



## A NEW YEAR AND SOME NEW CHANGES TO TAX

Following changes announced in the Chancellor's Autumn Statement and the last Budget we thought we would highlight some points of interest for the ordinary taxpayer. If you would like more details, please don't hesitate to contact us.

- The **Personal Allowance** (PA), the amount you can earn before you have to start paying tax, is being increased to £10,600 in April 2015. If you are married or in a civil partnership and not liable to pay income tax above the basic rate you can also transfer up to £1,060 (10%) of your PA to your spouse or partner (providing they too are not liable to pay income tax above the basic rate).
- Partners can now effectively inherit any ISAs held by a deceased spouse. For deaths on or after 3 December 2014, surviving spouses will have an additional ISA allowance, equal to the amount the deceased spouse held in their ISA, which can be used from 6 April 2015. The cash or investments are passed on to the spouse or other beneficiaries as part of the estate and are still subject to inheritance tax (although there is no IHT on inter-spouse transfers). The way the ISA status is retained is by providing an additional one-off allowance to the surviving spouse to be used on or after 6 April 2015. This is in addition to the normal allowance, which in 2015/16 will be £15,240. Note that the ISA wrapper and tax-efficient status are still lost at the date of death, so that income and gains from date of death to distribution of the estate are taxable. However, once distributed to the surviving spouse, the value at date of death can be sheltered into an ISA after 5 April 2016.
- In line with government policy, the basic **State Pension** will be increased by 2.5% in April 2015; a cash increase of £2.85 per week for recipients of the full basic state pension. **Pension Credit** will rise by the same amount as the cash increase in basic state pension.
- Currently, your spouse, partner or beneficiaries pay income tax on inherited pensions at their marginal rate. Where the first payment of an annuity is after 5 April 2015, they will be tax free if you die before age 75. Additionally, a joint-life or dependant's annuity will now be able to be paid to anyone after you die. On their subsequent death any value protection or remaining guarantee period can be paid to anyone.
- The amount of **savings** income that the new 0% rate applies to increases to £5,000. This means that anyone with a total income of less than £15,600 will not pay any tax on their savings. More people will be able to complete R85's, the form allowing your savings provider to pay your interest gross (without tax being taken off). There will still be some people who have to pay tax at 20% who will need to claim back their overpaid tax using form R40.



- **Direct Recovery of Debts (DRD)** – As announced at Budget 2014, the government will be able to recover tax and tax credit debts directly from the bank and building society accounts (and ISAs) of debtors. Following consultation, the government has further strengthened the safeguards which will apply to DRD. These include:
  - A guaranteed face-to-face visit from an HMRC agent to every debtor who is considered for debt recovery through this measure – this will allow HMRC to identify vulnerable debtors to provide them with appropriate support.
  - Slower implementation of the measure in the first year to allow HMRC to start the process on a small, targeted basis, and gain experience and feedback.
  - Ensuring that judicial oversight of the process is enshrined in legislation, by allowing for an appeal to the County Court.

Remember: The deadline for 'online' Self-Assessment filing is 31 January 2015. Go to [HMRC.gov.uk](http://HMRC.gov.uk) and follow the instructions to avoid penalties.

This article is by Tax Help for Older People (operated by registered charity no 1102276), offering free tax advice to older people on incomes below £20,000 a year. The Helpline number is 0845 601 3321 or geographical 01308 488066.

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