



**Budget Update 21 March 2013**



Lymore Villa, 162A London Road, Chesterton,  
Newcastle Under Lyme, Staffordshire. ST5 7JB

Tel: 01782 566101 Fax: 01782 566090  
email: [mail@SlatersCA.co.uk](mailto:mail@SlatersCA.co.uk) [www.SlatersCA.co.uk](http://www.SlatersCA.co.uk)

## Budget Update 21 March 2013

Caught between a rock and a hard place, George Osborne pleaded his case for continued austerity in his 4th Budget whilst maintaining the UK economy was on track to recovery.

Overall his budget was fiscally neutral – any tax savings to be funded by decreases in public expenditure.

There were a few surprises including: the £10,000 tax free personal allowance, brought forward to April 2014; financial support for prospective home owners; if you are a beer drinker, there will be a 1p reduction in beer duty and the September increase in petrol duty has been scrapped.

Our summary of the main tax changes and other fiscal incentives are outlined in this document, separated into two core sections:

- **PERSONAL**
- **BUSINESS**

**If you have any questions on any of the points within this document, or how these changes affect you then please do not hesitate to contact us on [Contact@SlatersCA.co.uk](mailto:Contact@SlatersCA.co.uk) or 01782 566101**



## 1. PERSONAL

### Help for home buyers

Two schemes are available.

#### Help to buy: equity loan

This scheme will run for three years from 1 April 2013 and is proposed to provide £3.5bn of additional investment.

- The scheme will apply to new builds only
- All house buyers can apply – this scheme is not restricted to first-time buyers.
- Buyers will need a minimum deposit of 5%
- Government will lend up to 20% of the value of the property as an equity loan – this can be repaid at any time or when the property is sold. The loan is interest free for the first five years. In year six borrowers will have to pay a 1.75% annual fee which will increase annually by 1% above inflation
- The equity loan arrangement will only apply to home purchases of £600,000 or less.

#### Help to buy: mortgage guarantee

This scheme will run for three years from 1 January 2014. Buyers will need to secure a mortgage from a lender who should be encouraged to offer better access to low deposit mortgages by the Government guarantee.

- Guarantee will apply to new builds and existing homes
- A minimum 5% deposit will apply
- Available to existing homeowners and first-time buyers
- A maximum home purchase of £600,000 applies

### Personal tax allowance 2014-15

The coalition election promise, to increase the basic personal tax allowance to £10,000, is to be achieved a year early, from April 2014. This will be available to those born after 5 April 1948. At the same time the basic limit will be reduced to £31,865.

As set out in the Budget 2011, once the £10,000 limit is reached the personal allowance will be raised in line with the Consumer Price Index starting from 2015-16.



## A quick summary of Income Tax thresholds

	2013-14	2014-15
Personal allowance (those born after 5 April 1948)	£9,440	£10,000
Basic rate limit	£32,010	£31,865
Higher rate threshold	£41,450	£41,865

## Pension's tax allowances reduction confirmed

As announced last year the lifetime pensions savings allowance is being reduced from £1.5m to £1.25m and annual pension contributions that qualify for tax relief reduced from £50,000 to £40,000. These changes will apply from April 2014.

## Inheritance Tax: nil rate band freeze

The present freeze on the nil rate band at £325,000 is being extended until 2017-18. This measure partly funds the cap on reasonable care costs of £72,000 for older people from April 2016.

## New Childcare Scheme from Autumn 2015

A new Childcare Scheme will be introduced to support working families with their childcare costs and will replace the current salary sacrifice scheme. Unlike its predecessor, the new scheme will be available to the self-employed and those on a minimum wage. Also parents will be able to choose their own voucher provider, as the new system will not be administered by employers.

Claimants will fund 80% of their childcare costs up to £6,000 per child. The remaining 20% will be subsidised by Government. From the first year of operation all children under 5 will be eligible and the scheme will build over time to include children under 12.

The scheme will provide support for families where all parents are in work and not receiving support through the Childcare Element of Working Tax Credits/Universal Credit, or where one has an income over £150,000. Support will be provided through a childcare account redeemable at any registered childcare provider.

The new scheme offer will be phased in from Autumn 2015 as the current system of Employer Supported Childcare is phased out. The Government will shortly consult on the detail of delivery.



## Beer duties

From 25 March 2013 duty rates on:

- low strength beer (below 2.8% alcohol by volume (abv)) will be reduced by 6%
- beer between 2.8% and 7.5% abv will be reduced by 2%, and,
- high strength beer (above 7.5% abv) will be reduced by 0.75% in total.

This will reduce the cost of an average strength beer by approximately 1p per pint

Beer duties will then increase by RPI inflation following Budget 2014.

## Other alcohol duty increases

The duty rates for spirits, wine and made-wine, cider and perry will increase by 2% above the rate of inflation (based on RPI) with effect from 25 March 2013. This will add 2p to the price of a litre of cider, 10p to the price of a bottle of wine and 38p to the price of a bottle of spirits.

## Tobacco duty

Legislation will be introduced in Finance Bill 2013 to increase the duty rates for all tobacco products by 2% above the rate of inflation (based on RPI) from 6pm on 20 March 2013. This will add 26p to the price of 20 cigarettes, 9p to the price of a pack of five small cigars, 26p to the price of a 25g pouch of hand-rolling tobacco, and 14p to the price of a 25g pouch of pipe tobacco.

## Petrol duty

The proposed 3p increase in petrol duty due September 2013 has been scrapped.

## Taxation of high value properties owned by non-natural persons

This provision affects certain companies, partnerships with company members and managers of collective investment schemes described in the legislation as non-natural persons (NNPs) that own properties in the UK worth over £2m.

The imposition of a 15% Stamp Duty Land Tax charge was imposed from 21 March 2012. The two additional charges confirmed in the 2013 Budget are:

- An annual tax on enveloped dwellings (ATED), and
- Capital Gains Tax at 28% on any gain on disposal





Lymore Villa, 162A London Road, Chesterton,  
Newcastle Under Lyme, Staffordshire. ST5 7JB

Tel: 01782 566101 Fax: 01782 566090  
email: [mail@SlatersCA.co.uk](mailto:mail@SlatersCA.co.uk) [www.SlatersCA.co.uk](http://www.SlatersCA.co.uk)

ATED will come into effect from 1 April 2013 and returns will be required from 1 October 2013 with payments due no later than 31 October 2013.

The CGT measures will have effect from 6 April 2013.



## 2. BUSINESS

### Seed Enterprise Investment Scheme (SEIS) – CGT re-investment relief

It has been proposed to extend the present Capital Gains Tax (CGT) relief for reinvesting gains in SEIS shares to 2013-14. The extension of the relief is for half the qualifying reinvested amount. This measure will apply to reinvested gains accruing to individuals in 2013-14 that are reinvested in 2013-14 or 2014-15.

### Employee shareholder status: tax treatment clarified

The Budget clarifies tax incentives to be made available to individuals who have taken up the new 'employee shareholder' employment status. On 8 October 2012, the Government announced its intention to introduce a new 'employee shareholder' employment status. Individuals adopting the status will receive between £2,000 and £50,000 of CGT-exempt shares. This measure is intended to reduce regulatory burdens on business and to promote employment growth. The tax incentives to apply are quoted from HMRC's Budget notes:

'Legislation will be introduced in Finance Bill 2013 to exempt any capital gains on the disposal of up to £50,000 of shares acquired by an employee shareholder under their employee shareholder agreement from CGT...

Finance Bill 2013 will also include provisions that will amend the Income Tax (Earnings and Pensions) Act 2003 to reduce the Income Tax due when employee shareholders acquire shares under their employee shareholder agreement, by deeming that they have paid £2,000 for these shares. Consequential changes will also be made to the Corporation Tax Act 2009 so that where appropriate businesses can claim relief against the acquisition of shares by employee shareholders.

Following Royal Assent to Finance Bill 2013, amendments will be made to the Social Security (Contributions) Regulations 2001. These will ensure that when an employee shareholder acquires shares, the same amount counts as earnings for Class 1 NICs purposes and counts as employment income for Income Tax purposes and that the first £2,000 of the value of the shares also remain NICs free...'

### Tax exempt limit raised for employment related loans

Presently, businesses are required to disclose the benefit to employees who take out cheap loans with their employer in excess of £5,000. Usually this is done at the end of the fiscal year when forms P11D are submitted.



To reduce this administrative burden and to ease the tax charge to employees this ceiling of £5,000 is to be raised to £10,000 from 6 April 2014. To qualify, the total amount outstanding on all such loans must not exceed the threshold at any time during a tax year.

### **Company car tax rates**

In order to promote the manufacture and purchase of low-emission cars the Budget includes a number of changes to company car tax rates. These include, for the tax year 2015-16, the introduction of two new appropriate percentage bands for company cars emitting 0-50g of carbon dioxide (CO<sub>2</sub>) per km (5%) and 51-75g CO<sub>2</sub> per km (9%). In addition, as announced at Budget 2012, the remaining appropriate percentages are increased by two percentage points for cars emitting more than 75g CO<sub>2</sub> per km, to a new maximum of 37%, again from 2015-16.

### **Simplified accounting for smaller businesses**

With effect for the tax year 2013-14, legislation will be introduced that will offer smaller businesses the option to be taxed on a simpler basis. The features of the 'simpler system' will include:

- Income will be based on a receipts basis
- Expenses will be amounts paid in a trading period
- No adjustment will be necessary to account for movements in debtors (money owed to the business), creditors (money owed by the business) and stock
- Generally, traders using this scheme will not have to distinguish between capital and revenue payments
- Capital allowances will remain available for expenditure on cars only

Additionally, legislation will be introduced that will allow unincorporated businesses to choose flat rate expenses from 2013-14 to cover:

- Motoring expenses for cars, motorcycles and goods vehicles
- Business use of home, and
- Private use of business premises

The simplified system aims to cut down accounting for smaller enterprises. Generally, businesses whose receipts are below the VAT registration threshold will be eligible to use the scheme.

### **Corporation Tax (CT) unified rate**

Presently we have two rates of Corporation Tax (CT), one for smaller companies and one for larger concerns. Historically the small company rate has been lower than the main CT rate.



Lymore Villa, 162A London Road, Chesterton,  
Newcastle Under Lyme, Staffordshire. ST5 7JB

Tel: 01782 566101 Fax: 01782 566090  
email: [mail@SlatersCA.co.uk](mailto:mail@SlatersCA.co.uk) [www.SlatersCA.co.uk](http://www.SlatersCA.co.uk)

The current small company rate is 20%. From 1 April 2013 the main rate is 23% reducing to 21% from 1 April 2014.

In the Budget it was announced that from 1 April 2015 the main rate and small company rate will be the same, 20%. This will simplify the calculation of CT due and further the resolve of the Government to present the UK as a low tax business jurisdiction.

### **R & D tax credit reform**

In an effort to provide greater cash flow support to larger companies involved in significant R & D activity the 'Above the line' tax credit is being increased to 10%. This will benefit companies with no Corporation Tax liability.

### **General Anti-Abuse Rule (GAAR)**

This new measure will provide HMRC with the means to combat abusive tax avoidance schemes. It will be applied to arrangements entered into on or after Royal Assent to Finance Bill 2013.

The GAAR supports the Government's objective of promoting fairness in the tax system by deterring taxpayers from entering into abusive schemes that might succeed under current law.

### **New payroll filing penalties**

New Real Time Information (RTI) filing obligations apply to employers from April 2013. Fundamentally, returns are required to be submitted to HMRC when payments are made to employees rather than at the end of the tax year.

Details of new and revised late filing penalties will apply to RTI returns from 6 April 2014. Penalties will be calculated based on the number of employees in each PAYE scheme.

### **National Insurance: £2,000 employment allowance**

The Government is to introduce an allowance of £2,000 per year for all businesses and charities to be offset against their employer Class 1 secondary NICs' bill from April 2014. The allowance will be claimed as part of the normal payroll process. The Government will engage with stakeholders on the implementation of the measure after Budget 2013 and is seeking to introduce legislation later in the year.





Lymore Villa, 162A London Road, Chesterton,  
Newcastle Under Lyme, Staffordshire. ST5 7JB

Tel: 01782 566101 Fax: 01782 566090  
email: [mail@SlatersCA.co.uk](mailto:mail@SlatersCA.co.uk) [www.SlatersCA.co.uk](http://www.SlatersCA.co.uk)

## VAT registration thresholds changed

The Government has announced that the VAT registration and deregistration thresholds will be increased in line with inflation so that:

- the taxable turnover threshold which determines whether a person must be registered for VAT, will be increased from £77,000 to £79,000;
- the taxable turnover threshold which determines whether a person may apply for deregistration will be increased from £75,000 to £77,000; and
- the registration and deregistration threshold for relevant acquisitions from other EU Member States will also be increased from £77,000 to £79,000.

A statutory instrument will apply the revised thresholds with effect from 1 April 2013.

