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PRE-ELECTION BRIEFING

MAY 2017

THE GENERAL ELECTION 2017 – WHAT IT COULD MEAN FOR YOU AND YOUR MONEY

When Theresa May surprised us all by calling a general election, she gave her reason for doing so as a desire to get a strong mandate from the British people to enable her to negotiate the best possible Brexit terms in her dealings with her European counterparts.

Any election brings the opportunity for voters to review the competing proposals made by each party across a whole range of major issues and this one is proving to be no exception. As the country prepares to go to the polls on 8 June, we review the main topics and what they may mean for your personal finances. Firstly we recap on what has happened since the election announcement on 18 April.

MAJOR CHANGES LEFT OUT OF THE FINANCE BILL 2017

There were several contentious measures that did not make their way into the Finance Bill once the election had been called. In fact, more than 70 clauses were removed and put on hold. The parts that were scrapped included a cut to the annual tax-free allowance on dividend income from £5,000 to £2,000 that would have come into effect from April 2018.

Also omitted was the cut in the Money Purchase Annual Allowance from £10,000 to £4,000. The proposed dramatic increase in probate fees that would have seen estates worth more than £2m paying £20,000 has also been shelved for the time being. Plans to implement HMRC's Making Tax Digital initiative from April 2018 that would have affected businesses, landlords, and individual taxpayers have also been halted, and will be reconsidered after the election.

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In addition to the previous u-turn on National Insurance contributions, it will be interesting to see whether the door is now open for future changes to pension tax reliefs and allowances, should the Conservatives be re-elected.

THE EFFECTS ON THE MARKETS

Although any period of uncertainty often signals an increase in market volatility and can lead to shares rising and falling more frequently in the short term, the FTSE 100 has so far shown marked rises, reaching a major milestone, trading above 7,500 points for the first time ever in May. Sterling has also recovered, recently hitting a five-month high to recuperate some of the ground lost after last year's referendum vote. The stronger pound also benefits the more domestically focussed FTSE 250.

However, nothing is certain in politics or investment. So, for now investors would be wise to ignore everyone's election predictions and instead keep focused on their long-term investment goals and avoid paying too much attention to short-term events. It pays to maintain diversity in your portfolio, there are always opportunities in uncertainty.

We turn now to look at some of the high-profile election issues likely to affect your finances.

THE FUTURE OF THE STATE PENSION

Given the increasing burden it represents to any government, the future of the state pension 'triple lock' which guarantees a minimum increase in the state pension each year by whichever is the greatest of inflation, average earnings, or 2.5%, was always going to be a key battleground.

The Labour Party has pledged to guarantee the triple lock throughout the next parliament until 2025. The Conservatives would maintain the triple lock to 2020 and replace it with a 'double lock', removing the minimum annual 2.5% rise, with the money saved likely to be directed instead to spending on social care.

The Conservatives intend to increase the state pension age in line with life expectancy if they are re-elected, whereas Labour intend to freeze it at 66.

TAXATION AND WAGES

The Labour manifesto pledges to increase higher rates of taxation for those earning over £80,000 a year. They promise to reduce the threshold at which the 45% rate of income tax applies, from its current level of £150,000 to £80,000. There would also be a new 50% tax applied to annual earnings over £123,000. They would also raise £19.4 billion by increasing corporation tax to 26%.

On wages, they would work towards reducing pay inequality by introducing a levy on workforces with many highly-paid workers.

Earlier this year, the Conservatives abandoned plans to implement controversial National Insurance increases for the self-employed. So far, they haven't confirmed whether they have specific plans to raise income tax, VAT or National Insurance should they be re-elected.

On wages, the Conservatives would increase the National Living Wage in line with earnings until the end of the parliament, and bring in protective measures for company pension scheme funds.

HOUSING

Some property market experts are anticipating minimal impact on the residential housing market in the run up to the vote. Some people may choose to delay selling or purchasing property but the



majority are expected to carry on regardless. There is no sign from any of the main political parties that they would alter constraints on buy-to-let, or reverse higher rates of stamp duty.

The cornerstone of Labour's policy on housing is the proposal to build one million new homes, including 100,000 council and housing association homes during the term of the next parliament. Rent rises would be capped to inflation, and legal minimum standards would be enforced on rental properties.

Whilst the Conservative Party's 11 core pledges don't contain any specific reference to housing policy, the government's Housing white paper issued earlier in February gives some pointers to the direction their policy would take. Measures mentioned in that document include protecting the Green Belt, and making more land available for homes by using brown field sites and surplus public land.

To speed up house building, developers would be expected to start building within two years of receiving planning permission, as opposed to the current three-year deadline. There would be support to small independent builders through a £3m Home Building Fund. There are plans to prioritise the building of retirement housing, and a greater focus on building property for rent.

OTHER PROPOSALS

Amongst a raft of other policies, which are emerging as the campaign progresses, Labour would scrap student tuition fees, nationalise the water and rail companies, renationalise the Royal Mail, and end zero-hours contracts.

The Conservatives would guarantee that workers enjoy the same rights after Brexit as they do now, cap energy bills, introduce new rights for carers, bereaved parents, and those requesting training, and bring in worker representation on company boards and "returnships" for mothers going back to work.

Whichever party is returned to power, their major priority will surely be securing the best possible exit terms with the EU, and beginning the difficult and delicate negotiations that will shape the UK's future relationship with Europe and the rest of the world.

THE FUTURE OF THE STATE PENSION "TRIPLE LOCK"...

...WAS ALWAYS GOING TO BE A KEY BATTLEGROUND.

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