

“Dragging along” – Autumn Statement 2023

22nd November 2023

The autumn statement was more memorable for the changes it didn't make rather than those it did. In particular:

- No changes to the Inheritance Tax (IHT) regime that had been speculated for
- No increases to all of the personal tax allowances, so fiscal drag continues to bite

People's incomes, or their need for income in retirement, have risen over the last few years without any corresponding increase in the tax allowances they can use. It makes continuing to plan to use all of your tax allowances and tax-privileged savings options imperative to minimise this impact.

The baby boomer generation was the first to accumulate significant personal wealth in a widespread sense; as this wealth starts to pass down through generations, IHT receipts will inevitably continue to rise. Whilst we could all argue about how unfair it might be to tax assets accumulated from post-tax savings, the tax revenue would inevitably have to be raised elsewhere in more unpopular ways, so I am not sure how this conundrum could be solved.

What did they do?

On a more positive note, an extra 8.5% on state pensions has to be welcomed, alongside the National Insurance reductions and some of the businesses allowances. Some interesting prospective changes to pensions allow the opportunity for venture investment and industry simplification and consolidation.

It was also confirmed that all legislation needed for the abolishment of the Lifetime Allowance from April 2024 would be completed in the Autumn finance bill; there were a few loose ends to clarify, so this has to be welcomed. We are starting planning with clients around this new Pension regime to ensure the new rules are best taken advantage of before any new Government changes the rules again.

It was also pleasing to see the tax advantages for the EIS/VCT regime extended until 2035 and some tweaks on the ISA rules allowing for multiple accounts to be held in each tax year should that option prove necessary.

Does this change the outlook for investments?

The Autumn statement will have a limited effect on the outlook for investments. It is welcome to hear of the desire to stimulate economic growth and how inflation is set to fall, but this doesn't have any major effect on how portfolios should be invested for the future.

In summary

You can't help thinking the Chancellor was retaining some "dry powder" for pre-election purposes. Until then, we will continue to plan for our clients in light of what we know and keep a keen eye on the investment strategies we recommend for ongoing suitability.

As ever, please do not hesitate to contact one of us if you have any specific immediate questions about your financial planning.

Otherwise, we hope to see many of you at our Christmas seminar and, failing that, at the regular review meeting we have coming up.