



The Budget: an end to austerity?

The 2018 Budget – delivered on a Monday for the first time since 1962 – produced a number of surprises, not least some high-profile ‘giveaways’.

Announcements in the Budget included:

- A £650 increase in the personal allowance to £12,500 for 2019/20, the level originally pencilled in for 2020/21.
- A £3,650 increase in the higher rate threshold to £50,000, again targeted for 2020/21.
- A £25,000 increase in the pension lifetime allowance to £1,055,000 from April 2019.
- A one-third reduction in business rates on smaller retail premises, starting from next April.
- An increase in the annual investment allowance (AIA), from £200,000 to £1,000,000, from January.

However, Mr Hammond’s generosity was not all it appeared. For instance, the personal allowance and higher rate threshold will both be frozen in 2020/21, while the business rates reduction and higher AIA will only last for two years. The Chancellor also kept many tax thresholds and allowances unchanged.

A good example of the impact of frozen thresholds is the personal allowance that will continue to be tapered from an income level of £100,000. This threshold has applied since April 2010, and it creates high marginal rates for some taxpayers. Combined with the increase in the personal allowance, for income between the taper threshold of £100,000 and the starting point for additional rate tax of £150,000:

- the first £25,000 will be taxed at up to 60% (61.5% in Scotland); and
- the next £25,000 will be taxed at 40% (41% in Scotland).

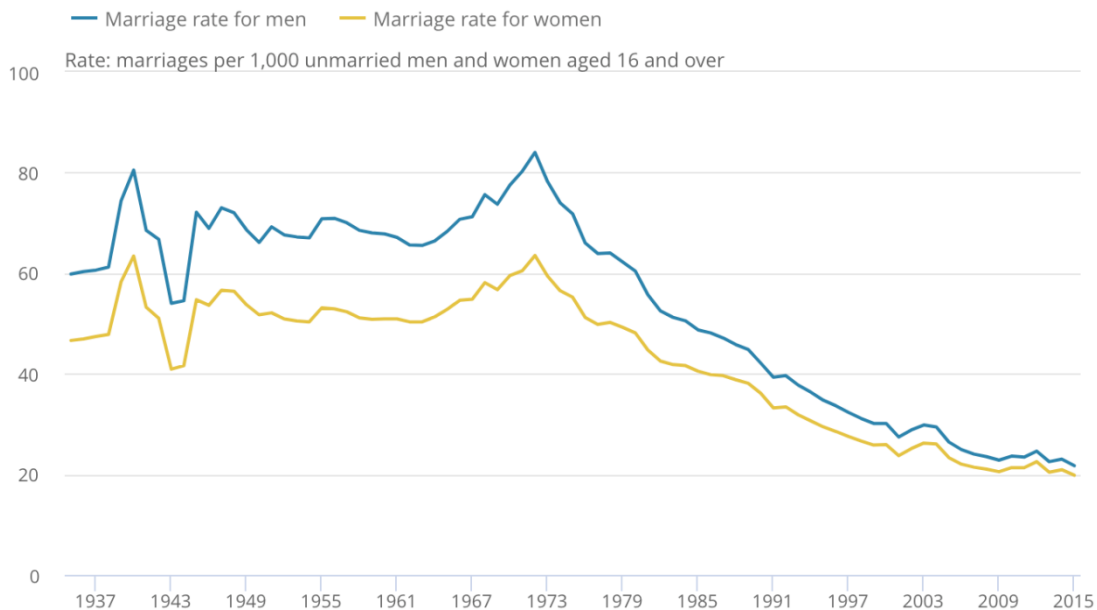
By far the largest element of spending announced in the Budget was for the NHS. Investment is £7.35bn out of a total £15.09bn in 2019/20, rising to £27.61bn out of a total £30.56bn in 2023/24. With such large amounts to secure for the health service, the Chancellor has limited scope to reduce personal tax in the medium term.

If you would like to discuss the impact of the Budget on your finances, please get in touch.

Unmarried couples lack the rights of married couples

Two recent events have shone different lights on the government's view of unmarried couples.

Marriage Rates in England and Wales



Source: Office for National Statistics

As the graph shows, marriage has been drifting out of fashion for close to 50 years. There are now over 3.3 million unmarried couples in the UK, of which nearly half have children.

In spite of this major social change, governments have largely maintained sharp legislative distinctions between the married and unmarried. When they have conflated the two, it is usually to swell the Exchequer's coffers, for example when applying the high income child benefit charge to unmarried couples with children.

This approach is starting to be challenged in the courts:

- In October, the Prime Minister announced at the Conservative Party conference that civil partnerships legislation would be extended to cover heterosexual couples. The announcement came after a June ruling from the Supreme Court that limiting Civil Partnerships only to same sex couples was in breach of the European Convention on Human Rights (ECHR).
- In a judicial review case in August, the Supreme Court found the government was wrong to deny an unmarried mother her claim for widowed parent's allowance, again referring to the ECHR in the decision. The Department for Work and Pension's response was that the



judgement did not affect the eligibility regime for bereavement benefits, which replaced the widowed parent's allowance for new claimants in April 2017.

If you are one of the 3.3 million unmarried couples, these decisions serve as a reminder that your status is very different from that of a married couple. Given the DWP's stance, you could need more life and health protection than if you were married.

You will also potentially require a different approach to estate planning, as transfers on death to your partner, such as your interest in the family home, will not benefit from the inter-spouse inheritance tax exemption.

If you would like advice on how to plan for your family, please get in touch.