So what does the future hold? Planning has never been more important...

THE CHANCELLOR announced the spring 2021 budget will take place on March 3 – and there is fierce debate over what it may include. How and when are we going to pay for the Covid-19 response?

There have been three separate reports commissioned by HM Treasury from the Office of Tax Simplification (OTS) and the APPG (All-Party Parliamentary Group) over the past 18 months.

In July 2019, APPG proposed a substantial change in Inheritance Tax. This included taking away exemptions for lifetime giving, with an annual allowance instead, and the removal of very valuable death reliefs such as agricultural and business property relief.

This report was due to be presented to parliament in February 2020, but worldwide events put it back on the shelf where it still sits.

Whether the chancellor will want to remove reliefs that impact our farmers most of all is considered by some to be very unlikely, but the other measures regarding

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abolishing lifetime gifts and the renewable seven-year nil rate band are still firmly in play.

In July 2020, OTS were asked to review Capital Gains Tax (CGT), the main recommendation from which was the alignment of CGT rates with Income tax.

Currently the highest rate (on residential property) is 28 per cent. Alignment would give rates of 20 per cent, 40 per cent or 45 per cent, a substantial increase on the current position. In addition, all reliefs and exemptions are also being reviewed.

The final report was specifically targeted at how the Covid-19 response could be funded. The recommendation was for a one-off Wealth Tax payable by every individual with assets exceeding £500,000, including the main home.

The suggested rate is five per cent, with some being allowed to pay over five years depending on circumstances. Debates as to whether £500,000 should be £250,000 and whether five per cent is the correct rate are still to be had, with a target of £250bn to be raised.

On March 3, will any of these proposals be included? Historically when a major change is proposed, such as to the CGT rate, it has been made effective from midnight that day.

Therefore, if you have plans to gift property or other assets to the next generation, now is the time to be looking at this seriously.

Succession planning for your farm and/or business has never been more important, or gifts to your children while they will still count as potentially exempt transfers, use of the nil rate bands and the seven-year rule.

Of course, only the chancellor and his team know which suggestions will be adopted.

With so much uncertainty, protection of assets must be looked at, even if no action is taken and family discussions are paramount.

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