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NEWS
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Gifting Assets to your Children in a Tax Efficient Way

As we continue to battle the cost-of-living crisis, house prices and mortgage rates are continuing to remain high. More than ever, parents and grandparents are considering gifting money or assets to help their children take their first steps to a financially independent future.

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Gifting Assets to your Children in a Tax Efficient Way

As we continue to battle the cost-of-living crisis, house prices and mortgage rates are continuing to remain high. Naturally, parents and grandparents want to help where they can, be that supporting with the costs of further education, weddings or house purchases.

A common approach for many is to leave gifts to loved ones in their Will, but as we are now living longer than ever, these gestures, albeit thoughtful, may not come at a time when they are most required. It may therefore be beneficial to consider gifting money to your children and grandchildren throughout your lifetime.

Gifting money to family can be simple and effective; but you should consider the following:

Firstly, ask yourself the question, can I afford to give away money to my family right now? It is important to ensure that your current standard of living as well as your future long-term plans are not compromised.

Secondly, consider the type of gift which may suit you and your family's circumstances. It could be a lump sum that is required imminently, or regular contributions that could be invested for the long term - there are lots of options and products to consider.

Thirdly, ensure you understand the tax consequences involved – no one wants to end up with an unwanted and unexpected tax liability.

Finally, it is important to recognise that gifts of a substantial size, or gifts made within seven years of your death, could give rise to an Inheritance Tax liability.

You do however have several gifting allowances available to you on an annual basis which are exempt from Inheritance Tax. These include:

- an **Annual Allowance of £3,000** which can be gifted to one person or split between several people. If you do not use your allowance in any given year, you can carry it forward to the next year only. This means you may gift an exempt amount of up to £6,000
- a **Small Gift Allowance of £250 per person**, which can be used for as many people in a year as you wish
- a **Wedding Allowance**, allowing you to gift up to £5,000 to children, £2,500 to grandchildren and £1,000 to any other person getting married in a tax year
- you can also make **'gifts out of normal expenditure'** which can vary in size, as long as they are regular and funded by surplus income, not capital. You must also prove that the gift does not negatively impact your standard of living.

As well as Inheritance Tax, it is important to watch out for both Capital Gains Tax (CGT) and Income Tax, when gifting.

A cash gift does not necessarily attract a tax liability at the outset. However if you are selling existing assets in order to raise the required cash, or indeed gifting an asset, you may incur a CGT liability. Your CGT allowance, the amount of gains exempt from tax within any year, has recently been halved to £6,000 (2023/24) and is due to half again to £3,000 (2024/25), making a tax liability more likely than was previously the case.

For those thinking about gifting money to their children to invest for the longer term, it is important to consider the tax efficiency of the product you choose. Whilst children have their own tax-free personal allowance, savings allowance and CGT allowance just like an adult, they are not necessarily liable for the tax that may become payable once assets have been gifted to them.

If you are thinking of gifting to your family, here are some options along with their tax implications for consideration.

Savings Accounts

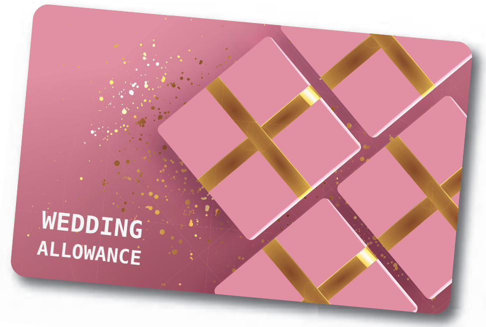
A child's savings account allows you to educate your children about the basics of saving for the future. With interest rates rising, savings accounts are looking more attractive. But remember, inflation is also running at an all-time high, which will erode the purchasing power of savings over time - potentially leading to a negative return in real terms. If you are attracted to the simplicity of a cash savings account, ensure you shop around for the best rates possible.

It is important to note that if a parent invests money into a savings account for their child and that savings account generates interest in excess of £100 per annum, this will be taxed on the parent, not the child. This does not apply to gifts from grandparents.

Junior ISA (JISA)

If you are looking for tax free growth over the medium or longer term, a Stocks & Shares JISA may be an attractive option. Anyone can invest into a JISA on behalf of a child, and each child has a JISA allowance of £9,000 per annum. The monies are managed by the parent/guardian and cannot be accessed by the child, until they turn 18.

Lifetime ISA (LISA)



A LISA can be an attractive solution for adult children between the age of 18 and 39. You can contribute up to £4,000 per annum until the child is 50 years old, and the government will add a bonus of 25% to each contribution. For example a parental contribution of £4,000 will receive a government bonus of £1,000, making a total contribution of £5,000.

It is important to remember that a LISA can only be withdrawn tax free, if used to purchase a first home or accessed after the age of 60. If monies are withdrawn for any other reason, a 25% withdrawal charge will be deducted. Both Cash LISAs and Stocks & Shares LISAs are available.

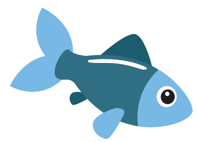
Junior SIPP

Anyone can contribute to a Junior SIPP for a child, investing up to £3,600 per annum. This may be an attractive method of kick starting your child's retirement pot. As these funds will not be accessible until your child is 55 (a figure soon to increase to 57) it is an option for the very long term. Any contributions receive tax relief at 20%, so a contribution of £2,880 would receive tax relief of £720, meeting the maximum yearly contribution £3,600.

Bare Trust

Those who wish to invest larger sums of money or retain more control of an investment and when it is accessed, may wish to consider an investment account written in 'trust'. The simplest form of trust is a 'Bare Trust'. Trustees (parents or grandparents) manage an investment for the beneficiary (their child). However, this option provides no immediate tax reliefs, and on encashment, the child would be liable to any potential tax payable.

As always, we recommend sitting down with a financial adviser who can help determine the most suitable and tax efficient solution for your individual circumstances. If you would like to discuss gifting to children in more detail please do get in touch.



Can your pension benefit from the Lifetime Allowance changes

The extent of change in pension tax legislation announced in the Spring Budget caught many by surprise. It had been rumoured that Jeremy Hunt would introduce some changes designed to incentivise those over the age of 50 who left the labour market during the COVID pandemic to return to employment. However, removal of the Lifetime Allowance tax charge from 06 April 2023 and the complete scrapping of the Lifetime Allowance in a future Finance Bill was unexpected.

The Lifetime Allowance (LTA) is the total amount that an individual can build in pension savings without incurring a tax charge, and stands at £1,073,100. The Lifetime Allowance tax charge on benefits taken in excess of the LTA prior to 06 April 2023 was 55% if drawn as a lump sum, or 25% if drawn in any other way, for example income drawdown. Now, no tax charge will apply.

This represents a significant change, reversing a decade of declining LTA, which discouraged higher earners from saving in pensions. The government hopes abolishing this limit, combined with other changes to pension savings, will encourage workers who took early retirement to return to the workforce.

Whilst it is unclear as to how successful these measures will be in encouraging those recently retired to return to work, they may at least provide a greater incentive to not take early retirement. Though the Chancellor cited senior NHS staff as targeted beneficiaries of these changes, in reality the benefits will be tangible for many. In particular, those who claimed HMRC 'protection' in one of its many guises to secure a higher than standard lifetime allowance with the caveat that they ceased further pension contributions, will welcome the ability to make income tax relievable pension contributions to their schemes once again. For some years, those with pension pots at or around the LTA have committed monies to more obscure and higher risk investments in pursuit of an income tax reduction, which will now be available to them through what should be far more benign savings products.

For those with defined contribution plans, the inheritance tax exemption ordinarily afforded, and the ability to effectively leave a fund to beneficiaries – whilst maintaining many of the tax advantages of the original pension – may be particularly compelling, and encourage further saving.

The changes may be good news for many, but they are not without critics. Most notably, the Labour Party pledged to undo many of these changes if brought to power at the next General Election. They branded them a "£1bn bung", this being a reference to the approximate cost of the legislation over the next five years. In addition they argued the changes are inequitable, benefiting those with higher earnings and larger pension pots. This response and the fact that the next General Election is not too far away, has prompted industry concern that the LTA could become a battleground in the next election campaign.

With that said, there are always many ifs, buts and maybes where future tax legislation is concerned. The changes recently introduced may well be an indefinite or at least longer-term fixture. As the nationwide issue of underfunded pensions persists, despite the advent of auto-enrolment over a decade ago, anything that encourages saving towards retirement ought to be welcomed.

If you would like more information about how these changes may affect you or guidance on your overall retirement income please do get in touch.

Tax and Crypto Assets

2009 saw the launch of Bitcoin. Originally expected to be just for geeks and possibly hackers, crypto assets are becoming more common and even considered mainstream by some.

The increased interest in crypto assets has been noted by HMRC. If you invest or trade in crypto assets and you pay taxes in the UK, you need to be aware that HMRC has taken an interest in the taxation of your virtual currencies.

What are crypto assets?

Crypto assets, often also referred to as cryptocurrencies or crypto tokens, are essentially electronic currencies which are offered as an alternative to centralised national currencies. The most common examples are Bitcoin, Ethereum and non-fungible tokens (NFTs).

The most common use of crypto assets is private investors buying them in the belief they will appreciate in value. In addition, as they are decentralised and do not rely on the global banking system, they are an option to transfer large sums of money quickly and at low cost. Some businesses are starting to use them too.

Crypto assets (including crypto currency) are different from "normal" currency like pounds sterling, or US dollars. They are also different from stock and shares, however the value of crypto currencies can fluctuate as with shares.

There is no UK taxation legislation specific to crypto assets. As a result, the taxation of crypto assets follows the general rules for Capital Gains Tax, Income Tax and Inheritance Tax.

Capital Gains Tax (CGT)

Although often referred to as cryptocurrency, HMRC does not consider crypto assets to be currency or money. Instead HMRC takes the view that crypto assets are property and therefore a chargeable asset for CGT purposes.

HMRC expects that the buying and selling of crypto assets by an individual, in the majority of cases, will be an investment activity. Therefore, a disposal of a crypto asset will normally be subject to CGT.

A 'disposal' could include:

- selling crypto assets for cash
- exchanging a crypto asset for a different type of crypto asset
- using crypto assets to purchase goods or services
- giving away crypto assets to another person

As with some other assets, further rules apply when you have multiple holdings of the same crypto asset which are brought together and form one asset for CGT purposes. This is known as pooling. An individual's allowable cost on the disposal will be the average cost of the assets in the pool, rather than the cost of any specific acquisition.

We always encourage clients to maintain good records with any business activity. This is even more important in relation to crypto asset trading. It is common for retrieval codes (or 'private keys') to be lost. Without this, there is no proof of ownership and the crypto asset becomes unusable.

Income Tax

If the holder of the crypto asset is carrying on a trade then Income Tax will be applied to their trading profits. There are certain crypto activities which are treated as miscellaneous income and will be subject to Income Tax. It is for the individual undertaking the crypto activities to ascertain if the activities should be declared as trading income or miscellaneous income in their self-assessment tax returns.

Examples of crypto assets which could be treated as trading or miscellaneous income by HMRC are:

- **Mining**
  Where you earn rewards on certain types of crypto assets by "mining". Mining is a reward for devoting time and energy to solving mathematical problems.
- **Staking**
  Staking occurs on some crypto assets where you earn rewards. These rewards are similar to earning interest in a bank account, however unlike interest, income from staking is not treated as savings income. Instead it is treated as trading or miscellaneous income.
- **Airdrops**
  Airdrops are when the owners of crypto assets are provided with additional crypto assets for some reason. These airdrops could be free with nothing expected in return. However, airdrops could be provided for doing something in return such as completing a survey. In these circumstances the airdrops will be taxable.
- **Employment income**
  Equally, if crypto assets are received as employment income they are considered to have monetary value and are subject to income tax and national insurance contributions on the value of the assets.
  Where the crypto assets can't be easily converted for cash, you would normally be required to pay employee National Insurance on the amount. Your employer should either deduct the tax from you under PAYE or report the amount on a form P11D.

Value Added Tax (VAT)

Should any goods or services be sold in exchange for crypto assets VAT is due in the normal way.

When crypto assets are exchanged for goods and services, no VAT will be due on the supply of the crypto asset itself.

Inheritance Tax (IHT)

Any value attributed to a crypto asset forms part of an individual's estate for IHT purposes. However, a feature of crypto assets is that they don't have a physical existence and this could present a problem as to which jurisdiction applies the taxes.

Individuals who are domiciled in the UK are subject to IHT on their worldwide assets. Non-domiciled individuals are only subject to IHT on UK 'situs' assets (ie. assets located within the UK).

To date, HMRC has not issued guidance on this issue. As a result, we would recommend that individuals keep a full list of the crypto assets within their estate, and the private keys, to assist the personal representatives in the administration of their estate.

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It is a pleasure to be part of the GWA team and to contribute to our continued growth and success.

David

Partner promotion for David Renton

We are delighted to announce that one our Associates, David Renton, became a Partner of GWA on 1 May 2023.

David began his career with GWA in 2000. Having already acquired his degree in Accountancy and Finance he qualified as a Chartered Certified Accountant in 2009. David is the Head of GWA's Corporate Services team, which is where his main focus lies, and where he plays a pivotal role in ensuring we keep up to date with ever changing regulations.

Commenting on his appointment David said, "It is a pleasure to be part of the GWA team and to contribute to our continued growth and success. A lot of our clients have been with us for many years, some for generations, and I am looking forward to building and extending those relationships and continuing our reputation of delivering quality advice."

GWA Partner, Robbie Dalgleish, said "David has made a valuable contribution to our business and demonstrated GWA's core values of Quality Advice Quality Service. Our team is fundamental to our success and we are proud that the support and encouragement from GWA has helped David reach his potential.

I am sure that David will continue to excel in guiding GWA's clients and Audit Team in all our future endouvours. I am delighted to welcome him to the partnership."

We would like to introduce you to QUALIS

As financial advisers, Greaves West & Ayre and our sister company Three Counties Ltd have been working together since 2014.

Our motivation is simple: to invest client monies and realise consistent, above benchmark returns that exceed client expectations.

While this seems a straightforward ambition, it is in practice more complicated. The increasingly volatile financial world has led to more fund changes and portfolio change recommendations, which require notification and agreement from our clients in writing. Unsurprisingly, some clients have been pretty colourful in their descriptions of this obligatory paperwork.

Many express frustration that we cannot simply enact the recommendations on their behalf without requesting consent. However, as advisory firms, GWA and Three Counties are unable to do this.

As a result of this feedback from clients, we have combined the expertise and experience of GWA and Three Counties to create a new company, GWA Asset Management Ltd (GWAAM). GWAAM will manage its own investment funds: the MGTS Qualis Growth Fund and MGTS Qualis Defensive Fund. Should you choose to invest in the MGTS Qualis funds, GWAAM can enact its investment decisions on your behalf without asking your permission each time.

Commenting on the announcement John Coats, GWA Partner and Chair of GWAAM said: "For over a century we have advised generations of clients on how best to manage and invest their wealth. We believe the MGTS Qualis funds will provide clients with an attractive new investment opportunity backed by a century of expertise.

"Our growth over the years has been a result of loyal and appreciative clients. I would therefore like to thank all our existing clients and extend a very warm welcome to the MGTS Qualis funds"

You will be hearing more about Qualis in coming weeks. So, keep an eye on your email and our social media channels for further updates.

If you are curious for more information, please contact your GWA financial adviser who will be able to explain more.

This invitation does not constitute an inducement to invest, and you should consult your financial adviser before making any decisions.

GWA ASSET MANAGEMENT

Trish Melia Retires

Having first joined Greaves West & Ayre in 1973, Patricia (Trish) Melia will be starting her well-deserved retirement in June, 50 years on from when she left school to start her working career.

Trish's career at GWA began in June 1973. After leaving the area in 1979, Trish returned to Berwick in early 1991, and also re-joined GWA. On both occasions it was Partner Ian Davidson who hired Trish who has now spent, in total, almost 40 years at the firm.

Back in 1973 there were just four GWA partners Gordon Ayre, Jim Coats, Ian Davidson and Brian Thomas plus around 40 staff. Based initially at GWA's Sandgate office, Trish accepted the role as office junior and remembers receiving her first weekly pay packet of £7. Her responsibilities included delivering all the local mail by hand to clients and solicitors in the town as well as making coffee for all the partners and managers. Trish advanced from office junior after a few months - to be replaced by Daphne Bell who only retired from GWA at the end of last year - and worked at the Halifax building society reception (GWA were agents for the Halifax at that time) before moving to the VAT team.

> ...Trish accepted the role as office junior and remembers receiving her first weekly pay packet of £7.

On her return to Berwick and GWA in 1991, Trish worked across the VAT team, the Sage accounts team and the CoAct team before becoming one of the first members of the Wealth Management team. As the Wealth Management team grew Trish became responsible for transferring all the clients' printed files into digital format.

Looking back Trish says the advances in technology have probably made the biggest impact during her time at GWA. Gone are the times of handwritten accounts, no calculators, and manual typewriters. Trish remembers when the first electric typewriters were introduced, and they needed to be switched on an hour before being used so they could 'warm up'.

Once retired Trish is looking forward to having more flexibility to do the normal day to day jobs when she wants, and also has a big holiday planned with a long-term friend. Coffee mornings with two GWA colleagues, Pamela Wedderburn and Daphne Bell, who have both retired in the past 12 months, are also on the cards.

Although looking forward to her retirement, Trish said she will miss her colleagues. The chat and the support they have given her and her family over the years has been so appreciated.

Trish's unique place at GWA can be summed up in one small statement – there is no one at GWA today who was working for the firm when Trish first joined, back in 1973.

You will be much missed Trish. Everyone at GWA would like to thank you for your incredible service over all these years, and are sending very best wishes for a long, healthy and happy retirement.

Save the Dates

Summer is just round the corner and we are delighted to be supporting both the Haddington Show and the Border Union Show once again this year.

The Haddington Show – Saturday 1 July

GWA has a longstanding relationship with The Haddington Show and we are proud to be joint main sponsor of this great event again. The show has been run by the United East Lothian Agricultural Society since 1804 and will be taking place at the East Fortune Race Circuit on the first weekend in July. It is a super day out with entertainment, a food market, vintage machinery and livestock and equestrian events. So, drop by for a chat, maybe a hog roast roll or some refreshments. You'll find us in the sponsor's marquee just by the main ring.

The Border Union Show – Friday 28 and Saturday 29 July

The Border Union Show is one of the highlights of the agricultural calendar for the Scottish Borders and Northumberland. It may be a traditional farming show with livestock parades and competitions and rural skills demonstrations but it also has over 175 trade stands, a food fair, a craft tent and a children's fun fair. Come and join us for our traditional hog roast rolls on Friday and refreshments on both days.

Nearer the time, we will send out invitations with further information. In the meantime, make sure you have the dates in your diary.

You can find out more and buy tickets by visiting **www.haddingtonshow.co.uk** or **www.borderunion.co.uk/border-union-show/**

We look forward to seeing you there!

Staff News

We have recently welcomed two new faces to the GWA team in Berwick. **Rona Keeves** has joined our Accounts team and **Chloe Mifsud** has joined our Tax team. We have also welcomed back **Sarah Strathdee** from her maternity leave following the birth of baby daughter Lowrie.

We are delighted to announce that **Rebecca Lawson** from our Wealth Management team, has recently attained Chartered status with the CII (Chartered Insurance Institute). Rebecca joins both **Neil Robertson** and **Mark Harrison** who already hold Chartered status and as such are all recognised as the highest qualified practitioner of their profession.

Finally, we are saying a sad goodbye to a very long serving member of our team, **Patricia (Trish) Melia**. Trish is retiring in June having been with GWA for 40 years. We know you'll join us in sending Trish our very best wishes for a long, happy and healthy retirement.

Community News

We are always pleased to be able to support local causes where we can. Most of these are organised by volunteers, so we would also like to give a big pat on the back to all those who put in many hours of time and effort to bring these organisations and events to life.

Haddington in Bloom do a splendid job of keeping the town looking fabulous all year round, especially throughout the spring and summer seasons. So, we are delighted to be supporting their efforts again.

We are supporting **Berwick Opera's** production of Sunshine on Leith, which is showing at the Maltings from 17-20 May and also the **Horncliffe Beer and Music Festival**, taking place on the weekend of 8 and 9 July.

One of our admin team, **Emma Stuart** nominated **Tweedmouth Prior Park School** to receive a donation from our staff community support scheme. A couple of the pupils did such a good job of holding our banner we may just recruit them to help us set up at the Summer Shows this year (see previous page).

Tweedmouth Prior Park School

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