

## Budget Summary 2013

Welcome to the 2013-14 Tax Rates

Income Tax	2
Pension Contributions	3
Annual investment limits	3
National Insurance Contributions 2013/14	4
Car Benefit 2013/14	5
Tax-free mileage allowances	5
Inheritance Tax	6
Value Added Tax	7
Corporation Tax	7
Main capital allowances	7
Capital Gains Tax	8
Stamp Duty and Stamp Duty Land Tax	8
Earliest due dates for payment of tax	9
Useful Rates	9

## Income Tax

### Main reliefs

Allowed at top rate of tax	2013/14	2012/13
Personal Allowance (PA)	£9,440	£8,105
Personal Allowance (born 6.4.38-5.4.48)*	10,500	10,500
Personal Allowance (born before 6.4.38)*	10,660	10,660
Blind Person's Allowance	2,160	2,100

Allowed only at 10%		
Married Couple's Allowance (MCA)* (only available if born before 6th April 1935)	7,915	7,705
Age-related allowances (AA)* income limit	26,100	25,400

\*AA reduced by £1 for every £2 by which income exceeds limit.

Personal AA reduced before MCA until equal to normal PA.

MCA reduced to minimum £3,040 (2012/13: £2,960).

PA is withdrawn at £1 for every £2 by which total income exceeds £100,000

(PA is nil at income of £118,880 or more).

### Rate bands

	2013/14	2012/13
Basic rate band (BRB)	32,010	34,370
Higher rate band (HRB)	32,011-150,000	34,371-150,000
Additional rate	over 150,000	over 150,000

BRB and HRB extended by Gift Aid donations and pension contributions up to permitted limit.

## Tax rates

Rates differ for General/Savings/Dividends

	2013/14			2012/13		
	G	S	D	G	S	D
Basic rate	20%	20%	10%	20%	20%	10%
Higher rate	40%	40%	32.5%	40%	40%	32.5%
Additional rate	45%	45%	37.5%	50%	50%	42.5%

General income (salary, pension, profit, rent) uses lower rate bands first, then savings (interest), then dividends. UK dividends received are 90% of taxable amount with 10% tax credit.

If taxable general income is less than £2,790 (2012/13: £2,710), savings income is taxed at a 'starting rate' of 10% until total taxable income exceeds that limit. This 'starting rate band' is part of the BRB.

## Pension Contributions

Maximum annual tax-efficient gross contributions to age 75

<b>individuals</b>	£3,600 or 100% of earnings to £50,000
<b>employers</b>	£50,000 less employee contributions

Only current earnings count for the 100% limit. If less than £50K has been paid in any of the preceding 3 years, current contributions may be increased by the shortfall.

Most personal pension contributions are paid net of basic rate tax. Maximum tax-efficient fund on taking benefits in 2013/14: £1.5m.

## Annual investment limits

	2013/14	2012/13
Individual Savings Account	£11,520	£11,280
Junior ISA	3,720	3,600
Enterprise Investment Scheme	**1,000,000	**1,000,000
Venture Capital Trust	**200,000	**200,000
Seed Enterprise Investment Scheme	*100,000	*100,000

\*\* Relief at 30% \* Relief at 50%

## National Insurance Contributions 2013/14

### Class 1 (Employees)

From 6.4.2012, only employment with a salary-related pension scheme can use the lower contracted-out NIC rates.

	Contracted In	Contracted Out
Employee contributions		
- on earnings £149.01 - £770pw	12.0%	10.6%
- on earnings £770.01 - £797pw	12.0%	12.0%
- on earnings above £797pw	2.0%	2.0%
Employer contributions		
- on earnings £148.01 - £770pw	13.8%	10.4%
- on earnings above £770pw	13.8%	13.8%

Employer contributions (at 13.8%) are also due on most taxable benefits (Class 1A) and on tax paid on an employee's behalf under a PAYE settlement agreement (Class 1B).

### Class 2 (Self-employed)

Flat rate per week	£2.70
Small earnings exception: profits per annum	£5,725

### Class 3 (Voluntary)

Flat rate per week	£13.55
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## Class 4 (Self-employed)

On profits £7,755 - £41,450	9.0%
On profits over £41,450	2.0%

## Car Benefit 2013/14

Taxable benefit is chargeable value multiplied by chargeable percentage.

**Chargeable value:** initial list price of car (incl. accessories).

Chargeable percentage:

Electric car with no emissions: 0%

CO2 Ratings	Petrol	Diesel
1-75g/km	5%	8%
76-94g/km	10%	13%
95-99g/km	11%	14%

- increasing by 1% at 100, 105, 110 etc., until the max. 35% (petrol or diesel).

## Vans

Chargeable value of £3,000 if private use is more than home-to-work.

## Car fuel

Employer provides fuel for private motoring in an employer-owned:

**car:** CO2-based percentage from above table multiplied by £21,100.

**van:** £564.

Employee contributions for fuel do not reduce taxable figure unless all private fuel is paid for.

## Tax-free mileage allowances

## Employee's own transport

2013/14		
	Higher Rate	Lower Rate
Car	45p	25p
Motorcycle	24p	24p
Bicycle	20p	20p
Business passengers	5p	5p

Higher rate allowed up to 10,000 business miles.

## Company cars

The 45p mileage rate is for business use of an employee's own car. Where the employer provides the car, allowances should not reflect costs already borne by the employer such as depreciation. HMRC publish advisory mileage rates which are accepted as covering the cost of fuel for different engine sizes and fuel types. They change four times a year, so the current rates have to be checked at [www.hmrc.gov.uk/cars/fuel\\_company\\_cars.htm](http://www.hmrc.gov.uk/cars/fuel_company_cars.htm).

## Inheritance Tax

Charges on or after 6th April 2009	Rates %	
0 - £325,000	NIL	Nil band frozen
Above £325,000	40%	until 2017/18

Lifetime chargeable transfers at half the death rate, i.e. 20%.

Business property relief of 100% for all shareholdings in qualifying unquoted trading companies and for most unincorporated trading businesses;  
agricultural property relief at 100% for qualifying holdings of agricultural land.

Annual exemption for lifetime gifts £3,000.

Small gifts up to £250 per donee per year are ignored.

Tapering relief applies to reduce the tax on transfers within 7 years of death.

The reduction in tax is 20% for survivorship of 3-4 years, 40% for 4-5, 60% for 5-6 and 80% for 6-7 years.

## Value Added Tax

Standard rate (1/6 of VAT-inclusive price)	20%
Registration level from 1.4.13	£79,000 per annum
Deregistration level from 1.4.13	£75,000 per annum

## Scale Charges

The scale charges for private use of business fuel are based on the CO2 emissions rating of the car. A different charge will apply for each 5g/km increase between 120g/km and 225g/km (max).

Exact figures for a 1-month, 3-month or 12-month return period have to be obtained from the table on HMRC's website: [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

## Corporation Tax

	Years to 31.3.2014	31.3.2013
Main rate	23%	24%
Profits above	£1.5m	£1.5m
Small companies rate	20%	20%
Profits up to	£300k	£300k
Small/large marginal band	£300k - £1.5m	£300k - £1.5m
Fraction (effective rate)	3/400 (23.75%)	1/100 (25%)

## Main capital allowances

	Allowance %
<b>Plant and machinery</b>	
- Annual Investment Allowance (AIA): £250,000	100
- certain energy efficient plant, including low emission cars*	100
- writing down allowance: general pool	18
- writing down allowance: special rate pool	8

The special rate pool includes long life assets, integral plant in buildings, thermal insulation and cars with CO2 emissions over 130g/km (160g/km for expenditure before April 2013). The general pool contains other plant and machinery. The rate of AIA changed in April 2012 and January 2013 and care is required where a period of account straddles the change.

\* Up to 95g/km from 1 April 2013; 110g/km before that.

## Capital Gains Tax

	2013/14	2012/13
<b>Annual exempt amount</b>	£10,900	£10,600
<b>Tax rate</b>		
- basic rate taxpayer	18%	18%
- higher rate taxpayer	28%	28%
- Entrepreneurs' Relief (ER)	10%	10%

Net gains after losses, all reliefs and annual exemption are added to taxable income to determine the applicable CGT rate. ER is available for lifetime gains of up to £10m on disposals of sole trade, interest in partnership trade, or shares in a trading company by an officer or employee owning at least 5%. Other conditions apply.

Trustees receive up to half the annual exemption and pay at a flat rate of 28%.

## Stamp Duty and Stamp Duty Land Tax

Rates on sales	% of Total Consideration	
<b>Shares and marketable securities</b> (nil if value up to £1,000)		0.5%
<b>Land</b>	£0 - threshold	NIL
	Threshold - £250,000	1%
	£250,001 - £500,000	3%
	£500,001 and over (all properties)	4%
	£1,000,001 - £2,000,000 (residential)	5%
	Over £2m (residential - 15% in some cases)	7%



<b>The threshold is:</b>		
	£125,000	general residential property
	£150,000	commercial property

## Earliest due dates for payment of tax

<b>Income Tax</b>	
Employment	Most tax paid under PAYE
Interest, dividends	Lower/basic rate liability usually settled before receipt
Untaxed sources, plus balance on employment and higher rates on investment income (self assessment)	Payments on account for 2013/14 on 31.1.14 and 31.7.14 based on 2012/13 tax; balance due 31.1.15 with first instalment for 2014/15.
<b>Capital Gains Tax</b>	31 January following the tax year with self-assessment income tax.
<b>Inheritance Tax</b>	Normally 6 months after month of death.
<b>Corporation Tax</b>	Large companies pay by instalments starting 6 1/2 months through the accounting period; small/medium companies pay 9 months and 1 day after end of period.

## Useful Rates

		<b>2013/14</b>
<b>Basic Retirement Pension</b>		
Single person		£110.15
Married couple		176.15
<b>Child Benefit</b>		
First eligible child		20.30
Each subsequent child		13.40

## High Income Child Benefit Charge (HICBC)

Where someone receives child benefit and they or their spouse/civil partner/co-habitee has 'adjusted net income' above £50,000, the HICBC becomes payable. A couple's income is not combined for these purposes. The higher income person has to self assess the tax, which is 1% of child benefit for every

£100 of income above £50,000. When income equals or exceeds £60,000, 100% of the child benefit is clawed back.

<b>National Minimum Wage (Rates per hour from 1.10.12)</b>	
Aged 21 and over	£6.19
Aged 18 – 20	4.98
Aged 16 – 17	3.68

Lower rates may apply for apprentices.

The rates normally change on the 1 October each year.

You are advised to consult us before acting on any information contained herein.

Director  
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