UK BUDGET REPORT MARCH 2014

Garden Room, 402 Coniscliffe Road
Darlington, Co Durham DL3 8AJ
Tel: 01325 242000 - Fax: 01325 244000
E-mail: enquires@3fs.co.uk - Website: www.3fs.co.uk
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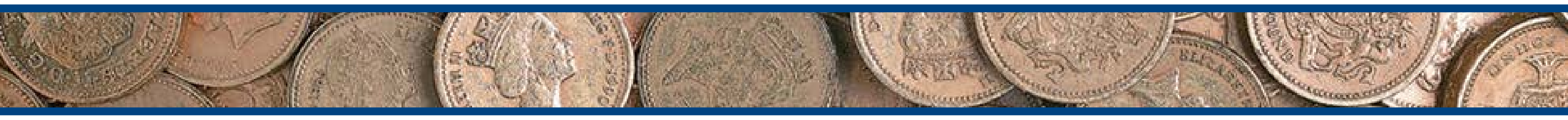

The Chancellor of the Exchequer, George Osborne, started his 2014 Budget by stating *"After the mess we were left, we put Britain right"* and went on to say that *"Support for savers is at the centre of this Budget."*

Britain now has the fastest growing economy in the developed world, confirmed by the fact that the independent Office for Budget Responsibility (OBR) has revised upwards its forecasts of economic growth to 2.7% in 2014, then 2.3% in 2015 and to 2.6% in 2016.

We now have a higher employment rate in the UK than in the USA, with 1.3 million more people in work since the last election with *"income inequality at its lowest in 28 years."*

The budget deficit is forecast to be eliminated by the tax year 2018/19, growth is up, the deficit is lower at 6.6% of GDP and borrowing is lower at £108 billion.

Businesses are to be boosted with a doubling of Investment allowances to £500,000 and extending this help to 2015, together with the introduction of a £7 billion package to cut energy bills for British manufacturers. Lending for export finance has been doubled to £3 billion, as it is Mr Osborne's intention to promote *"Made in Britain."*

The current enhanced capital allowances in enterprise zones and business rate discounts will be extended for another three years.

Infrastructure will benefit from support to build an additional 200,000 new homes, including the development of a new Garden City of 15,000 homes in Ebbsfleet, Kent. The Mersey Gateway Bridge will benefit from a £270 million grant and legislation will be introduced to allow the Welsh Government to raise tax and borrowing powers to allow infrastructure spending, including improvement to the M4 motorway.

Given the dreadful winter we have endured, the Government will be making available an additional £140 million to improve flood defences and a welcome £200 million for local road repairs.

On the tax and duty front, threshold personal allowances for income tax, already raised to £10,000, will be increased to £10,500 next year, taking 3 million people out of the tax system altogether, whilst the threshold for the higher 40% band will increase from £41,450 to £41,865 from April 2014 and then by another 1% to £42,285 next year. Inheritance Tax will be waived for members of the emergency services who lose their lives at work.

“Support for savers is at the centre of this Budget”

Company owned residential properties will see their Stamp Duty liability rise to 15% for properties worth more than a relatively modest £500,000. This is a reduction from the previous threshold value of £2 million.

The alcohol duty escalator has been scrapped. Duty payable on Scotch whisky and some ciders will be frozen, on beer it will be reduced by 1p a pint but tobacco duty will continue to rise by 2% above inflation.

Air duty will be reduced to the lower Band B rate (currently only applicable to flights to the USA) for all long-haul flights.

The fuel duty rise, due in September 2014, will not now take place; betting machines will attract a higher 25% tax and bingo sees its tax liability reduced to 10%.

Great news for investors and savers as *“Support for savers is at the centre of this Budget”* has been confirmed by the merging of cash and stocks and shares ISAs and an increase in the annual tax-free savings limit to £15,000 from July this year. It will also be permissible to switch existing cash ISAs to stocks and shares ISAs or vice versa. The Junior ISA annual limit will be increased to £4,000. An altogether simpler vehicle.

The 10% tax rate for savers has been cut to zero, whilst National Savings and Investments (NS&I) will increase the number of £1 million prizes available and the cap on investment in Premium Bonds, increased from £30,000 to £40,000 in June and then to £50,000 in 2015.

NS&I will also introduce Pensioner Bonds for those over 65 years. These will pay an unconfirmed interest rate of about 2.8% for one year and 4.0% for three years

Towards the end of his speech, the Chancellor announced the *“Biggest reform since 1921”* to pensions.

He has managed to simplify the process with regard the approximately 13 million Defined Contribution Schemes currently held. He confirmed the 25% tax-free cash-lump-sum withdrawal will remain but that, with effect from March 27th this year, additional drawdown will be allowed, up to 150% of the Government Actuary’s Department benchmark annuity rate, or without limit provided other retirement income of at least £12,000 is available; a dramatic reduction from the current £20,000 threshold. He stated that no one will have to buy an annuity, but they will retain that option. Also, from April 2015, no drawings will be taxed at 55%, but rather at the recipient’s (lower) normal tax rate.

Controversially, from the perspective of the financial services industry, the Chancellor also promised *“Free impartial face-to-face advice on pension income”*

As always, the devil is in the detail, so we will have to wait to see exactly how this *“Free impartial …”* advice is going to be quantified, sourced or funded by the Government. However, if this allows more people to benefit from professional advice regarding their savings and investment, this can only be for the good.

Given the *“radical”* effect of this budget on investments, savings, pensions and annuities, it would be timely to review your current situation to enable you to benefit from these changes to the maximum.