A&M Scotland Asset Manager Briefing Note: Volume 11

Published on Alvarez & Marsal | Management Consulting | Professional Services (https://www.alvarezandmarsal.com)

March 31, 2021

Overview of our Scotland Asset Manager Breakfast Briefing Webinar on 10 March 2021

We hosted our third Scotland Asset Manager Breakfast Briefing Webinar on Wednesday 10 March 2021.

The Breakfast Briefing focused on the following topics:

- A market update provided by Daniel Parry, Managing Director, Head of A&M Funds Tax;
- A review of both the Scottish and UK Budgets provided by Charlotte Walker, Manager, and Adam Stevenson, Associate;
- An update on Making Tax Digital for Income Tax provided by Jordan Brown, Senior Director;
- Current trends in management incentives and hot topics in employment taxes provided by Anita Eunson, Director; plus
- A guest fund administration presentation from Associate Director, Sukhjit Dhaliwal, from NCM Fund Services.

To download the presentation or to listen to a recording of our webinar, please click here.

Key highlights from the UK Budget on 3 March 2021

Chancellor Rishi Sunak announced the UK Budget on Wednesday 3 March 2021. As expected, it was heavily focused on providing support to businesses who have suffered through the COVID-19 pandemic and set out a path towards recovery for the UK economy.

There was nothing specifically directed towards asset managers in the Budget and the feared increase to Capital Gains Tax and the introduction of a wealth tax did not materialise this time round. In addition, there were no further announcements on these measures on “Tax Day” on 23 March 2021 as some had suspected. Our April edition of the A&M Taxand Scotland Asset Managers Briefing Note will cover “Tax Day” in more detail.

The key highlights from the UK Budget were as follows:

Corporation tax

- From April 2023 the main rate of corporation tax will rise to 25% for those companies with profits over and above £250,000.
- Companies with profits below £50,000 will continue to be taxed at 19% and there will be a tapered rate up to the upper threshold of £250,000.
- Close investment holding companies will pay corporation tax at the higher rate of 25%.
- From 1 April 2021 to 31 March 2023 companies investing in qualifying capital expenditure will obtain a “super deduction” of 130% for capital allowance purposes (broadly for main pool assets such as plant and machinery). There will also be a

50% deduction for special rate pool assets such as long-life assets and integral features.
- There is also a temporary extension to the loss carry back period for companies which could give some flexibility in utilising Covid or post-Covid losses.

Personal tax

- There were no major changes to tax rates for Income Tax or National Insurance Contributions ("NIC").
- Following next year's increase in personal allowance to £12,570, this threshold will be frozen until April 2026.
- Similarly, the Income Tax higher rate threshold will increase to £50,270 as planned and will then be frozen until April 2026. NIC thresholds in 2021/22 as announced will rise with inflation and then also remain frozen until 2026.
- For Scotland, Kate Forbes announced similar freezes in her January Budget with Scottish Income Tax rates and bands remaining unchanged for 2021/22.
- The capital gains tax threshold will also be frozen at the present threshold of £12,300 until April 2026.

To read our full article on the UK Budget announcements, please click here.

A guest article from Jon Wilson of Ellis Wilson - What's Product Governance ("PROD") got to do with it?

The FCA has just published its review on a small sample of UK-authorised fund managers focused on product providers (manufacturers) and how they apply PROD standards introduced by the European Union's Markets in Financial Instruments Directive ("MiFID II") throughout the product lifecycle. What's that got to do with investment managers of other investment products?

PROD draws heavily on the Financial Conduct Authority ("FCA") guidance "Responsibilities of Providers and Distributors for the Fair Treatment of Customers" ("RPPD"), which pre-dates MiFID II, still in place, and applicable to investment managers outside the scope of PROD. The FCA's principal expectation is that manufacturers act in the best interests of the clients who invest in the products they design and manage, regardless of the legislative framework they operate under. So manufacturers of alternative investment funds, EIS, VCTs, even providers of discretionary investment management mandates are caught in-scope of PROD or RPPD, when their products are targeted at retail clients, even to those subsets of retail, considered sophisticated or high-net wealth.

These firms need a coherent approach to the design and distribution of their Product Governance arrangements, product design, product testing, distribution channel selection and due diligence and governance and oversight arrangements. The FCA's assessment is there is significant scope for improvement and will consider the value of further changes to rules and guidance. The message to all investment managers is they need to take product governance seriously and engage across the distribution chain to ensure that their products reach, and firms can show they reach, the intended target market.

Read Ellis Wilson's summary of the FCA's findings here.

In addition, if you would like to receive regular updates from Ellis Wilson, please subscribe to their monthly regulatory news updates here.

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