The UK population increases

The Office for National Statistics revealed recently that the UK population is rising at its fastest rate for more than 70 years. At the end of June 2016 the population stood at 65.6 million people, which represented an increase of half a million over the previous twelve months - an increase which Brexit voters might have suspected. This is the largest increase since 1947.

Inheritance tax receipts rise

Exceptionally high levels of stamp duty are reported to be discouraging house sales and in particular discouraging older people from down-sizing. Stamp duty on the sale of a £2 million home will amount to £143,000 and on a £600,000 home to £20,000.

The government is also benefiting from increased receipts from inheritance tax which result from older people hanging onto their high-value homes, For the first time ever, IHT receipts have exceeded £5 billion, which represents a 9% increase over the previous year and is the highest they have been since the early 1980s.

It is estimated that residential property accounts for one third of the typical estate on which inheritance tax is payable.

Some tax changes deferred

The government's precarious majority is preventing it from pursuing some of the more controversial tax changes which had been proposed in this year's Budget.

Among the proposals in the 2017 Finance Bill which have been postponed are the reduction in the annual tax-free allowance for dividends from £5,000 to £2,000 and the requirement for businesses and the self-employed to file tax returns on-line each year.

The government had also proposed that the Money Purchase Annual Allowance (which restricts pension contributions for people who are already drawing income from their pensions), should be reduced from £10,000 to £4,000. This proposal was omitted from the Finance Bill but will be introduced retrospectively with effect from 6 April 2017. The objective is to reduce the scope for savers to recycle their savings and claim tax relief twice on the same contributions.

As a result of the omission of this provision, the limit on contributions for people who have already drawn income from their schemes will remain at £10,000 – at least for the time being.

Funding spouses' pensions

MPAA aside, reductions in both the annual pension contribution allowance and the lifetime allowance have curtailed the use of pensions as a savings medium. However, there may be an opportunity to pay contributions to the scheme of a spouse or civil partner or cohabitee.

The person benefiting from the third-party contribution will receive tax relief against their total earnings up to £40,000 p.a. and up to £3,600 if they have no earnings.

If the contribution is made on behalf of the scheme member it will be regarded as a gift for the purposes of inheritance tax (though exemptions are often available). But if cash is given to enable a spouse or civil partner to pay their own contribution, this will constitute an exempt transfer for IHT.

Divorce gets complicated

Perhaps surprisingly, divorce rates are falling. According to the Office for National Statistics, there were 101,055 divorces in the UK in 2015, representing a 9% reduction on the previous year.

However, the average age at which people are getting divorced is at an all-time high. The average age for men is now over 45 and the average age for women is just under 44.

One of the consequences is that the financial aspects of divorce are getting more complicated. The longer couples live, the greater the value of the financial and other assets which they accumulate.

It is consequently important that solicitors advising on divorce should work closely with appropriately qualified and experienced financial advisers; and Resolution, previously known as the Solicitors Family Law Association, has created a special accreditation scheme for financial advisers.

Pensions are a vital part of the financial mix, and Courts will often either order that the value of a pension should be split between the parties or that it should be taken into account as part of an overall assessment of wealth, including the house, so that estates can be divided in the most equitable way.

The cash available from providers of occupational pension schemes to members who transfer to personal pensions is at an all-time high and could provide an important opportunity in a current divorce. But there are complex issues at stake in assessing the respective benefits, and expert advice is required. Many financial advisers specialising in divorce work have obtained a specialist qualification in pension transfers.

Childcare benefits

In order to assist parents of young children to stay in the jobs market, the government has established a scheme which enables the parents to buy childcare vouchers which benefit from tax relief in the form of 'salary sacrifice'. However, this scheme is not available to the self-employed and provides only up to 15 hours' childcare or education per year.

From September, the 15 hour limit is to be increased to 30 hours, but this will be subject to the parents meeting income criteria: both parents must earn at least £120 per week and less than £100,000 annually; and HMRC requires confirmation of eligibility every three months. It should also be noted that not all childcare providers have signed-up to the scheme.

Two additional schemes are now being introduced which offer other options. In May 2017 a tax-free Childcare Account became available, which is basically an on-line savings account to which the government contributes, and which is used to pay for approved childcare. For every £8 paid by the parent, the government pays an additional £2, up to a maximum of £2,000 p.a. per child.

The second scheme, which will follow in September, enables parents of three and four-year old children to apply for 30 hours of free childcare or education worth about £5,000 per year per child.

Both these schemes can be accessed at the same time and are available through HMRC's Childcare Choices site https://www.gov.uk/search?q=childcare+choices and a helpline is available on 0300 123 4097. However, reservations have been expressed about the complexity of the process for claiming benefits.