CLEAR VISION
Wealth Management

INFO@CLEARVISIONWEALTH.CO.UK
01204 565306
WWW.CLEARVISIONWEALTH.CO.UK

THE CHANGING TAX LANDSCAPE

MORE CLIENTS WILL PAY HIGHER RATES OF TAX

11.5m* people could be dragged into paying the higher or additional rate of income tax over the next four years.

*Source: Quilter Freedom of Information Request to HMRC, July 2024

MORE ESTATES WILL FACE IHT

Frozen inheritance tax bands, rising house prices, and the inclusion of unused pension wealth from 6 April 2027 means more clients will face IHT in the future.

> *“Research by Quilter shows that a single person with an average priced home and a moderate retirement pot could become liable to IHT.”*

MORE PENSIONERS SUBJECT TO INCOME TAX

The new state pension of £11,973 p.a. for the 2025/26 tax year uses up 95.2% of a pensioner’s personal allowance - it won’t be long before this reaches 100% of the personal allowance.

INHERITANCE TAX RAID ON PENSIONS

Until now, popular and valuable planning has involved retaining capital in a pension as a very effective way to plan for inheritance tax. It has allowed investors to retain access should they need it, while being able to leave anything that hasn’t been spent free from inheritance tax (and in some instances income tax) when they die.

90%

The Autumn 2024 Budget changed this. Most clients will now want to reconsider their financial plans regarding the use of their pension. Failure to plan for a pension tax-efficiently could result in an effective tax rate of more than 90%.

While the legislation for the new rules has yet to be issued, and some areas of the new rules will be subject to consultation, as always it is better to plan ahead and we should begin considering options now

£2 million

It is expected that pensions will form part of the estate for considering whether the residence nil-rate band (RNRB) can be claimed. This allowance is tapered away for estates worth more than £2 million. Many more estates will now risk losing some or all of this allowance

£350,000

Typically, this allowance provides a further combined allowance of £350,000 for a married couple, the loss of this allowance could result in further Inheritance Tax of £140,000.

AGE 75+ RISKS

This may mean that the most effective planning for pensions turns on the age of the investor in a material way. The undrawn pension pot of someone who dies aged over 75 risks being subject to;

- **Inheritance tax on the gross value**
- **then income tax at up to 45% levied on beneficiaries**
- **and as undrawn pensions may prevent RNRB planning from being undertaken, the total tax loss on the undrawn pot could be above 90%.**