WEALTH KNOWLEDGE

MAY 2021

HMRC PUBLISHES NEW GUIDANCE ON UNREGULATED CRYPTOASSETS

Cryptoasset investors have received further clarity on the tax treatment of their unregulated investments from HMRC.

Bitcoin is by far the most well-known cryptoasset, although there are more than 1,000 others in existence.

Last month, the value of one Bitcoin soared past $60,000 (roughly £43,383) for the first time after some high-profile companies adopted it as a payment method.

HMRC does not class cryptoassets as a currency or money, and said their tax treatment depends on a token's "nature and use".

The new and updated guidance also included the treatment of 'staking activities' for the first time.

Staking is a process similar to mining, through which users hold funds in a cryptocurrency wallet to help maintain a blockchain network and can earn rewards by doing so.

HMRC said staking might represent a taxable trade depending on factors such as the degree of activity, organisation, risk and commerciality.

HMRC's guidance said:

"If the mining activity does not amount to a trade, the pound sterling value (at the time of receipt) of any cryptoassets awarded for successful mining will generally be taxable as income (miscellaneous income), with any appropriate expenses reducing the amount chargeable.

"If the activity does amount to a trade, any profits must be calculated according to the relevant tax rules."

Get in touch to review your investments.

INHERITANCE TAX RED TAPE TO BE 'CUT FOR 200,000 ESTATES A YEAR'

The amount of paperwork many beneficiaries have to fill out will reduce from 1 January 2022 under inheritance tax reforms.

From this point on, more than 90% of non-taxpaying estates will no longer have to complete inheritance tax forms when probate or confirmation is required.

The Treasury estimates this will reduce the amount of paperwork on more than 200,000 estates every year going forward.

In 2018, the Office for Tax Simplification recommended "changes to the current forms to reduce the administration of estates".

It said the current reporting system requires 50% of estates to fill out forms, despite fewer than 5% being liable for the tax.

For those who do need to file inheritance tax returns, all parties involved will no longer have to provide a physical signature.

The Treasury said this temporary measure was introduced during the COVID-19 pandemic but has been made permanent.

John Bunker, chair of the private client technical committee at the Chartered Institute of Taxation, said:

"We welcome that many grieving families will be spared the additional stress of supplying unnecessary detail to HMRC.

"The change will mean that only around 15% of estates will need to complete some form of inheritance tax return.

"The challenge for HMRC will be to design a process that meets that aim and is fit for purpose in only nine months."

Talk to us about inheritance tax planning.

IMF PREDICTS STRONGER RECOVERY FOR THE UK AND BEYOND

The International Monetary Fund (IMF) has upgraded both its UK and global economic forecasts, compared with predictions made in January.

UK GDP is now tipped to grow by 5.3% this year and by 5.1% in 2022, following a 9.9% coronavirus-fuelled contraction in 2020.

Should the forecast come to fruition, the IMF expects the UK economy to return to its pre-pandemic level of activity sometime in late 2022.

The new global forecasts are for 6% growth in 2021, followed by 4.4% in 2022, as COVID-19 vaccinations roll out globally.

Despite a route out of the health and economic crisis being increasingly visible, the IMF voiced concerns about how recoveries are diverging.

Gita Gopinath, director of research at the IMF, said:

“Thanks to the ingenuity of the scientific community, hundreds of millions of people are being vaccinated and this is expected to power [economic] recoveries in many countries later this year.

“Nonetheless, recoveries are also diverging across and within countries, as economies with slower vaccine rollout, limited policy support, and more reliance on tourism do less well.”

The upgrade in global growth for 2021 and 2022 is mainly due to uprating advanced economies, particularly for the United States which is expected to grow at 6.4% this year (+1.3% on the previous forecast).

Other advanced economies, including the EU, will also rebound this year but at a slower pace.

Across emerging markets, India (+12.5%) and China (+8.4%) are being tipped for considerable economic recoveries this year, but other developing countries are not expected to grow until at least 2023.

Get in touch for a review of your finances.

WORKPLACE PENSION CONTRIBUTIONS BOUNCE BACK AFTER SLUMP

Payments into defined-contribution workplace pension schemes increased in the third quarter of 2020, according to the Office for National Statistics (ONS).

During the first national lockdown last spring, many employees stopped or reduced workplace pension contributions to save money amid fears of being made redundant or losing their jobs.

Data from the ONS showed that employee (-11%) and employer (-5%) contributions both fell between Q1 (January–March) and Q2 (April–June) in 2020, despite employers having to continue paying into employees’ workplace pensions at pre-pandemic levels if using the furlough scheme.

In the three months between 1 July and 30 September 2020, employee (+12%) and employer (+7%) workplace pension contributions both bounced back.

The recovery in workplace pension contribution levels correlated with an increasing number of employees coming off of the furlough scheme during Q3 2020.

There were 2.8m employees on furlough by 30 September 2020, compared to 6.8m at the end of June 2020, implying retirement savers had battened down the hatches for the short term.

Helen Morrissey, pension specialist at Royal London, said:

“After seeing a dip in employer and employee pension contributions in the last set of data, it is encouraging to see the figures have bounced back.

“While this will be because less workers were on the furlough scheme, it is heartening to see the uncertainty caused by the pandemic has not caused people to turn their back on [defined-contribution] pensions by either stopping or slashing their contributions long term.”

Contact us to talk about pension planning.

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