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THE SPRING BUDGET

BUDGET 21 MARCH 2012

This Summary covers the key tax changes announced in the Chancellor's speech and includes tables of the main rates and allowances.

Alongside our text we have included tips and traps which you may want to consider. At the back of the Summary you will find a calendar of the tax year with important deadline dates shown.

We recommend that you review your financial plans throughout the year, as some aspects of the Budget will not be implemented until later in the tax year.

We will, of course, be happy to discuss with you any of the points covered in this report, and help you adapt and reassess your plans in the light of any legislative changes.

CONTENTS

- 3 Personal Income Tax
- 4 Tax Credits and Benefits
- 5 National Insurance
- 5 Employees
- 6 Savings and Investment
- 7 Capital Gains Tax
- 8 Inheritance Tax
- 8 Corporation Tax
- 9 Business Tax
- 10 Value Added Tax
- 11 Stamp Duty Land Tax
- 11 Other Measures



INTRODUCTION

Past Chancellors would not approve of George Osborne appearing on Sunday morning television to discuss the Budget, even if he avoided giving specific details. The contents of the Red Box used to be kept completely secret until the speech itself, and the Chancellor would disappear from public view for weeks in case he let something slip.

Maybe the Budget is less important than it was: the Stock Market is unlikely to be sensitive to UK tax proposals when other factors have greater influence. Perhaps the Chancellor knows that it is as much about politics as policy: he has to sell his proposals to the press and the public, particularly when he is about to announce something as controversial as a cut in the rate of tax for top earners (starting in a year's time) while the low paid are seeing cuts in Tax Credits. He said loudly in his speech that the 50% rate raised very little money, encouraged tax avoidance and reduced incentives for entrepreneurs – all good points, but it was easy for Ed Miliband to charge him with favouring the wealthy.

By way of balance, the Chancellor cracked down on avoidance of Stamp Duty Land Tax on houses worth over £2m, and closed down a number of other loopholes which the wealthy might have used to avoid paying taxes. However, these will affect fewer people than the income tax measure.

Another problem with modern Budgets is keeping track of what's being implemented when, because each speech includes measures for this year, next year and even several years further on. Many important details are hidden in over 200 pages of explanation issued by HM Revenue & Customs and the Treasury after the Chancellor sits down. Some of the future measures are described in detail and some are only hinted at.

We have gone through the papers and sorted out the major points from the technical detail. This booklet summarises the significant issues and outlines their likely effect on the average taxpayer.

Significant points

- Personal allowance increased by £630 in 2012/13, but higher rate threshold lowered
- Further £1,100 increase in personal allowance in April 2013 with a further lowering of the higher rate threshold
- 50% tax rate for those earning over £150,000 to be cut to 45% in April 2013
- Details of Child Benefit clawback from January 2013 announced
- Tax treatment of Enterprise Management Incentive share options to be improved
- Main corporation tax rate cut by 2% to 24% from 1 April 2012 (1% was expected); further cuts to 22% over the next two years
- Immediate increase in Stamp Duty Land Tax to 7% on transfers of residential property for more than £2m
- Measures to stop avoidance of SDLT by putting £2m residences into companies, including a 15% charge on setting up such an arrangement



Personal Income Tax

Tax rates and allowances (Table A)

As announced a year ago, the standard personal allowance will increase in April 2012 by £630 to £8,105 – for a basic rate taxpayer, this represents a tax saving of £126 for the year 2012/13.

The benefit of the increased allowance is offset for anyone with income over £42,475 by a reduction in the higher rate income tax threshold from £35,000 to £34,370. Taxpayers will start to pay 40% tax once total income exceeds £42,475 (£8,105 + £34,370), the same total as in 2011/12 (£7,475 + £35,000). This means that the saving remains £126 for all taxpayers with income up to £100,000. Above that level, the withdrawal of personal allowances means that the reduction in the higher rate threshold produces an overall tax increase of up to £252.

The following are unchanged:

- Withdrawal of personal allowances produces a marginal tax rate of 60% in the band between £100,000 and £116,210.
- Additional rate of 50% for income above £150,000.
- Dividends are grossed up by a notional tax credit of 10/90 and then taxed at 10%, 32.5% and 42.5% (depending on the taxpayer's level of total income) less a 10% credit.

Future allowances and rates

The personal allowance for 2013/14 has been announced in advance – a further above-inflation increase to £9,205. This brings closer the Coalition Government's objective of raising the allowance to £10,000, removing many lower-paid people from tax altogether. This will again be balanced by a further reduction in the higher rate threshold to £32,245, bringing more people into the 40% rate and the increased likelihood that they will need to file self-assessment tax returns.

The Chancellor also made the controversial announcement that the 50% tax rate will be reduced to 45% from April 2013 (with the additional dividend rate falling from 42.5% to 37.5%). He argued that it has promoted tax avoidance and has raised far less revenue than Labour predicted when they introduced it; he claimed that cutting the rate will encourage enterprise. The Opposition predictably seized on the announcement as a 'tax cut for millionaires' and 'the end of "we're all in this together"'.



TAX TIP

If you are a 50% taxpayer, consider deferring income into 2013/14



Age-related allowances

For many years, people reaching the age of 65 in a tax year have enjoyed an increased personal allowance, provided that their income is not higher than a set figure. The Chancellor said that this is complicated and poorly understood by those it affects, and requires many of them to complete self-assessment tax returns. Accordingly, the higher allowances will be frozen from 6 April 2013 at their 2012/13 levels; only those who are already 65 by that date will be entitled to age allowance, and only those who are already 75 will be entitled to the top rate. When the ordinary personal allowance has reached the same levels (currently £10,500 and £10,660), the age allowances will be abolished.

What this means is that existing pensioners will not see any actual reduction in their allowances, but will not see an increase either for the next few years.



Foreign domiciled individuals

Since 2008/09, a long-term UK-resident but non-UK domiciled individual who claims the benefit of the 'remittance basis of taxation' (only paying tax on foreign income and gains if the money is brought into the UK) has had to pay a flat rate charge of £30,000 (unless their foreign income and gains are no more than £2,000). This has applied to anyone who has been UK resident for 7 of the previous 9 years. As announced last year, the flat rate tax charge will rise in 2012/13 to £50,000 for those who have been resident in the UK for 12 of the previous 14 years.



Tax Credits and Benefits

Tax Credits

Changes to tax credit rates were announced in the Autumn Statement and were not referred to again on Budget day by the Chancellor. The family element of Child Tax Credit (£545) was until 2010/11 paid to couples with incomes up to £50,000, and it was reduced to nothing when combined income reached £58,000; in 2011/12 it started to be tapered away when income was £40,000 and will be zero by £41,330. For 2012/13, all Child Tax Credits will be tapered when income exceeds £15,860. This means that a couple with two children and combined income of £35,000 will lose the whole of the £545 credit they were entitled to last year – a benefit cut much higher than the tax saving arising from the increase in the personal allowance.



TAX TRAP

If you receive these benefits, check whether you will lose them



Child benefit

Mr Osborne announced in his first Budget that the universal payment of Child Benefit would cease from January 2013. The previously announced intention has been modified: instead of withdrawing the whole amount where either partner in a couple is a higher-rate taxpayer (income over £42,475), the benefit will only be clawed back where one partner earns over £50,000. 1% of the payment will be recovered for every £100 of additional income until it is all gone at an income level of £60,000. The benefit will continue to be paid in nearly all circumstances to the mother, but the clawback will be collected as an income tax charge on the higher earning partner (apparently applying only for the last quarter of 2012/13).

Currency	Value
US Dollar	1.0000
Euro	0.7554
British Pound	0.6463
Japanese Yen	133.74
Swiss Franc	0.9756
Canadian Dollar	1.0000
Australian Dollar	0.9138
New Zealand Dollar	0.6900
South African Rand	6.5000
Indian Rupee	47.8354
Chinese Yuan	6.2616
South Korean Won	1193.00
Hong Kong Dollar	7.7556
Singapore Dollar	1.3536
Thai Baht	30.3393
Malaysian Ringgit	2.3362
Indonesian Rupiah	1936.27
Philippine Peso	45.4610
Vietnamese Dong	2316.26
Myanmar Kyat	125.4800
Laos Kip	835.4900
Cambodia Riel	401.8370
Brunei Dollar	1.3536
Maldivian Rufiyaa	1.3536
Nepalese Rupee	108.0000
Bhutan Ngultrum	1.3536
Timor Dólar	1.3536
East Timor Dólar	1.3536
Macau Pataca	1.3536
Moldovan Leu	1.3536
Romanian Leu	1.3536
Serbian Dinar	1.3536
Slovak Koruna	1.3536
Slovenian Tolar	1.3536
Czech Koruna	1.3536
Hungarian Forint	1.3536
Croatian Kuna	1.3536
Bulgarian Lev	1.3536
Polish Zloty	1.3536
Ukrainian Hryvnia	1.3536
Russian Ruble	1.3536
Belarusian Ruble	1.3536
Georgian Lari	1.3536
Armenian Dram	1.3536
Azerbaijani Manat	1.3536
Kazakhstani Tenge	1.3536
Kyrgyzstani Som	1.3536
Tajikistani Somoni	1.3536
Uzbekistani Som	1.3536
Turkmenistani Manat	1.3536
Yemeni Rial	1.3536
Omani Rial	1.3536
Qatari Riyal	1.3536
Bahraini Dinar	1.3536
Saudi Riyal	1.3536
Israeli Sheqel	1.3536
Jordanian Dinar	1.3536
Lebanese Pound	1.3536
Syrian Pound	1.3536
Libyan Dinar	1.3536
Egyptian Pound	1.3536
Sudanese Pound	1.3536
Ethiopian Birr	1.3536
Kenyan Shilling	1.3536
Ugandan Shilling	1.3536
Rwandan Franc	1.3536
Burundian Franc	1.3536
Tanzanian Shilling	1.3536
Malawi Kwacha	1.3536
Mozambican Escudo	1.3536
Zimbabwean Dollar	1.3536
Botswana Pula	1.3536
Namibian Dollar	1.3536
South African Rand	1.3536
Swaziland Lilangeni	1.3536
Lesotho Loti	1.3536
Malagasy Ariary	1.3536
Comorian Franc	1.3536
Madagascan Ariary	1.3536
Reunion Franc	1.3536
Mayotte Franc	1.3536
French Polynesia Franc	1.3536
New Caledonia Franc	1.3536
Wallis and Futuna Franc	1.3536
French Guiana Franc	1.3536
Guadeloupe Franc	1.3536
Martinique Franc	1.3536
Saint Martin Franc	1.3536
Saint Pierre and Miquelon Franc	1.3536
French Polynesia Franc	1.3536
New Caledonia Franc	1.3536
Wallis and Futuna Franc	1.3536
French Guiana Franc	1.3536
Guadeloupe Franc	1.3536
Martinique Franc	1.3536
Saint Martin Franc	1.3536
Saint Pierre and Miquelon Franc	1.3536

National Insurance Contributions

Rates and limits (Table D)

The rates and thresholds for NIC were announced in the Autumn Statement. There are significant changes affecting employees within pension schemes, who may have been eligible for the lower 'contracted-out' rates of NIC. From 6 April 2012 these will only be available to members of the increasingly rare salary-related pension schemes, and the reductions in rate for both employee and employer will be less generous than before. Those within money-purchase employer pension schemes, and their employers, will be liable to the full rates of NIC.

This will represent an increase in contributions of £462 for the employer and £525 for the employee where salary exceeds £42,475.

Merging NIC and income tax?

The Chancellor repeated his intention to look for a way to combine NIC with income tax so that employers do not have to operate two different sets of rules on the same payroll. Further consultations will be carried out, but the differences between the two regimes continue to make this a difficult goal to achieve.

Employees

Company cars and fuel (Table C)

Changes previously announced will take effect on 6 April 2012. The taxable benefit of a car will still be based on a percentage of the original list price; this percentage is determined normally by the CO₂ emissions rating of the car. The scale of percentages has been moved downwards, so that the 15% rate applies at a rating of 120g/km (instead of 125g/km). This means that the chargeable benefit will increase by 1% of list price for many cars. For a 40% taxpayer with a £15,000 company car, the extra tax arising from a 1% increase will be £60 for the year 2012/13. The employer will also pay an additional £20.70 in Class 1A NIC.





In 2011/12, cars with a rating up to 120g/km were charged at 10%, and up to 75g/km at 5%. In 2012/13, the 5% rate remains the same, but 10% only applies up to 99g/km; there are new 11%, 12%, 13% and 14% rates at 100, 105, 110 and 115g/km. Employees with cars in these categories may see a higher increase in their tax charge.

The taxable benefit of free fuel provided for use in a company car is calculated by multiplying the same percentage by a fixed figure. This will increase for 2012/13 to £20,200 (2011/12: £18,800), so for many employees the taxable amount for fuel will increase for two separate reasons. The figure has increased by 2% above inflation, and we are promised another similar increase next year.

TAX TRAP

Be aware of the tax cost of your 'free' car and fuel



Enterprise Management Incentive (EMI)

Certain trading companies with assets of up to £30m are permitted to grant share options worth up to £120,000 to selected employees within the 'EMI' scheme. Provided the conditions are satisfied, the profit made by the employee is charged to CGT rather than potentially to income tax and NIC. It is now proposed to increase the limit to £250,000. This requires EU 'State Aid' approval.



Savings and Investment

Pension contributions (Table B)

There was some speculation in the period leading up to the Budget that further restrictions might be made to tax relief for pension contributions, but in the event no changes were announced. This means that the limit on contributions remains £50,000 or 100% of earnings, whichever is the smaller.

It was announced last year that the limit on the value of a tax-advantaged pension fund will fall from £1.8m to £1.5m on 6 April 2012. Anyone with a larger fund taking benefits after that date could suffer an income tax charge on the excess at 55% unless a claim for 'protection' has been made.

TAX TIP

If you are a high earner, relief in 2012/13 at 50% will be better than 2013/14 at 45%



Individual Savings Accounts (ISAs)

The annual limit on investment in tax-free ISAs increases by £600 to £11,280 for 2012/13. This limit increases in line with the Consumer Prices Index each year, adjusted so that the result divides by 12 to allow for regular monthly contributions.



Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT)

Subscriptions for new shares qualifying for EIS or VCT relief enjoy a 30% income tax rebate. As announced last year, the limit for EIS investment will rise from £500,000 to £1m for 2012/13. A number of other changes are being made to make the reliefs simpler and easier to claim, including the removal of the £500 minimum for EIS and relaxation of some of the rules about being 'connected' with the company through owning its loan capital.

Seed Enterprise Investment Scheme (SEIS)

No further details of the SEIS were given on Budget day, in spite of it appearing to be a very generous new relief that will apply for 2012/13. It has been announced in advance that a subscriber for shares in a new small trading company (less than 2 years old) will enjoy a 50% income tax rebate on up to £100,000 invested. If capital gains of up to the same amount are realised in 2012/13 and invested in a SEIS company in 2012/13, the gains will be exempt. These reliefs will become permanent provided a number of conditions are satisfied, but may be lost if the shares are sold or the company is liquidated in a short time. The combination of these reliefs mean that an investor can put £100,000 into a company at a cost of only £22,000.

TAX TIP

The relief for SEIS is very generous – can you benefit?

Capital Gains Tax

Rate of tax and annual exemption

The rate of CGT remains 18% for those whose total taxable income and gains for the year are below £34,370, and 28% for gains which are above that figure.

The annual exempt amount for CGT is held at £10,600. The normal increase has been cancelled in order to balance the exemption offered for investment in Seed Enterprise Investment Scheme shares.

Trustees

Trustees continue to be liable to CGT at 28% after deducting half the normal annual exemption (£5,300). The annual exemption is shared between trusts set up by the same settlor since June 1978, subject to a minimum of £1,060.

Entrepreneurs' Relief (ER)

Entrepreneurs' Relief allows certain disposals of businesses and business assets to be charged at a lower CGT rate of 10%. The lifetime limit of gains which can qualify remains £10m (the limit for disposals from 6 April 2011).



It is proposed that ER will be available for gains on shares issued under the Enterprise Management Incentive scheme. European Union approval has to be obtained for such a measure, so the details of its introduction are yet to be confirmed.

Inheritance Tax

Rates

Rates of tax remain unchanged at 40% (death transfers) and 20% (lifetime chargeable transfers). The nil rate band of £325,000 is frozen until 2015.

Charitable giving

From 6 April 2012, where a person leaves 10% of their net estate to charity in their will, the rate of IHT on the remainder will be reduced from 40% to 36%. For example, on a £1m estate all left to children, IHT is 40% of £675,000 (£270,000), and the beneficiaries receive £730,000. If £100,000 is left to charity after 6 April, the IHT on the £900,000 balance will be 36% of £575,000 (£207,000) and the beneficiaries will receive £693,000. The charity will receive £100,000 but the beneficiaries will only get £37,000 less.

TAX TIP

If you are planning to give to charity in your will, consider making it 10%

Corporation Tax

Rates

The main rate of Corporation Tax was to be cut from 26% to 25% for Financial Year 2012 (commencing 1 April 2012). Mr Osborne announced that the cut would be doubled, making the rate for the coming year 24%. Further cuts to 23% for FY 2013 and 22% for FY 2014 were also announced.

The small profits rate (for companies with profits up to £300,000) remains 20%. The effective rate of tax in the band of profits between £300,000 and £1.5m is 25% in FY 2012.

Research and development credits

R&D credits allow companies to deduct a multiple of the expenditure incurred for tax purposes. If £100 of cost is treated as £200 in computing tax, the company effectively receives a grant for incurring the expenditure. Qualifying R&D incurred by small and medium enterprises (SMEs) will enjoy a 225% deduction (up from 200%) from 1 April 2012. Other rules and conditions for the relief are being relaxed with the intention of making it easier to claim.



Currency	Value
Australian Dollar	0.9270
Canadian Dollar	0.9270
Chinese Yuan	6.3757
Japanese Yen	133.74
British Pound	0.8456
Swiss Franc	0.9270
US Dollar	1.0000
Euro	0.7556
South African Rand	6.5018
Indian Rupee	55.9672
Chinese Renminbi	6.3757
South Korean Won	1193.00
Thai Baht	30.3371
Malaysian Ringgit	2.3362
Singapore Dollar	1.3408
Philippine Peso	45.4610
Indonesian Rupiah	1936.27
Myanmar Kyat	125.48
Laos Kip	200.48
Vietnam Dong	2316.26
Cambodia Riel	401.84
Brunei Dollar	1.3408
Maldivian Rufiyaa	1.3408
Nepalese Rupee	133.74
Pakistani Rupee	103.75
Sri Lankan Rupee	125.48
Shri Lanka Rupee	125.48
Yemen Rial	231.63
Ugandan Shilling	348.35
Zimbabwe Dollar	3.3600
Botswana Pula	1.3408
Lesotho Pula	1.3408
Swaziland Lilangeni	1.3408
Namibia Dollar	1.3408
Angola Kwanza	200.48
Mozambique Metical	200.48
Guinea-Bissau Escudo	200.48
Sierra Leone Leone	200.48
Liberian Dollar	200.48
Guinea Franc	200.48
Equatorial Guinea Franc	200.48
Gabon Franc	200.48
Congo Franc	200.48
Congo Kin	200.48
Cote d'Ivoire CFA Franc	200.48
Cameroon CFA Franc	200.48
Chad CFA Franc	200.48
Central African CFA Franc	200.48
Comoros Franc	200.48
Dominican Republic Peso	200.48
El Salvador Colon	200.48
Costa Rica Colon	200.48
Honduras Lempira	200.48
Nicaragua Cordoba	200.48
Panama Balboa	200.48
Paraguay Guaraní	200.48
Peru Nuevo Sol	200.48
Puerto Rico Cent	200.48
Uruguay Peso	200.48
Venezuela Bolívar	200.48
Yemen Rial	200.48
Zambia Kwacha	200.48
Zimbabwe Dollar	200.48

Business Tax

Capital allowances

Important changes to capital allowances, announced last year, come into effect in April 2012. The rates of writing down allowances will be reduced for chargeable periods ending on or after 1 April 2012 (companies) or 6 April 2012 (unincorporated trades). The 'general pool' will be written down at 18% rather than 20%, and the 'special rate pool' (typically plant integral to buildings and cars with CO₂ emissions ratings above 160g/km) at 8% rather than 10%.

The AIA – the amount of expenditure on plant and machinery that qualifies for a 100% immediate deduction – will be reduced from £100,000 to £25,000 for expenditure from 1 April/6 April 2012 onwards.

There are transitional rules for computing both the WDA and the AIA for chargeable periods which straddle the change in rate.

Future changes on cars

The Chancellor announced that there would be 'extension and tightening' of the enhanced capital allowances for low-emission cars. Those with ratings up to 110g/km currently qualify for 100% FYA. This was planned to end in April 2013; it will now be extended to 31 March 2015 but restricted to cars with ratings up to 95g/km.

At the same time, businesses buying cars with ratings above 130g/km will only qualify for the reduced WDA of 8%. At present, cars with ratings up to 160g/km are put into the 'general pool' with the higher rate of WDA (20% in 2011/12, 18% in 2012/13).

TAX TRAP

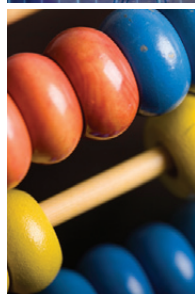
Watch out for the fall in capital allowances on cars

Enhanced capital allowances

Certain types of environmentally-friendly plant and equipment qualify for 100% first year allowances. The Budget has announced the addition of heat pump driven air curtains to the qualifying categories, and some of the other categories will be removed or revised.

Personal service companies

The Government has announced yet another review of the so-called 'IR35' rules that impose tax and NIC charges on 'disguised employment'. Some recent high profile cases of avoidance using such companies have drawn the attention of



ministers to the issue. The measure has not raised nearly as much money as was expected when it was introduced, but has led to many arguments between taxpayers and HMRC. A consultation exercise will consider how to strengthen the rules and also simplify their operation.

Enterprise Zones

The government has announced the creation of more enterprise zones. Businesses in EZs enjoy several advantages, including:

- 100% discount on rates
- Enhanced capital allowances (these may be introduced where a case is made to support 'high value manufacturing', and have been confirmed for at least three Enterprise Areas in Scotland)
- Relaxed planning regulations

Value Added Tax

Registration thresholds

The registration threshold for VAT rises from £73,000 to £77,000 on 1 April 2012.

The deregistration threshold rises from £71,000 to £75,000 on the same date.

Self-assessment returns for businesses can use 'three-line accounts' if they are below the registration threshold.

Rates and scope

The standard rate of VAT will remain unchanged at 20% and the lower rate at 5%. The Chancellor announced a number of detailed changes in the scope of the tax to deal with matters that have led to many disputes in the courts. The changes will remove an arguable borderline and give the victory to the taxman – all the following become chargeable to VAT at the standard rate from 1 October 2012:

- Food which is hot at the point of sale, regardless of the reason for heating it
- Sports drinks which are intended for nutrition rather than slaking the thirst
- Rental of self-storage facilities
- Rental of a 'chair' by a hairdresser's salon to a hairdresser
- Some types of holiday caravan which have been treated as zero-rated
- Some supplies of reconstructed protected buildings which have been treated as zero-rated.

Car fuel

The values to be used by a business which supplies road fuel to a proprietor, director or employee for private use change with effect for return periods starting on or after 1 May 2012. Although the scale rates are based on CO₂ emissions, they are not based on a percentage calculation as the income tax benefit charges are: it is necessary to look up the exact figure in a table which is available on the HMRC website.

Stamp Duty Land Tax

Rates

As widely expected, the Chancellor announced increases in SDLT on high-value properties. This was presented as a measure which would balance the proposed cut in the 50% rate, although there are far more 50% taxpayers than purchasers of £2m properties. A new 7% rate will apply to transfers of residential property for more than £2m where the date of completion is after 21 March 2012. A transitional measure should preserve the benefit of the former rate (5%) where an unconditional contract had been made by Budget day.

Anti-avoidance

Also as widely expected, the Chancellor announced measures to close down the widespread avoidance of SDLT on high value residences involving the transfer of the property to a company, usually registered offshore. It is then possible to sell the shares in the company rather than the property, attracting a 0.5% charge to Stamp Duty (or no tax at all) instead of the 5% applicable to transfers of land.

A new charge at 15% will apply with immediate effect to transfers of a residential property worth over £2m into a company. The avoidance will still be possible after that, but such a huge upfront charge is likely to make it unattractive.

Mr Osborne also announced a consultation exercise on possible ways of levying annual charges on those who have already set up such structures. He said he found aggressive tax avoidance of this type 'morally repugnant' and stated that those who engaged in it had been warned that the tax law would be used to make sure they paid an appropriate amount.

Other Measures

Cash accounting

The Chancellor announced that the Government will consult on the possible introduction of simplified rules for small businesses (turnover up to £77,000) to calculate their profits for income tax. It is proposed to introduce 'cash accounting' from April 2013 – ignoring income and expenses until they are received or paid.

A more radical suggestion is the possible introduction of 'fixed expenses' – allowing small businesses a flat rate deduction, rather than requiring them to calculate their actual expenditure. This will also be the subject of a consultation.

Anti-avoidance measures

As usual, the Budget included a number of 'loophole-closing' measures. Most of these related to specific schemes which are designed for very high earners. There will also be further consultation on the possible introduction of a 'General Anti-Avoidance Rule' which could be used to defeat schemes which were within the letter but contrary to the spirit of the law.





Gains of foreign residents

Owners who are not UK resident have generally not been chargeable to CGT in the UK, even on the disposal of assets in the UK. The Chancellor proposes to change this from April 2013: foreign residents other than individuals (for example, companies and trusts) will become liable to tax on gains on disposal of UK residential property and on shares and interests in such property. Consultation will presumably focus on how such a measure could be enforced, given that the chargeable people will be located abroad.



Machine games duty

Following a number of legal disputes about the VAT treatment of gaming machines – which have resulted in large tax repayments to many operators – the Government is changing the rules. From 1 February 2013, gaming machines will be subject to a new Machine Games Duty and will be exempt from VAT. The Chancellor also announced that measures would be implemented to charge online gaming where the customer belongs rather than where the business is situated, so that UK gaming should give rise to UK tax revenue.



Uncapped tax reliefs

The Chancellor recognised that tax reliefs are offered to taxpayers in order to encourage certain types of behaviour – relief for trading losses encourages entrepreneurial risk-taking, and Gift Aid rewards philanthropy. However, the unlimited use of such reliefs can result in high earning individuals extinguishing the whole of their tax liability. It is proposed to introduce a limit for people claiming more than £50,000 of a relief where there is no other statutory restriction – the maximum would be set at 25% of their total income. This is intended to apply from 2013/14. It will not include reliefs where there is already a statutory limit such as pension contributions, or investment in EIS companies and VCTs.

Currency	Unit	Rate
Australian Dollar	\$	1.0512
Canadian Dollar	\$	1.0000
Chinese Yuan	¥	6.2275
Euro	€	0.7556
Japanese Yen	¥	136.04
New Zealand Dollar	\$	0.6900
Swedish Krona	kr	8.4664
Swiss Franc	fr	0.9756
Thai Baht	฿	30.3457
UK Pound	£	1.0000
US Dollar	\$	1.5478
South African Rand	R	6.5214
South Korean Won	₩	1,193.00
Indian Rupee	₹	64.5360
Singapore Dollar	S\$	1.3406
Malaysian Ringgit	RM	2.0100
Philippine Peso	₱	45.4610
Indonesian Rupiah	₹	1,936.27
Maldivian Rufiyaa	₹	15.3541
Myanmar Kyat	₹	125.48
Nepalese Rupee	₹	130.76
Pakistani Rupee	₹	103.47
Sri Lankan Rupee	₹	120.48
Taiwan Dollar	NT\$	31.3580
Turkish Lira	₹	1.8166
Uruguayan Peso	₹	34.0000
Vietnamese Dong	₹	23.3400
Yemeni Rial	₹	226.67
Zimbabwean Dollar	₹	10.0000

TAX TIP

If you want to claim these reliefs, 2012/13 could be the last year without a restriction



Income Tax Rates and Allowances

Table A Allowances and Reliefs

	2012/13	2011/12
Allowed at top rate of tax		
Personal Allowance	£8,105	£7,475
Personal Allowance (65 – 74)*	10,500	9,940
Personal Allowance (75 and over)*	10,660	10,090
Blind Person's Allowance	2,100	1,980

Allowed only at 10%

Married Couple's Allowance**	7,705	7,295
Income limit for age-related allowances	25,400	24,000

*only available if born before 6th April 1935

*Age-related allowances (AA) are reduced £1 for every £2 by which income exceeds the income limit, until the AA is reduced to the normal allowance. Personal allowance (PA) is reduced before married couple's allowance. MCA is reduced to a minimum of £2,960 (2011/12: £2,800).

PA is withdrawn at £1 for every £2 by which total income exceeds £100,000. PA is reduced to nil if income is £116,210 or more (2011/12: £114,950).

Bands	2012/13	2011/12
Basic	34,370	35,000
Higher	34,371-150,000	35,001-150,000
Additional	over 150,000	over 150,000

Rates differ for General, Savings and Dividend income within each band:

Rates	2012/13 and 2011/12		
	G	S	D
Basic	20%	20%	10%
Higher	40%	40%	32.5%
Additional	50%	50%	42.5%

General income (salary, pensions, profit, rent) uses starting, basic and higher rate bands before savings income (interest). Dividends are taxed as the 'top slice' of income.

If taxable general income is less than £2,710 (2011/12: £2,560), 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.

Table B Pension Contributions

The maximum annual tax-efficient gross contributions (up to age 75) in 2012/13 are:

- individuals: £3,600 or 100% of earnings to £50,000
- employers: £50,000 less employee contributions

Maximum tax-efficient fund (lifetime allowance) where benefits are taken in 2012/13: £1.5m. Only current earnings count for the 100% limit. Extra contributions above £50,000 can use unused £50,000 limit of preceding three years.

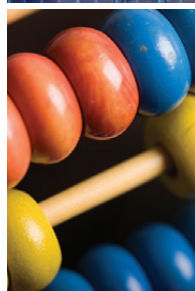


Table C Car and Fuel Benefits

Car Benefit Assessment 2012/13

Charge based on a percentage of the initial list price of the car; the percentage depends on the carbon dioxide emission ratings of the car, if it has one. For older cars without a rating, the percentage depends on engine capacity.

For 2012/13 the percentage for a petrol engine is :

no emissions	no tax charge
up to 75g/km	5%
76g/km-99g/km	10%
100g/km	11%, then + 1% at 105g/km, 110g/km etc.
220g/km	35% (maximum)

Diesel cars have 3% added to the figure for a similarly-rated petrol car, but still have a maximum charge of 35%.

Car Fuel Assessment

The benefit is calculated using the same percentage as that used for the car benefit, applied to a standard figure of £20,200 (2011/12: £18,800).

The taxable amount is therefore between £1,010 (5% – min.) and £7,070 (35% – max.). There is no tax on charging an emission-free electric car.

National Insurance Contributions

Table D Rates and limits for 2012/13

Class 1	Weekly	Monthly	Yearly
Lower Earnings Limit (LEL)	£107	£464	£5,564
Primary Threshold – employees (PT)	146	634	7,605
Secondary Threshold – employers (ST)	144	624	7,488
Upper Accrual Point (UAP)	770	3,337	40,040
Upper Earnings Limit – employees (UEL)	817	3,540	42,475
<i>Employer's Contribution</i>	<i>Contracted In</i>	<i>Contracted Out</i>	

From 6th April 2012, only employment with a salary-related pension scheme can use the lower contracted-out NIC rates.

On earnings up to ST	Nil	Nil
On earnings between ST and UAP	13.8%	10.4%
On earnings above UAP	13.8%	13.8%

Employee's Contribution

Contracted in: 12% on earnings between PT and UEL, 2% above UEL.

Contracted out: 10.6% on earnings between PT and UAP; 12% from UAP to UEL; 2% above UEL.

Earnings over LEL qualify for benefit, and must be reported under PAYE, but no NICs are payable until earnings reach PT.

The reduced Class 1 rate payable by certain married women and widows is 5.85% for earnings between PT and UEL, 2% above UEL.

Class 2 (Self-employed) Earnings over £5,595 per year	£2.65 per week
Class 3 (Voluntary) No limit applicable	£13.25 per week
Class 4 (Self-employed) Profits between £7,605 and £42,475	9%
Profits above £42,475	2%

April 2012

M	T	W	T	F	S	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

- 5 End of tax year. Cut-off for income and gains between 2011/12 and 2012/13.
- 19 'IR35' tax due.
- 19 Employers pay PAYE for quarter or month March 2012, cheque to reach accounts office.
- 20 PAYE electronic payment deadline: funds to clear HMRC's bank account (where 22 falls on a weekend, must clear Friday).

June 2012

M	T	W	T	F	S	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

- 19 Employers pay PAYE for month May 2012.
- 22 PAYE electronic payment deadline.

August 2012

M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

- 1 If 2010/11 tax return not filed, further £300 (or 5% of tax due if higher) penalty.
- 2 Employers submit P46(car) form showing quarter's changes to company cars.
- 19 Employers pay PAYE for month July 2012.
- 22 PAYE electronic payment deadline.

May 2012

M	T	W	T	F	S	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

- 1 Commencement of £10 daily penalties for 2010/11 tax returns not filed.
- 3 Employers submit P46(car) form showing quarter's changes to company cars.
- 19 Employers submit 2011/12 year end returns to Revenue: P14, P35, P38(S), P38A.
- 19 Employers pay PAYE for month April 2012.
- 22 PAYE electronic payment deadline.
- 31 Employers send 2011/12 P60 to employees.

July 2012

M	T	W	T	F	S	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

- 5 Deadline for Tax Credit claim to commence from start of 2012/13; agree 2011/12 PAYE Settlement Agreement
- 6 Employers send P9D, P11D and Form 42 share scheme returns to HMRC; P9D, P11D to employees.
- 19 Employers pay class 1A NIC for 2011/12.
- 19 Employers pay PAYE for quarter or month June 2012.
- 20 PAYE electronic payment deadline.
- 31 Deadline for payment of second instalment of 2011/12 tax. Revise existing Tax Credit claim.

September 2012

M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

- 19 Employers pay PAYE for month August 2012.
- 21 PAYE electronic payment deadline.

October 2012

M	T	W	T	F	S	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

- 1** Corporation tax payday for companies with 31 December 2011 year end.
5 Deadline for notifying HMRC if income tax or CGT is due for 2011/12 and no tax return received.
19 Employers pay PAYE for quarter or month September 2012, also PAYE Settlement Agreement for 2011/12.
22 PAYE electronic payment deadline.
31 Last day to file 2011/12 SA return on paper.

December 2012

M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

- 19** Employers pay PAYE for month November 2012.
21 PAYE electronic payment deadline.
30 File 2011/12 SA return online to take advantage of coding out of employment income tax underpayments up to £3,000.
31 Corporation tax filing deadline for companies with 31 December 2011 year end.

February 2013

M	T	W	T	F	S	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

- 1** If 2010/11 tax return not filed, a further penalty of £300 (or 5% of tax due if higher)
2 Employers submit P46(car) form showing quarter's changes to company cars.
19 Employers pay PAYE for month January 2013.
22 PAYE electronic payment deadline.

November 2012

M	T	W	T	F	S	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

- 2** Employers submit P46(car) form showing quarter's changes to company cars.
19 Employers pay PAYE for month October 2012.
22 PAYE electronic payment deadline.

January 2013

M	T	W	T	F	S	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

- 1** Corporation tax payday for companies with 31 March 2012 year end.
19 Employers pay PAYE for quarter or month Dec 2012.
22 PAYE electronic payment deadline.
31 Online filing deadline for 2011/12 income tax and CGT return. Deadline for payments to avoid interest. Companies affected by IR35 to file finalised P14 for 2011/12.

March 2013

M	T	W	T	F	S	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

- 2** Deadline for payment of balance of 2011/12 tax to avoid late payment penalty.
19 Employers pay PAYE for month February 2013.
22 PAYE electronic payment deadline.
31 Corporation tax filing deadline for companies with 31 March 2012 year end.

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- Financial accounts ● Monthly management accounts ● Budgets and cashflow projections
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- Cost benefit analysis ● Grant claims

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- Share valuations ● Mergers & management buyouts ● Venture capital

The ACCA logo consists of the letters 'ACCA' in white, bold, sans-serif font, centered within a solid purple square.

Director

Justin Smith-Milne FCCA

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