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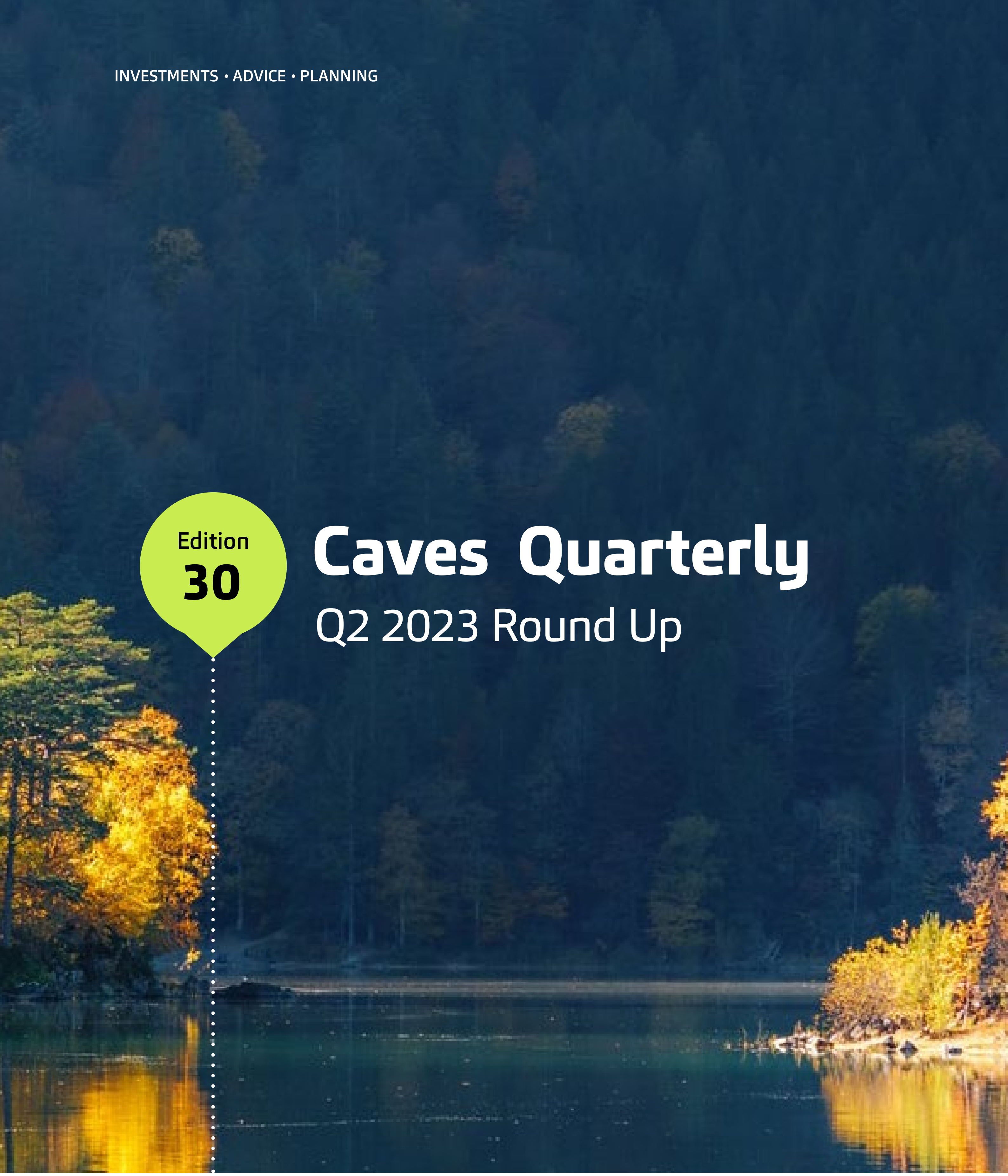

Edition
30

# Caves Quarterly

## Q2 2023 Round Up

**Now, for tomorrow**

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CAVES WEALTH

# Welcome

Simon Harvey, CEO

As summer gets underway the warm weather may leave you daydreaming about the possibilities of retirement – longer days at a more relaxed pace, and more opportunities to spend time with family and friends.

The current economic climate, however, has contributed to a more gradual retirement process and means those planning for and approaching retirement have much to consider.

Our feature for this edition of our newsletter drills into the changed pension allowance landscape, exploring the impact of the scrapped lifetime allowance and increased annual pension allowance. While constraints on contributions have been lifted for those at the higher end of the earnings spectrum, working out the best strategy for contributions isn't straightforward for everyone.

The rise in inflation over the past 18 months has forced many to consider how they spend their money and meet financial commitments. For those nearing retirement, that will include how they take their pension. The security of an annuity will be appealing to many, but we explore creating the right balance of income sources to suit an increasingly phased process.

We will share the next phase of developments with you in September. Please do get in touch if we can continue to help or provide you with more information on any of the topics covered.

**Best wishes, Simon.**

**The full list of topics in this edition include:**

# Quarterly investment market overview

After the volatility seen in the previous quarter as a result of the instability of the banking sector, this period has been calmer. Investors' attention has returned to focusing on how businesses are faring against a challenging macroeconomic picture.

Despite central banks continuing to raise interest rates during the period, inflation has proven stickier (particularly in the UK) and consumer demand stronger than many expected six months ago. As a result, what was described as the most anticipated recession in history has yet to arrive in most developed nations.

A number of reasons can be sighted for this trend. Savings accumulated during the pandemic have supported households even as prices have continued to rise. Labour markets have remained very tight, giving employees the power in wage negotiations. Changes in property ownership, with less than 30% (down from 40% in the 1990s) of UK households now having a mortgage attached to a property and most now favouring fixed rate mortgage deals have all combined to reduce the public sensitivity to the interest rate rises.

As a result of inflation proving more persistent, central banks have responded by increasing interest rates higher and faster than previously expected. This has resulted in a challenging environment for assets most affected by increases in the risk-free rate, namely government bonds, investment-grade debt and infrastructure. On the positive side, after an encouraging Q1 earnings season, equities have continued their bright start to the year, with US firms seeing strong gains. After a tough 2022, mega-cap technology stocks led these gains, having been caught by investors' enthusiasm for the potential future earnings that advances in artificial intelligence (AI) might bring. This quarter marked perhaps the first time the concept of AI moved from a niche subject into the mainstream of investors' minds.

# Global Equities

**A combination of sluggish growth, sticky inflation data and a persistently tight labour market saw the UK's FTSE All-Share index decline 1% over the three-month period.**

Investors were spooked by the UK's latest inflation print, which showed the consumer prices index remained at 8.7% year-over-year in May, frustrating expectations that price increases would decelerate.

With inflation continuing to exceed consensus forecasts and still significantly higher than the Bank of England's (BoE) 2% target, the central bank responded with a 0.5% increase in interest rates, to 5%, at their June meeting. This prompted a sharp increase in 2-year interest rate expectations and concerns are growing regarding mortgage pressure on household finances. Commodity prices were also under pressure, which disproportionately affected the UK's commodity-heavy index versus the US and European counterparts.

The S&P500 and Nasdaq indices recorded strong gains over the second quarter, adding 8% and 15% respectively. Whilst robust economic data and cooling inflation has been supportive of equities as recessions fears have eased, the US market rally in recent months has been almost entirely driven by a select few names, now being dubbed by some as the 'Magnificent Seven'. Despite a series of regional banking failures earlier this year that heightened the impact of rising interest rates, investors have flocked to mega-cap tech stocks that are expected to benefit from the growth of artificial intelligence technologies. Shares in Apple, Amazon, Alphabet (Google), Meta (Facebook), Microsoft, Nvidia and Tesla clocked up gains of between 40-180% to help the Nasdaq Composite record its best first half of the year since 1983.

The outlook for the Eurozone looks to have turned negative since the end of March, as weak data for bank lending and manufacturing orders were followed by several downbeat economic readings from China. Despite inflation falling for a third straight month in June, the European Central Bank (ECB) continued its rapid tightening of lending conditions, hiking interest rates a further 0.25% to set the current deposit rate at 3.5%. Confirmation that Germany, Europe's largest economy, slipped into a technical recession in the first quarter of the year also weighed on European equities. The Euro Stoxx 50 index eked out a 2% gain over the last three months.

After a strong start to the year which saw stringent Covid restrictions lifted, Chinese equities stuttered during the second quarter, with the Hang Seng index moving 7% lower. China's economic recovery appears to be losing momentum, with recent data suggesting consumers remain cautious and are reluctant to spend pent-up cash savings accumulated during the Covid lockdowns. Ongoing trade tensions with the US and the hangover from last year's real estate sector meltdown also dampened confidence in the country's recovery.

Gains for Japanese equities outpaced other developed markets during the second quarter, with the Nikkei 225 index posting an 18% return. The country's delayed easing of pandemic restrictions looks set to boost corporate earnings growth this year. Yen weakness is also providing a strong tailwind for domestic cyclical stocks, many of which derive a significant proportion of their revenues abroad. We have witnessed growing enthusiasm for the Japanese stock market in recent months, which despite recent gains, continues to trade on attractive valuations versus other regional equity markets.

# Fixed Interest

With inflation in the UK proving stickier than expected, the last quarter saw the Bank of England raise the base rate to its highest level since September 2008. UK wage growth and low unemployment will mean more will need to be done to bring inflation back to the BoE's 2% target, with markets now pricing an even higher interest rate peak of around 6% and for rates to stay higher for longer. This perfect storm saw two-year gilt yields sell off sharply during the period, with yields rising as a result. Whilst less pronounced, the price moves in longer-dated issues were also negative, with the 10-year gilt ending the quarter with a yield of 4.39%.

Elsewhere, the US Federal Reserve (The Fed) held rates at their current levels during their latest policy meeting, although hinted that they will need to be raised again by the end of the year. The yield on the US 10-year Treasury note ended the quarter at 3.84%. The ECB continued to raise rates, but by a smaller increment of 25 basis points when compared to the UK. Investment grade paper made gains over the quarter, but high-yield bonds have not fared as well, as values declined with investors worried about default risk.

UK 10-year

**4.39%**

US 10-year

**3.84%**

# Commercial Property

The UK commercial property market continued to suffer due to the uncertainty surrounding UK inflation and interest rates over the quarter. With risk-free rates moving higher, property investors naturally expect to be more highly compensated for risking their capital, which has seen dividend yields across the UK Commercial Diversified Real Estate Investment Trusts (REITs) sector move up to an average of over 7% at the quarter-end. The accompanying fall in capital values has largely been driven by a further widening of share price discounts to Net Asset Values, with the underlying property values little changed. One bright spot for investors has been some merger & acquisition activity this year, with some cash bids seen for several specialist REITs and a series of fund mergers as the sector moves with demand for fewer, larger REITs offering increased liquidity.

# Alternatives

Both oil and gold saw some retracement over the quarter, with Brent crude closing out the period at just under $75 per barrel and gold at $1,929 an ounce. Crude prices were held back by weak demand in China and a glut of supply from sanctioned countries, including Russia, while the yellow metal remained somewhat range-bound over the period, with the US Federal Reserve's changed stance giving investors some pause for thought.

Social and renewable energy infrastructure funds have come under some pressure in the last three months, with share prices dislocating from Net Asset Values to trade at persistent discounts. The gloomy UK economic and political landscape has dampened demand for these assets, as has the sharp rise in risk-free rates, which has resulted in an increase in dividend yields up to an average of around 6% across the sector.

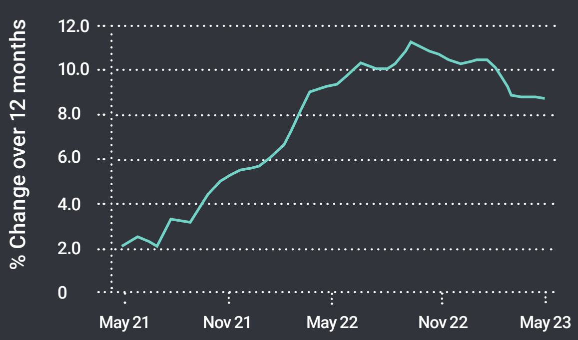
# Outlook

**Looking at the period ahead, it is likely that the path of inflation, and policymakers' response to it, will determine broad asset class performance. Our central case remains that most developed nations will experience a slowdown in their economies through a combination of reduced consumer spending and lower business activity. The resultant cooling of the labour market could help bring down core inflation and should give central banks the green light to pause their current interest rate hiking cycles.**

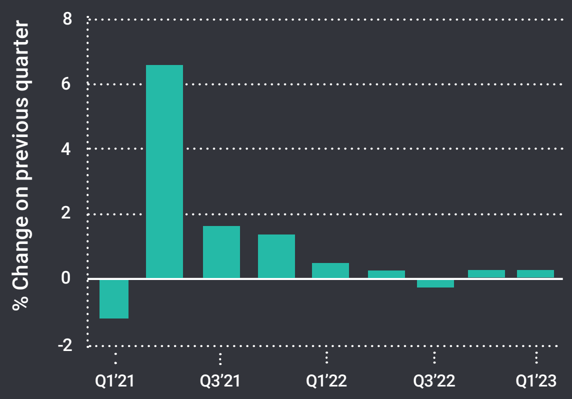
So far, company earnings have proved much more resilient than many analysts had predicted, and this has supported equity markets in the first half of 2023. With Q2 earnings season starting shortly, investors will be keen to see if this trend has continued or if there are early signs of a slowdown in consumer spending.

Against this uncertain backdrop, we continue to maintain diversified portfolios for clients, with a bias towards high-quality businesses within our equity and fixed interest exposure. We believe quality stocks have the potential to outperform during a recession due to their strong financial health and resilient earnings. Companies with solid balance sheets can weather economic downturns better, while stable earnings and a sustainable competitive advantage help them maintain or even strengthen their market position.

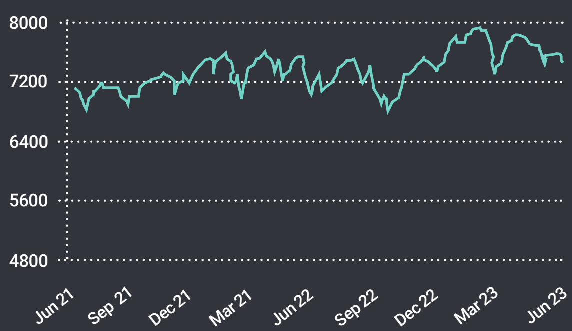
UK Consumer Prices Index (CPI)



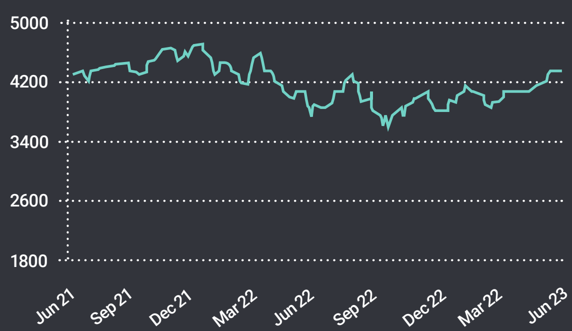

UK Gross Domestic Product




FTSE 100 Index




S&P 500 Index



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# Managing the new pension allowance landscape

## Your retirement planning options could need review after the Budget changes to the lifetime allowance and the annual allowance.

When the current pension tax regime was introduced 17 years ago, it had two new constraints:

- The lifetime allowance set the effective maximum tax efficient value of your retirement benefits. It started at £1.5 million, which today would be about £2.44 million.
- The annual allowance set your maximum tax-relievable contribution from all sources across a single tax year. It began at £215,000 in 2006/07.

As the Treasury grew concerned about tax relief costs it began a whittling down process that meant by 2022/23 the lifetime allowance was £1,073,100 and the annual allowance £40,000 (at best). As a result, some higher earners found that pension contributions had become tax inefficient. The March 2023 Budget made two important announcements on the allowances:

- The lifetime allowance will disappear completely from 2024/25, while in 2023/24 it will generally not apply to retirement benefits.
- The maximum annual allowance was increased from £40,000 to £60,000 from 2023/24.

These changes mean that you now have greater scope to plan your retirement using pension arrangements rather than other forms of saving. That is particularly the case if you (and your employer) were prevented from making any pension contributions because of either the risk of exceeding the then lifetime allowance, or if you benefitted from one of the various transitional lifetime allowance protections introduced over the years.

### Planning considerations

Now you or your employer can make a pension contribution without having to consider lifetime allowance constraints. Contributions could cover not only the current tax year, but also any unused annual allowance from the last three tax years – a maximum potential total contribution of £180,000 in 2023/24.

In practice any resumption of, or increase to, contributions should only happen after a careful review of your personal circumstances and retirement options. For example:

- If you have already taken income flexibly from your pension, your total contributions will be subject to the money purchase annual allowance of £10,000 per tax year (an increase from the previous £4,000).
- Making a large contribution in one tax year may mean you receive less tax relief than you would by spreading the contribution over several tax years.
- If you are self-employed and subject to the basis year transitional rules in 2023/24, a substantial one-off contribution could help counter the increased income tax bill you may face.
- New rules that place a cash ceiling on the 25% tax-free pension commencement lump sum could mean that all or part of any fresh contributions can only be used to provide taxable pension income. In that instance you may prefer other investment options.

Even if you do not want to add to your retirement fund, pension contributions may still make sense from an estate planning viewpoint. Death benefits from pension arrangements are generally free of inheritance tax, and on death before age 75, also income-tax free for the recipients.

*The value of your investment and any income from it can go down as well as up and you may not get back the full amount you invested. The Financial Conduct Authority does not regulate tax advice. Tax treatment varies according to individual circumstances and is subject to change.The Financial Conduct Authority does not regulate will writing and some forms of estate planning. Occupational pension schemes are regulated by The Pensions Regulator.*

# **Rising inheritance tax** – take time to review your estate planning

## New data from HMRC show that in 2022/23 inheritance tax (IHT) payments hit a new high.

The IHT nil rate band was set at £325,000 in April 2009 and has been frozen ever since. This year's Budget extended that freeze to April 2028. For the first year of the nil rate band in 2009/10, IHT receipts amounted to around £2.4 billion. Figures recently released for 2022/23 show receipts at just over £7 billion in the fourteenth year of the freeze.

IHT has become a tax which now potentially affects many more people, particularly after a surviving spouse or civil partner dies. On the first death there is normally no tax to pay, so it is often the children or grandchildren who experience first-hand the full impact of IHT.

### Mitigating the freeze

If you want to limit the Treasury's share of your estate, the sooner you start planning, the better. Unfortunately, one of the simplest strategies – making substantial lifetime gifts – is often not a practical option. However, there are other routes to lowering the IHT bill on your estate, including:

- **Make the most of pensions.** Although the primary role of pension arrangements is to provide income in retirement, legislative changes have turned pensions into a valuable estate planning tool.
- **Use the normal expenditure exemption.** If you make gifts that are regular, out of normal income and that do not reduce your standard of living, then they are free of IHT.
- **Make a will and, if you already have one, keep it up to date.** The right will can not only help save IHT, but also means that you choose your beneficiaries rather than the arbitrary rules of intestacy.
- **Skip a generation.** By passing money directly to your grandchildren, you could reduce the IHT on your children's estate.

IHT planning is best considered as part of your overall financial planning, rather than in isolation. Professional advice is essential to navigate the complexities of the legislation.

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# The income choice in retirement

## How do you intend to convert your pension pot into income when you retire?

To some extent the answer depends upon how you intend to retire, which is increasingly a more gradual process.

Flexibility is normally more important for a phased retirement, as you will need to adjust your pension benefits according to the level of your earnings, as well as the arrival of the state pension. How you draw your pension income will also depend upon:

- the other income that you expect to receive in retirement;
- your attitude to risk; and
- the extent to which you want to use your pension as part of your estate planning.

At one end of the pension income spectrum is the annuity, which guarantees an income for life. Volatile investment markets have rekindled the appeal of fixed payments, while rising long-term interest rates have significantly improved annuity rates. At the other end is income withdrawal, which offers maximum flexibility and better estate planning benefits, but with investment risk replacing the annuity's guarantee.

Falling between annuities and income withdrawals are a variety of other ways of drawing income. Combining different income methods can be a sensible option. For instance, you could use an annuity and add a flexible top up via income withdrawals. To understand your options, the first step is to seek advice, well before you need the income to begin.

*The value of your investment can go down as well as up and you may not get back the full amount you invested. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.*

*Occupational pension schemes are regulated by The Pensions Regulator.The Financial Conduct Authority does not regulate will writing and some forms of estate planning.*

**State pension age warning:**

The timing of the move to a state pension age of 68 remains unclear. At the end of March 2023, the government once again deferred the decision, this time until "a further review within two years of the next Parliament".

# Capital gains rules relaxed for separations

**Divorce or dissolution can be a painful process, but new rules should ease some of the tax complications couples face when splitting assets.**

The changes relate to capital gains tax (CGT). Under UK tax rules, assets can be transferred between married couples and civil partners without triggering a CGT charge. But difficulties can arise once a relationship breaks down.

Under the old rules this exemption only applied to assets transferred within the tax year of separation — giving some couples just months to sort their finances tax efficiently.

The new rules, which came into force this April, give separating couples welcome breathing space. Couples now have up to three years to transfer assets without incurring CGT. If this transfer is part of a formal separation agreement, then there is no time limit on this CGT exemption.

This relaxation of the CGT rules will also benefit couples who own a house together. Ordinarily the sale of a family home is not subject to CGT if it is your primary residence – under Private Residence Relief (PRR) rules.

However, if a couple splits and one partner moves out, before April this year they could have lost this PRR after nine months. This meant they could have faced a significant tax bill if the house was subsequently sold, and the gain was above the CGT threshold – currently £6,000.

Now separating couples have at least three years to sell a property before this tax applies. In addition, the leaving spouse or partner can now elect how their PRR is split between a former family home and any other property they might have since acquired.

The changes should help many couples who now don't have to sell the family home during their separation, two hugely stressful life events, in order to avoid a substantial tax bill.

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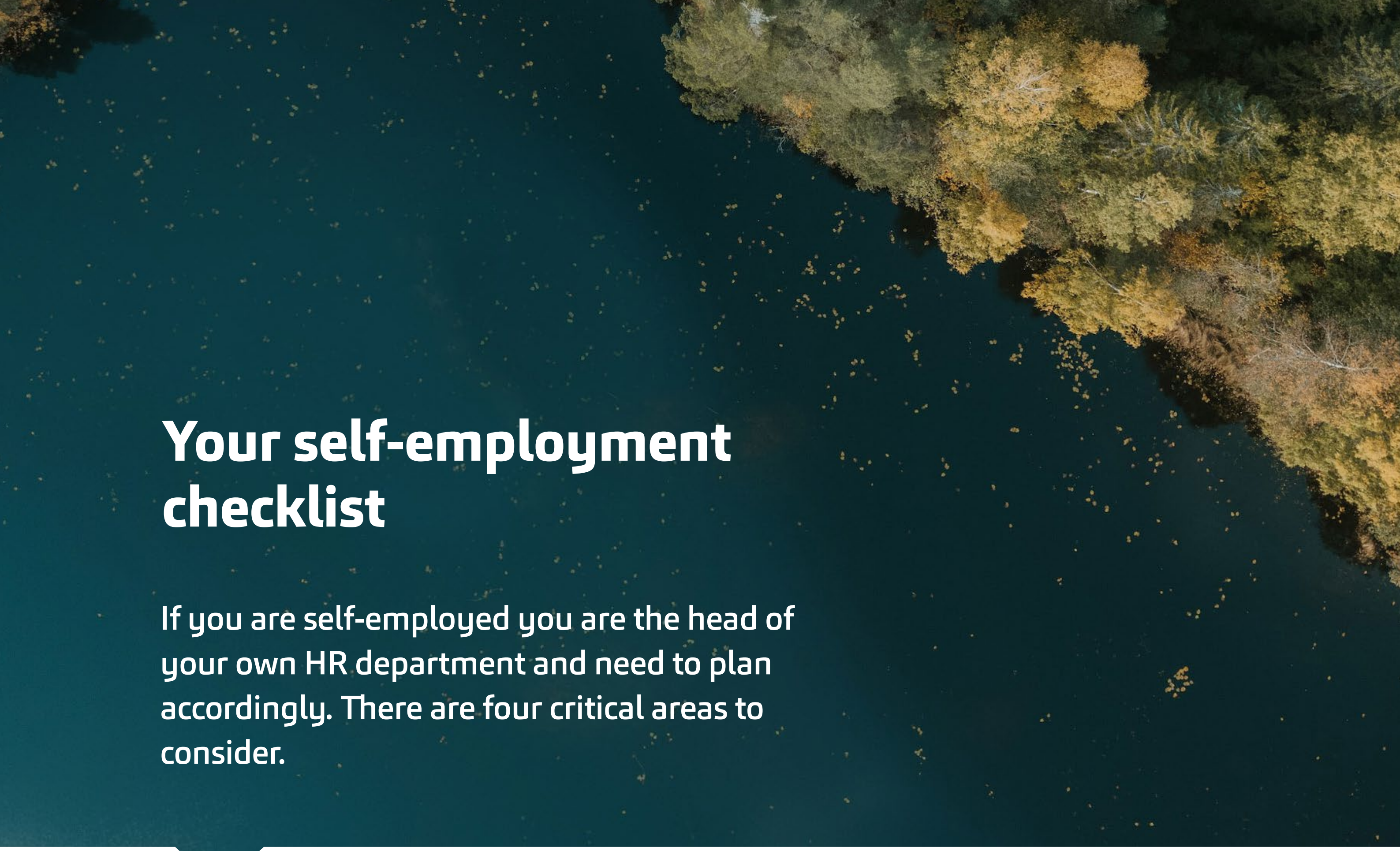

# Your self-employment checklist

If you are self-employed you are the head of your own HR department and need to plan accordingly. There are four critical areas to consider.

**The 4.4 million self-employed do not enjoy the kind of support framework provided for employees by the state and an employer. If you work for yourself you are effectively employer and employee, so there are some key areas you need to consider.**

## Income tax

When you begin self-employment you must register with HMRC for self assessment, unless you are already within its remit. In this tax year there is a further tax complication which employees can ignore. HMRC has declared 2023/24 the transitional year for the self-employed to move from being taxed on **accounting year** profits to profits earned in the **tax year.**

## Ill-health earnings protection

If you are self-employed, you are not entitled to Statutory Sick Pay. Instead, you are covered by Employment and Support Allowance, the basic level of which is just £84.80 a week, making private income protection essential.

## National insurance

The self-employed pay two different classes of national insurance contributions (NICs):

- Class 2 NICs, which form the basis for state pension and other benefit entitlements.
- Class 4 NICs, which are profit-related, but provide no benefit entitlements.

## Retirement provision

Automatic pension enrolment has not yet been extended to the self-employed. Research by the Office for National Statistics showed that for 2018–2020 only one in five of the self-employed were making pension contributions, compared with four in five employees. Unless you are happy to rely on the state pension (currently £203.85 a week from age 66), you need to make your own private provision.

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# Deposit protection comes under review

## The Bank of England is reviewing the deposit guarantee scheme, with a view to boosting protection for the nation's savers.

The first £85,000 saved in a bank or building society is guaranteed by the Financial Services Compensation Scheme (FSCS) if that institution goes bankrupt. That safety net was increased to its current level after the 2007 financial crisis.

### Increased level?

The Bank of England is now looking at whether this guarantee needs to be increased following a bank run on Silicon Valley Bank in the US, and the forced sale of Credit Suisse to its rival Swiss bank UBS. The governor of the Bank of England, Andrew Bailey, has pointed out that the FSCS is not as generous as its US equivalent, where savers now have $250,000 (£200,000) protected. There are also concerns that some people might have to wait to access their money, due to the way the FSCS is funded.

### Spread funds

For most people the current scheme offers a decent level of protection. Those who have more significant savings should split funds between different banking institutions, not different accounts within the same bank, as they will have up to £85,000 protected with each organisation.

It is worth remembering this is a per person limit, so couples will be fully protected if they each have £85,000 — even if it is saved with the same bank.

# NICs and unclaimed child benefit

## New legislation should ensure stay-at-home parents don't miss out on pension entitlements.

Currently, a non-working parent of a child under 12 who claims child benefit can get national insurance (NI) credits towards their state pension. People need to pay NI, or receive NI credits, for at least 35 qualifying years to get their full state pension. However, if one parent earns over £50,000, the family becomes subject to the high income child benefit charge. The stay-at-home parent can still claim child benefit — and so get the NI credit — but the working parent then has a tax charge levied on their pay.

Many higher-earning families don't claim this benefit, not realising this may impact the main carer's future pension. The government has said it will now remedy this situation, so that this NI credit will be applied retrospectively to those who are entitled to it to ensure parents haven't missed out.

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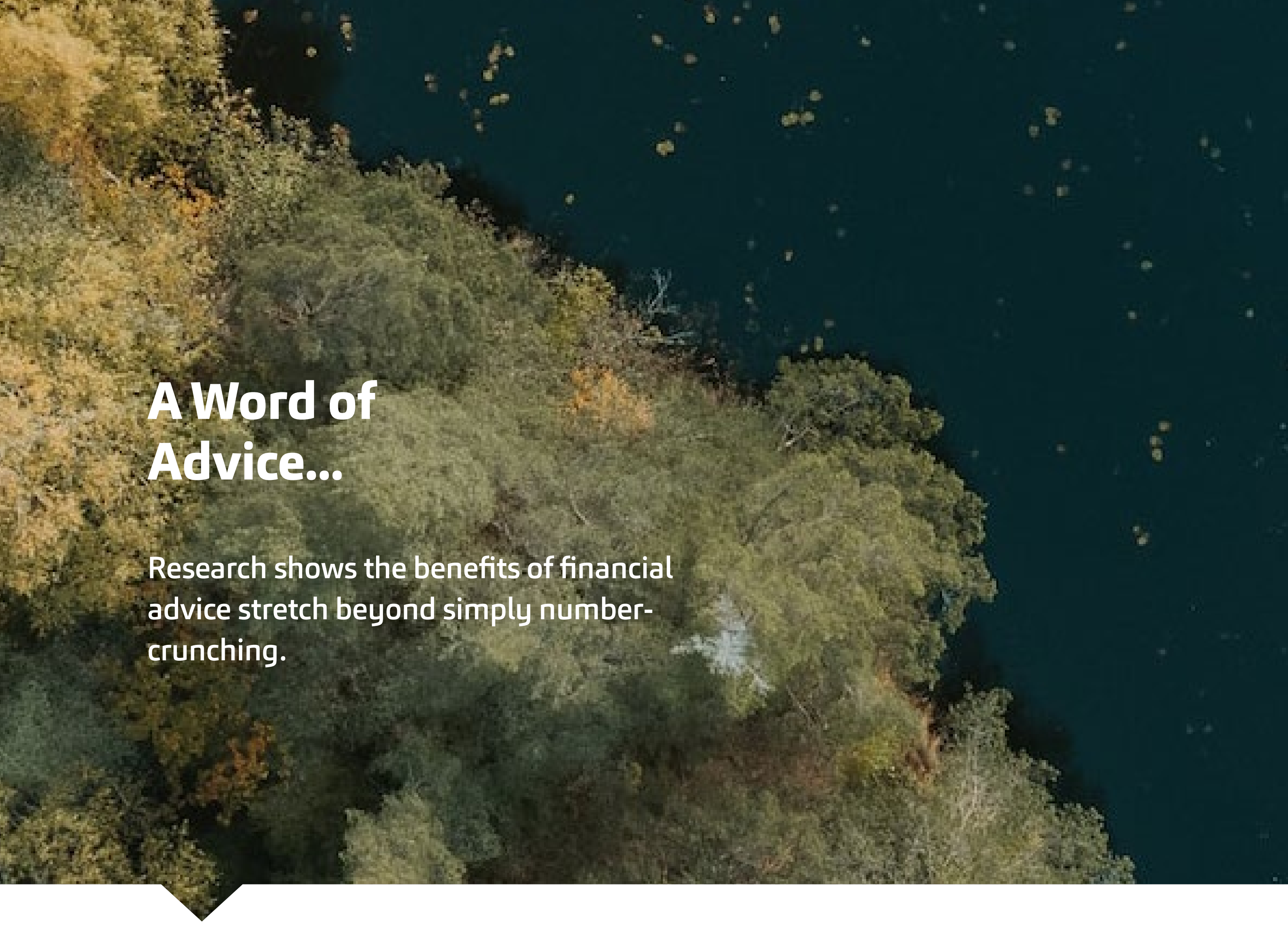

# A Word of Advice...

Research shows the benefits of financial advice stretch beyond simply number-crunching.

A recent survey found that people who had taken financial advice were more confident when it came to planning their future and thinking through the difficulties that often surround ageing, including illness, long-term care or loneliness.

These are issues that most of us find difficult to contemplate: no one likes to think about themselves, or a loved one, falling ill for example. But this research suggests those who have actively planned for the future feel less anxious or uncomfortable confronting these topics.

Making a financial plan, with or without an adviser, can also help people feel more positive about their current situation. The research, by Standard Life in their 'Retirement Voice 2022' survey, found this doesn't just apply to wealthier savers and investors, but those across the income spectrum.

## Lack of understanding

Despite these positive outcomes however, it is clear many people find financial planning difficult on their own. This research found 72% are doing little, if anything to plan for their retirement — and may end up not only poorer, but more stressed about their finances as a result.

People find retirement planning particularly difficult. Half of consumers surveyed said they found information on pensions 'overwhelming', and two in five said they had no idea what to do next with pension information and statements.

**72%** **of people are doing little, if anything, to plan for their retirement, according to a recent survey.**

And pensions aren't the only financial products people find difficult to understand. A separate survey, by the Financial Services Compensation Scheme, found that almost half of investors wished they'd spent more time researching investment products.

Our team of independent financial advisers at MHA Caves Wealth will take the time to review and explain your current arrangements in simple to understand terms. Importantly, they will then also recommend any changes you may need to consider to enhance your existing plans and take advantage of the current financial services legislation. The most suitable solutions for you today may not have been available last time you sat down to review your arrangements.

We obviously believe in the benefits of taking personal, expert financial advice when seeking out products and drawing up a plan to meet your goals. And now the research proves it.

# **IHT and Business Property Relief** - the pitfalls

This article is by Carly Drummond, Senior Tax Manager with the MHA Private Client Tax team. Contact Carly or the team here with any questions about this topic or related matters.

### Firstly, a quick Inheritance tax reminder...

Inheritance tax (IHT) may be imposed on a taxpayer's worldwide assets after their death. This is subject to certain conditions like domicile and the terms of their Will. The standard rate of IHT is 40%, however there are planning opportunities to minimise the tax exposure, with some reliefs reducing the IHT payable on certain assets to nil. Where a taxpayer has a business or business assets within their estate for example, then these may qualify for Business Relief (BR).

### What is Business Relief?

Previously known as Business Property Relief (BPR), BR reduces the value of a business or its assets for the calculation of IHT. The assets which qualify for 100% relief include:

- a business
- an interest in a business (such as a sole proprietorship or partnership)
- unquoted shares.

The assets which qualify for 50% relief are:

- controlling shares in a listed company (i.e. more than 50% of the voting rights),
- land, buildings, and machinery owned by the taxpayer and used predominantly in a business they controlled or were a partner in,
- land, buildings, and machinery used in their business and held in a trust that it has the right to benefit from.

It is crucial that the two-year ownership requirement is met, whereby the assets or business must have been owned for at least two years prior to the date of death. There are situations where these rules are relaxed, for example the replacement asset rules, which may allow a qualifying asset or business to be disposed of and replaced with another without needing a two-year ownership period for the new asset.

BR is primarily available for businesses carrying on a trade. Where the business' primary activity involves securities, stock or shares, land or buildings, or in making or holding investments for example, then BR would not be available. If there are several income streams, we would be concerned with the activity the company is 'wholly or mainly' undertaking, which is defined in the current legislation as more than 50%. This would be determined based on a number of factors, but if a company is found to be 51% trading, then BR would apply.

Groups can add to the complexity, especially where there are trading entities and investment businesses. Where a group owns both investment and trading subsidiaries, then BR on the shares of the holding company will be restricted because of the investment subsidiary. There is a special allowance for holding companies of trading groups, which we can take advantage of, and can assist with restructuring to carve out qualifying BR business from non-qualifying ones.

## The pitfalls

Once it is determined that a business or assets are qualifying for BR, then care must be taken to preserve the treatment. Here are the top pitfalls that we have seen from our clients:

1. **Binding contracts for sale**

   Some partnership and shareholder agreements might include clauses whereby the partnership or company would buy back their business or shares upon death. This would be a binding contract and is as good as holding cash. By entering into this contract, the taxpayer no longer has a potentially BR qualifying asset but rather will be taxed on the guaranteed cash which will be received, at 40% - a costly oversight! We can help with the wording of partnership and shareholder agreements to avoid this common pitfall.

2. **Lifetime gifting**

   If an individual makes a gift and survives for a period of seven years, this will not be brought into their estate for IHT purposes. However, it is important to consider the circumstances under which these lifetime gifts are made. Even if a gift qualifies for BR, it can be subject to reconsideration if the seven-year requirement is not fulfilled. If the recipient sells the gifted asset and the donor does not survive the seven-year period, then the previous planning to mitigate IHT would fail, meaning IHT at 40% may be due! There are steps that can be taken to protect against future actions of the recipient which we can assist with.

3. **Spousal exemption**

   It is quite common for a taxpayer's primary beneficiary to be their spouse. Generally, where assets are passed on death to a surviving spouse, they will be exempt from IHT. Where businesses or assets that qualify for BR are passed to the spouse on death, there is a risk that on the death of the spouse these assets will no longer qualify for BR and IHT will be due. This could be a risk if we listen to the longstanding rumours that the BR test could move to being 80% trading in line with capital gains legislation. This could mean that a previously qualifying BR business no longer qualifies and in this case we ought to have banked the BR on the death of the first spouse. We therefore recommend looking at the future of your business and identifying whether planning should be undertaken sooner rather than later.

4. **Excepted assets**

   An asset is excepted if it has not been used wholly or mainly for purpose of the business during the last two years, or which the business does not require in the future. Even if a business qualifies for BR, if there are excepted assets then these will be liable to IHT. Large cash balances are most at risk.

   Whether these balances are there for future use of the business, or have just not yet been extracted, considering them early on and understanding the implications is key.

   Our colleagues at MHA Caves Wealth are on hand to assist with investment advice for cash balances, which could help ensure businesses currently with excepted assets obtain full relief for BR.

5. **Property structure**

   The final pitfall in this insight is all about control. Whether BR is available is, in some cases, contingent on who controls the business. For IHT purposes this is defined as voting rights and can be aggregated with a spouse. If a business is diluting shareholdings through any wider restructuring or planning, then they will need to be mindful of maintaining control, especially where there are assets held outside the business which are relying on the 50% BR. Again, we are here to help with this type of planning with the IHT and wider tax considerations with bringing assets into the business, and that partnership/shareholder agreements, business financial statements, and Wills are all aligned.

## Planning is key!

We advise business owners to ask themselves the following:

- Do you have a business which might qualify for BR?
- Do you own any assets which may also qualify?
- Have you got any potentially excepted assets?
- Have you got a Will, and are business assets being left in the most tax efficient way?
- Have you considered setting up a Lasting Power of Attorney?
- Are you expecting beneficiaries to rely on a deed of variation to obtain the most tax efficient treatment of business assets?
- Are you holding significant cash deposits or investments in taxable assets?

Finally, IHT planning does not stand on its own. Steps taken as a part of an IHT review will likely have other tax implications so we would need to understand the chargeable gains, stamp duty, and stamp duty land tax positions, in addition to whether there are income or corporation tax, or VAT consequences prior to implementation. In some instances, there may be reliefs available for these other taxes, so it is worth discussing these in advance.

Contact **Carly Drummond** or the MHA Private Client Tax team **here** to discuss these matters further, or with any questions.

# News Round Up

## NICs top up deadline extended

The deadline for filling in gaps in national insurance contributions (NICs) records going back to 2006/07 has been shifted for a second time. On 12 June the government announced a second extension, pushing back from 31 July 2023 to a new deadline of 5 April 2025. Surprisingly, the government also confirmed that 2022/23 NIC rates would continue to apply to "all relevant national insurance contributions payments".

## Neglected Child Trust Funds

A recent report from the National Audit Office (NAO) revealed that by April 2021, around 145,000 out of the 320,000 18-year-olds whose Child Trust Funds (CTFs) had matured since September 2020 had not claimed their money, even though the average account was worth over £2,700. More recently, the Investing and Saving Alliance estimated that, by August 2022, 27% of CTFs still remained unclaimed at least one year after maturity.

**To trace a 'lost' CTF go to:** https://www.gov.uk/child-trust-funds/find-a-child-trust-fund.

## Cold calling ban

Fraud is the most common crime in England and Wales, accounting for more than 40% of all crime, according to a recent statement from the Home Secretary. As part of a new initiative to tackle the issue, the government will extend to all investments the current ban on pension cold calling. In the meantime, if you receive an unsolicited call about investments, just hang up.

## General Risk warnings & additional important information:

# Our financial planners

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