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Spring Budget Special

Given that Chancellor of the Exchequer Philip Hammond had already declared his intention to move the Budget from Spring to Autumn no-one was expecting him to do too much in today's statement. And he didn't, at least in terms of major changes. There were lots of policy initiatives although the sums involved were generally small, as the Government continues to try and reduce the annual budget deficit and then tackle the aggregate one, which is still some £1.7 trillion or 87% of GDP.

Before I hand over to my colleague Tom Selby, who will talk you through the key tax and savings issues relating to your SIPPs, ISAs and dealing accounts, I'm just going to quickly go through the potential investment and portfolio implications of Chancellor Hammond's first – and last – Spring budget.

There are three key points:

- First, there were no major changes to GDP growth or inflation forecasts from the Office for Budget Responsibility, or OBR, although the relevance of either to a FTSE 100 that gets around two-thirds of its profits from overseas is pretty limited. What is noticeable within the forecasts is how growth in household consumption is expected to slow from 3% in 2016 to 1.8% this year and 0.9% next – this might not be great news for retailers and reflects concerns from Standard & Poor's today about the danger posed by surging consumer borrowing and whether this is a sustainable basis for growth.

- Second, the Chancellor stuck to his plan to sell all of the Government's remaining Lloyds (LLOY) shares by the end of March 2018, while no moves are afoot to reduce its stake in Royal Bank of Scotland (RBS), pending further clarity on the fate of its Williams & Glyn operation and the Department of Justice investigation in the USA into the mis-selling of mortgage-backed securities more than 10 years ago.

- Third, other company-specific news was thin. Giving small businesses one year's grace to implement quarterly reporting is mildly negative for AIM-quoted accounting software provider FreeAgent (FREE:AIM) although the switchover to a digital tax system should, in time, drive demand for its products and services. Extra spending on roads in the Midlands and Yorkshire sounds good for firms like CRH (CRH) and Hill & Smith (HILS) but the sums involved were tiny, as was the case with research into 5G Mobile telecoms systems, which one day could help Spirent (SPT) and Filtronic (FTC). Finally, a £2bn investment in social care could benefit services group Mears (MER) in the long term. It provides care for older and disabled people who want to avoid nursing homes and continue living in their own homes. That includes assistance after a hospital stay, which is central to the Government's strategy of freeing up hospital beds and ensuring the elderly receive necessary care.

However, it wouldn't do to over-dramatise any of this. The FTSE 100 rose by a total of 9 points during the 1-hour speech, or barely a tenth of one per cent so market moving stuff this was not.

I'll now hand over to my colleague Tom Selby for news on pensions, savings and tax.

- First, it is a welcome relief that the Chancellor has left pension tax relief alone. Any action here would have been a retrograde step at a time when people need as much encouragement as possible to save for their retirement. Maybe we finally have a Chancellor that will take the long-term view and stop tinkering around with the pension system. That said, the Government has pressed ahead with plans to reduce the annual allowance for those who have accessed their pension flexibly from ten thousand pounds to just four thousand pounds from April 2017. This means if you have clients who have accessed their pension from age 55 and taken anything other than their tax-free cash as income, they will unfortunately be subject to this new, lower annual-allowance. It's important to remember that if your clients haven't accessed your retirement pot flexibly they can still save up to forty thousand pounds a year in a pension tax-free.

- However, there is another big change advisers need to be aware of. The annual dividend allowance has been put to the sword by Philip Hammond less than a year after his predecessor, George Osbourne, introduced it. The cut from £5,000 to £2,000 in April 2018 will make it even more important that investors make full use of the tax allowances available through ISAs and SIPPs. In particular, investors will need to think carefully about which investments they hold inside and outside of these tax wrappers. They will want to insure that high dividend-paying investments are held within ISAs and SIPPs to minimise the impact of the dividend allowance cut.

- Finally, the Chancellor's move to clamp down on abuse of Qualifying Recognised Overseas Pension Schemes, or QROPS. QROPS were originally designed to make it easier for people leaving the UK to retire to another country and take their pension with them. However, the structure has increasingly been manipulated by those looking to artificially cut their tax bills. To combat this, the Government has decided QROPS transfer requests on or after 9 March will be hit with a 25% tax charge. Broadly, it looks like there will only be an exemption to the tax charge where the individual and pension savings are in the same country, both are in the European Economic Area, or the QROPS is provided by the individual's employer.

We will endeavour to keep digging into the details of the Budget and the Office for Budget Responsibility's economic and fiscal outlook document and if we find anything else we promise to keep you informed.

Thank you for watching.

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