2.9% last year – and 0.6% down on the 3% previous growth forecast for 2020.

A longer lasting and more intense coronavirus pandemic could weaken growth to as low as 1.5% this year, half the projected growth rate prior to the outbreak.

Output contractions in China, from where the virus originated in December 2019, are being felt in supply chains, travel and commodity markets around the world.

In January, major stock markets suffered their worst weekly performance since the 2008 financial crisis, with $1.5 trillion being wiped off the value of global shares.

The FTSE 100 suffered its worst weekly performance since the 2008 financial crisis, down 17% for week ending 13 March 2020.

That followed the FTSE 100's fourth-worst weekly performance ever (down 11%) in the week ending 28 February 2020.

The global economy could recover to 3.3% growth in 2021, the OECD said, if epidemics across the world are contained.

But it warned the picture could be much worse if the virus continues to spread throughout Asia, Europe and North America in the coming months.

We can review your investments portfolio.

'RAISING THE JUNIOR ISA ALLOWANCE IS AN EMPTY GESTURE FOR MOST PARENTS'

Parents and grandparents can save up to £9,000 into a child or grandchild's junior ISA, following changes announced in last month's Spring Budget.

Chancellor Rishi Sunak raised the junior ISA allowance from £4,368 to £9,000, although the main ISA allowance remains unchanged for 2020/21 at £20,000.

However, the move has been described as an "empty gesture" by Royal London as very few people actually save the maximum amount in a junior ISA.

According to the latest ISA statistics, published in April 2019 and reflecting figures from 2017/18 when the junior ISA allowance was £4,128, the average subscription was £994.

Becky O'Connor, personal finance specialist at mutual insurer Royal London, said:

"Junior ISAs are a great way to give your children a head start in adult life with a pot of money behind them.

"In reality though, most people save far less into them than the maximum.

"So raising the threshold is a bit of an empty gesture for all but the wealthiest ISA savers, who are the most likely to reach this maximum amount."

No tax on interest, dividends or investments applies to junior ISAs, which can take the form of either cash ISAs or stocks and shares ISAs.

Get in touch to discuss financial plans for the family.

CHANCELLOR UPS ANNUAL PENSION ALLOWANCE THRESHOLDS BY £90,000

The point at which tapering of the annual pension allowance kicks in increases by £90,000 to £200,000 for 2020/21.

The move, announced in last month's Spring Budget, means the taper will not affect anyone with income of less than £200,000.

It brings an end to a long-running rift between the Government and senior clinicians, many of whom either retired early, left the NHS pensions scheme or rejected overtime shifts to avoid unexpectedly high tax bills.

Chancellor Rishi Sunak said this "will take around 98% of consultants and 96% of GPs out of the taper altogether", although critics argue the taper should have been abolished.

Sunak also announced a reduction to the minimum annual allowance to £4,000 for those with incomes above £300,000.

Steve Cameron, pensions director at Aegon, said:

"The tapered annual allowance has seen some senior NHS professionals facing tax bills running into six figures.

"Removing the taper would have been too costly but instead, the threshold when it kicks in was raised.

"This may reduce the number of higher-paid individuals who face a tax penalty, but many individuals will fear being caught out."

Under the previous rules, the £40,00 annual pension allowance – which remains in place for 2020/21 – was tapered for those on high incomes.

That means for every £2 of adjusted income above £150,000 a year in 2019/20, £1 of the annual pension allowance was lost.

For 2020/21, the adjusted income figure rises to £240,000 and anyone with income of more than £300,000 will have their minimum reduced tapered allowance decreased to £4,000.

Talk to us about pension planning.

SIGNIFICANT CHANGES TO CAPITAL GAINS TAX TAKE EFFECT

People who are planning to sell a second home this year must report any capital gains tax due within 30 days of the sale going through.

The 30-day payment window requires sellers to report any gains of more than £12,300, or £6,150 for properties held in trust.

Before this month, anyone selling property that's not their main home had to report and pay any tax owed by 31 January after the end of the tax year.

In some cases prior to 2020/21, this deadline was somewhere between ten and 22 months after the date of a sale.

Examples of additional properties include second homes, buy-to-let properties or inherited residences.

HMRC is launching a new service to allow people to report this online, but the page has yet to be made available to the public.

For the sale of jointly-held additional properties, each owner must submit a separate form.

Other tax-planning changes to be aware of in 2020/21 involve separate aspects of capital gains tax, with the qualifying conditions for letting relief and the private residential relief final-exemption period also changing.

Letting relief of up to £40,000 will only be available in circumstances where the owner of the property is in shared occupancy with a tenant.

Changes to private residence relief will, in most cases, see the final-period of exemption fall from 18 months to nine months.

Sarah Kelsey, deputy director at HMRC, said:

"It's really important that everyone involved with the sale of a residential property fully understands the changes."

Speak to us for financial planning advice.