accounting for the future

the future

ACCOUNTING AND TAX UPDATES

March 2013

Budget edition

CONTENTS

BUDGET SUMMARY 2013

BUDGET ROUND UP

The Budget Report was delivered by the Chancellor to the House of Commons today.

The Chancellor opened his speech by stating that this was a budget for those who aspire to work hard and get on. “A budget for an aspiration nation”.

Mr Osborne pointed out that, despite the progress the government has made, there is work to do. "It's taking longer than anyone hoped." But he stressed: "We will get there."

George Osborne stated his government is "building a modern, reformed state, bringing business to our shores with competitive taxes and fixing the banks". He also stated his government is "building a modern, reformed state, bringing business to our shores with competitive taxes and fixing the banks".

THE ECONOMY

The OBR have today sharply revised down their future growth forecast for the Eurozone, and expect it will remain in recession throughout this year, warning its weakness will hit the UK. The OBR forecast 0.6% growth for this year and expects recovery pick up to 1.8% in 2014, 2.3% in 2015, 2.7% in 2016 and 2.8% in 2017.

The deficit continues to come down, George Osborne stated. Three years ago borrowing £1 for every £4 it spent. The deficit fallen from 11.4% of GDP to a forecast of 7.4% this year.

It is sometimes asserted that government borrowing is up but the facts show the opposite is true, stated Mr Osborne (amid loud jeering from the commons).

The government is forecast to borrow £114bn this year, less than previous government, stated the chancellor.

The Office for Budget Responsibility (OBR) stated the government is on course to meet fiscal mandate one year early, Mr Osborne told MPs. We have a plan to cut our structural deficit and our credibility comes from sticking to the plan, George Osborne stated.

Spending reduction promises have been more than delivered, argued Mr Osborne. The proportion of national income spent by state has fallen, he added.

George Osborne stated public sector net debt is forecast to be 75.9% of GDP this year, 79.2% next year, and 82.6% the year after and 85.1% in 2015-16. But he stated it will fall to 84.8% by 2017-18.

"We are now actively considering with the Bank of England whether there are potential extensions to the successful Funding for Lending Scheme that will boost lending still further," stated Mr Osborne.

George Osborne sets out plans for lending from the government's new Business Bank.

The chancellor sets out an updated remit for Bank of England's Monetary Policy Committee (rate setting body).

In order to boost growth, the chancellor stated: "The new remit also recognises that the Monetary Policy Committee may need to use unconventional monetary instruments to support the economy while keeping inflation stable."

Next year and the year after most departments will see a 1% spending cut. Schools and NHS are not affected.

He confirms the nation's "long-standing commitment to the world's poorest to spend 0.7% of our national income on international development".

The chancellor stated £745bn will be the total amount of managed expenditure for 2015/16.

Public sector pay increases will be limited to 1% in 2015/16. The Military will be exempt from the 1% pay cap on public sector workers to recognise their work, the chancellor stated.

Takings from fines imposed over the Libor banking scandal will be invested in the military, Mr Osborne announced.

The European Union budget deal has saved Britain £3.5bn, Mr Osborne stated.

The chancellor stated the UK is building the most competitive tax system in the world.

The chancellor promises to boost infrastructure spending by £3bn in 2015/16.

The chancellor announces new tax reliefs for the creative industries like high-end television and animation with new support for the UK's world-class visual effects sector.

George Osborne announces help for small firms, saying: "We'll increase by fivefold the value of government procurement budgets spent through the Small Business Research Initiative".

George Osborne stated he's introducing capital gains tax relief for sales of businesses to their employees.

Mr Osborne stated Britain will have a 20% rate of corporation tax - the lowest business tax of any major economy in the world.

"Britain is open for business," stated the chancellor.

INCOME TAX AND NATIONAL INSURANCE

The Government has a stated objective to support those on low and middle incomes and reward work by making the first £10,000 of income free from income tax from 2014. This Budget announces that **the Government will increase the personal allowance by a £1,335 in April 2013, taking it to £9,440 in total, then another £560 in 2014 to £10,000**. As set out in Budget 2011, once the personal allowance has reached £10,000, it will then increase in line with inflation (based on CPI) in future years, starting from 2015-16. A very small proportion of the benefit will be passed on to higher rate taxpayers as demonstrated in the table below.

However the **basic rate tax band falls to £32,010 for 2013/14 from £34,370 in 2012/13 £35,000 in 2011/12 and £37,400 in 2010/11**. Thus ensuring higher rate tax payers do not really benefit from the increased personal allowance (see table below). As announced in Autumn Statement 2012, the higher rate threshold, which equals the sum of the personal allowance and the basic rate limit, will be increased by 1 per cent to £41,865 in 2014-15. Therefore the basic rate limit will be set at **£31,865 in 2014-15**.

£	2010-11	2011-12	2012-3	2013-4	2014-15
Personal Allowance	6,475	7,475	8,105	9,440	10,000
Basic Rate Limit	37,400	35,000	34,370	32,010	31,865
Higher Rate Threshold	43,875	42,475	42,475	41,450	41,865

The Government will reduce the top rate of tax from 50 per cent to 45 per cent from April 2013.

In line with the reduction in the additional rate of income tax, from April 2013, the dividend additional rate will be reduced from 42.5 per cent to 37.5 per cent.

There are no planned rises in personal tax rates and no planned rises in national insurance employee's contributions or employers contributions.

Later this year the Government will consult on improving its collection of tax debts through the PAYE coding out system, to make the process fairer and more equitable. This will include increasing the size of debts that can be recovered through coding out from those with higher incomes.

CHILD BENEFIT

A new childcare scheme will be introduced to support working families with their childcare costs.

For childcare costs of up to £6,000 per year per child, support of 20% will be available worth up to £1,200. From the first year of operation, all children under 5 will be eligible and the scheme will build up 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.

PENSIONS

As announced in the Autumn Statement 2012, legislation will be introduced in Finance Bill 2013 to reduce the annual allowance to £40,000 and to reduce the standard lifetime allowance to £1.25 million for the 2014-15 tax year onwards.

The flat-rate pension of £144 per week will be brought forward to 2016.

CORPORATION TAX AND LIMITED COMPANIES

Budget 2013 announces that the Government will reduce the main rate of corporation tax by an additional 1 per cent from April 2013 to 23%. The rate will fall by a further 2% to 21% in April 2014 and then by a further 1% to 20% in April 2015. This affects companies with taxable profits of more than £300,000. The corporation tax small profits rate will remain at 20% for companies with profits under £300,000. As a result, the UK will have the lowest main corporation tax rate in the G7.

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

Mr Osborne promises to double to £10,000 the size of the loans that employers can offer tax-free to pay for items such as season tickets for commuters. The threshold for employment-related taxable cheap loans to be treated as earnings of the employment, will increase from the current threshold of £5,000 to £10,000 for 2014-15 and subsequent tax years. As long as the total outstanding balances on all such loans do not exceed the threshold at any time in a tax year, there is no tax charge.

Personal service companies and IR35 – The Government will introduce a package of measures to tackle avoidance through the use of personal service companies and to make the IR35 legislation easier to understand for those who are genuinely in business. This will include: strengthening up specialist compliance teams to tackle avoidance of employment income; simplifying the way IR35 is administered; and subject to consultation, requiring office holders/controlling persons who are integral to the running of an organisation to have PAYE and NICs deducted at source by the organisation by which they are engaged.

SELF EMPLOYMENT

As announced in Budget 2012, legislation will be introduced in Finance Bill 2013 to allow two simpler income tax schemes for small unincorporated businesses. Following consultation, the legislation has been revised to keep the cash basis optional but limit the circumstances under which a business can leave it; and, provide for an adjustment on a just and reasonable basis where an individual takes business goods for own use and not require businesses to align reporting with the tax year. These changes will have effect from 2013/14.

The Government will consult on options to simplify the administrative process for the self-employed by using Self-Assessment to collect Class 2 NICs alongside income tax and Class 4 NICs. Following consultation, the Government will decide whether to make changes to the way Class 2 NICs is collected and plans for legislative change if required will follow.

BUSINESS FUNDING

To help small businesses raise finance, the Government has launched the National Loan Guarantee Scheme (NLGS), under which the Government will provide up to £20 billion of guarantees to banks, allowing them to borrow at a cheaper rate. The benefit banks receive will be passed through in its entirety to smaller businesses. Businesses that take out an NLGS loan will receive a discount on their loan of one percentage point compared with the interest rate that they would otherwise have received from that bank outside the scheme.

The government will also incentivise lenders to lend more to smaller businesses under the Enterprise Finance Guarantee (EFG) scheme, by raising the level of lenders' EFG portfolios to which the Government guarantee applies from 13 per cent to 20 per cent for 2012–13.

The government will improve and reform the Enterprise Management Incentive scheme (EMI), which helps SMEs recruit and retain talent, by providing additional support to help to start-ups access the scheme, consulting on amending restrictions that currently prevent the scheme being used by academics employed by start-ups, and more than doubling the individual grant limit to £250,000, subject to State aid approval.

Seed Enterprise Investment Scheme (SEIS) – From April 2012, the Government will introduce the new Seed Enterprise Investment Scheme (SEIS), providing income tax relief of 50 per cent for individuals who invest in shares in qualifying seed companies. The Government will also offer a capital gains tax (CGT) holiday: gains realised on the disposal of assets in 2012–13 that are invested through SEIS in the same year will be exempt from CGT. Legislation will be introduced in Finance Bill 2013 to extend the capital gains tax (CGT) relief for reinvesting gains in SEIS shares to gains accruing in 2013-14 when those gains are reinvested during 2013-14 or 2014-15 the relief will apply to half the qualifying re-invested amount.

CAPITAL ALLOWANCES AND COMPANY CARS

Capital allowances: business cars first-year allowances (FYAs) – From April 2013, the Government will extend the 100 per cent FYA for businesses purchasing low emissions cars for a further five years to 31 March 2018. The carbon dioxide emissions threshold below which cars are eligible for the FYA will also be reduced from 110 grams/kilometre to 95 grams/kilometre, and leased business cars will no longer be eligible for the FYA.

Capital allowances: business cars main rate – From April 2013, the carbon dioxide emissions threshold for the main rate of capital allowances for business cars will reduce from 160 grams/kilometre to 130 grams/kilometre. The threshold above which the lease rental restriction applies will also reduce from 160 grams/kilometre to 130 grams/kilometre.

Legislation will be in Finance Bill 2013 to introduce two new appropriate percentage bands for company cars emitting 0-50g of carbon dioxide per kilometre (with appropriate percentage set at 5 per cent) and 51-75g CO^2 per km (with the appropriate percentage set at 9 per cent).

TAXES – GENERAL

The Capital gains tax annual exempt amount (AEA) will remain at its 2011–12 level of £10,600 for 2012–13.

The chancellor stated that the Gift Aid changes are the "most radical reforms to charitable giving" for a long time and it's a "big help for the Big Society". It was also announced that a 10% discount on inheritance tax would be given where 10% of the estate is left to charity. The Gift Aid benefit limit will also rise from £500 to £2,500 from April 2011 to enable charities to give ‘thank you’ gifts, to recognise the generosity of significant donors.

Stamp Duty Land Tax (SDLT) rates – The Government will introduce a new SDLT rate of 7 per cent for residential properties over £2 million. The new rate will apply from 22 March 2012.

VAT

The VAT registration and deregistration thresholds will be increased in line with inflation so that with effect from 1 April 2013:

- the taxable turnover threshold which determines whether a person must be registered for VAT, will be increase 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.

The simplified reporting requirement (three line accounts) for the income assessment return will continue to be aligned with the VAT registration threshold. For the 2013-14 tax year and onwards, small businesses will be able to use the new simpler income tax cash basis intended to simplify the way in which small businesses can calculate their trade profits. The eligibility conditions for the cash basis will be linked to the VAT registration threshold in place at the end of the tax year.

HOUSEHOLDS AND INDIVIDUALS

Pre 1992 Equitable Life WP Annuities will be given ex gratia payments of £5k.

“Help to buy” scheme from start 2014 for homebuyers of newly built homes worth less than 600k – shared equity loans from Government to max 20% above a 5% deposit; also new mortgage guarantee for those who do not have a large deposit for both new and existing homes.

The social care spending cap will be brought forward to 2016 to protect savings above £72,000,

September's increase in fuel duty is cancelled. Petrol will be 13p a litre cheaper than if he had not frozen the duty over the last two years.

The chancellor scraps above-inflation rise in beer duty and takes a penny off the price of a pint. But he keeps the rise for other forms of alcohol.

The duty rates for all tobacco products will be increased by two per cent above the rate of inflation (based on RPI) from 6pm on 20 March 2013.

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

The duty rates on beer will decrease by 6 per cent for low strength beer (less than 2.8 per cent abv), 2 per cent for the standard rate of beer duty (between 2.8 per cent and 7.5 per cent abv) with effect from 25 March 2013. This will reduce the price of an average strength pint of beer by 1 penny.

Personal matters

Personal taxation

Income Tax Allowances table

Income Tax allowances	2011-12	2012-13	2013-14
Personal Allowance (1)	£7,475	£8,105	N/A
Personal Allowance for people born after 5 April 1948 (1)	N/A	N/A	£9,440
Income limit for Personal Allowance	£100,000	£100,000	£100,000
Personal Allowance for people aged 65-74 (1)(2)	£9,940	£10,500	N/A
Personal Allowance for people born between 6 April 1938 and 5 April 1948 (1) (2)	N/A	N/A	£10,500
Personal Allowance for people aged 75 and over (1)(2)	£10,090	£10,660	N/A
Personal Allowance for people before 6 April 1938 (1) (2)	N/A	N/A	£10,660
Married Couple's Allowance (born before 6th April 1935 and aged 75 and over) (2) (3)	£7,295	£7,705	£7,915
Income limit for age-related allowances	£24,000	£25,400	N/A
Income limit for the allowances for those born before 6 April 1948	N/A	N/A	£26,100

1. The Personal Allowance reduces where the income is above £100, 000 - by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of age.
2. These allowances reduce where the income is above the income limit by £1 for every £2 of income above the limit. The Personal Allowance for people aged 65 and over (up to and including 2012-13) and born before 6 April 1948 (from 2013-14) can be reduced below the basic Personal Allowance where the income is above £100,000.
3. Tax relief for the Married Couple's Allowance is given at the rate of 10 per cent

Rate	2011-12	2012-13	2013-14
Starting rate for savings: 10%*	£0 - £2,560	£0-£2,710	£0- £2,790
Basic rate: 20%	£0 - £35,000	£0-£34,370	£0-£32,010
Higher rate: 40%	£35,001 - £150,000	£34,371-£150,000	£32,011-£150,000
Additional rate: 50%	Over £150,000	Over £150,000	N/A
45% from 6 April 2013	N/A	N/A	Over £150,000

* The 10 per cent starting rate applies to savings income only. If, after deducting your Personal Allowance from your total income liable to Income Tax, your non-savings income is above this limit then the 10 per cent starting rate for savings will not apply. Non-savings income includes income from employment, profits from self-employment, pensions, income from property and taxable benefits.

The rates available for dividends are the 10 per cent ordinary rate, the 32.5 per cent dividend upper rate and the dividend additional rate of 42.5 per cent (the dividend additional rate is 37.5 per cent from 2013-14)

National insurance

All changes from 01/04/2013

£ per week	2011-12	2012-13	2013-14
Lower earnings limit, primary Class 1	£102	£107	£109
Upper earnings limit, primary Class 1	£817	£817	£797
Upper accrual point	£770	£770	£770
Primary threshold	£139	£146	£149
Secondary threshold	£136	£144	£148
Employees' primary Class 1 rate between primary threshold and upper earnings limit	12%	12%	12%
Employees' primary Class 1 rate above upper earnings limit	2%	2%	2%
Class 1A rate on employer provided benefits (1)	13.80%	13.80%	13.80%
Employees' contracted-out rebate (for contracted-out salary related schemes only)	1.60%	1.40%	1.40%
Married women's reduced rate between primary threshold and upper earnings limit	5.85%	5.85%	5.85%
Married women's rate above upper earnings limit	2%	2%	2%
Employers' secondary Class 1 rate above secondary threshold	13.80%	13.80%	13.80%
Class 2 rate	£2.50	£2.65	£2.70
Class 2 small earnings exception	£5,315 per year	£5,595 per year	£5,725 per year
Class 3 rate	£12.60	£13.25	£13.55
Class 4 lower profits limit	£7,225 per year	£7,605 per year	£7,755 per year
Class 4 upper profits limit	£42,475 per year	£42,475 per year	£41,450 per year
Class 4 rate between lower profits limit and upper profits limit	9%	9%	9%
Class 4 rate above upper profits limit	2%	2%	2%
Additional primary Class 1 percentage rate on deferred employments	2%	2%	2%
Additional Class 4 percentage rate where deferment has been granted	2%	2%	2%

Statutory payments

Type of payment or recovery	Figures to use 2013-14
Statutory Maternity Pay (SMP) - weekly rate for first six weeks	90% of the employee's average weekly earnings
Statutory Maternity Pay (SMP) - weekly rate for remaining weeks	£136.78 or 90% of the employee's average weekly earnings, whichever is lower
Ordinary Statutory Paternity Pay (OSPP) and Additional Statutory Paternity Pay (ASPP) - weekly rate	£136.78 or 90% of the employee's average weekly earnings, whichever is lower
Statutory Adoption Pay (SAP) - weekly rate	£136.78 or 90% of the employee's average weekly earnings, whichever is lower
SMP/OSPP/ASPP/SAP - proportion of your payments you can recover from HMRC	92% if your total Class 1 NICs (both employee and employer contributions) are above £45,000 for the previous tax year 103% if your total Class 1 NICs for the previous tax year are £45,000 or lower

Statutory Sick Pay (SSP) 2013-14	Rate of payment or recovery	Unrounded daily rates (for use with payroll software)
Standard weekly rate	£86.70	N/A
Daily rate - employees with one qualifying day in the week	£86.70	£86.70
Daily rate - employees with two qualifying days in the week	£43.35	£43.35
Daily rate - employees with three qualifying days in the week	£28.90	£28.90
Daily rate - employees with four qualifying days in the week	£21.68	£21.68
Daily rate - employees with five qualifying days in the week	£17.34	£17.34
Daily rate - employees with six qualifying days in the week	£14.45	£14.45
Daily rate - employees with seven qualifying days in the week	£12.39	£12.39
Proportion of your SSP payments you can recover from HMRC	Amounts in excess of 13 per cent of your total employee and employer Class 1 NICs liability for the month in question	N/A

Pension schemes – the lifetime allowance and annual contribution allowance

There is no limit on the amount that an individual can contribute to a registered pension scheme. If you are a UK resident aged under 75 you may receive tax relief on your contributions to a registered pension scheme. Tax relief is limited to relief on contributions up to the higher of

- 100 per cent of your UK taxable earnings
- £3,600

Any amount of contributions paid over the annual allowance will be liable to the annual allowance charge.

Annual allowance:

Tax Year	Amount (£)
2010-11	£255,000
2011-12	£50,000
2012-13	£50,000

Standard lifetime allowance:

Tax Year	Amount (£)
2010-11	£1,800,000
2011-12	£1,800,000
2012-13	£1,500,000

There are a number of special tax charges that apply to special payments made from registered pension schemes. These are listed below. The normal Income Tax rates apply to ordinary pensions payments made from pension schemes.

Charges	Rates
Lifetime allowance charge	55% - if the amount over the lifetime allowance is paid as a lump sum
	25% - if the amount over the lifetime allowance is not taken as a lump sum
Annual allowance charge	Years to 2010-11
	40%
Annual allowance charge	From 2011-12
	marginal rate of Income Tax
Unauthorised payments charge	40%
Unauthorised payments surcharge	15%
Short service refund lump sum charge	20% on first £20,000, 50% on amount over £20,000
Special lump sum death benefits charge for deaths before 6 April 2011	35%
Special lump sum death benefits charge for deaths on or after 6 April 2011	55%
Authorised surplus payments charge	35%
Serious ill-health lump sum charge	55%
Scheme sanction charge	15% - 40%

Capital gains tax and Inheritance tax

Capital gains tax

Each tax year you have an annual tax-free allowance – known as the ‘Annual Exempt Amount’. You only pay tax on total net gains above this amount, using the Capital Gains Tax rate for that tax year. Nearly everyone who lives in the UK will get the Annual Exempt Amount. This allows you to receive some normally taxable gains 'tax-free'. The current annual exemption for Capital Gains tax is £10,600 before Capital Gains Tax has to be paid; this should increase to £11,000 the same from 6 April 2013.

For gains on or before 22 June 2010, Capital Gains Tax is charged at a flat rate of 18 per cent.

- The following Capital Gains Tax rates apply to gains after this date:
- 18 per cent and 28 per cent tax rates for individuals (the tax rate you use depends on the total amount of your taxable income, so you need to work this out first)
- 28 per cent for trustees or for personal representatives of someone who has died
- 10 per cent for gains qualifying for Entrepreneurs' Relief

N.B. Gains on the disposal of an individual’s principle private residence is still exempt.

Inheritance tax

Rates	2013-14 (£)	2012-13 (£)
0%	Up to £325,000	Up to £325,000
40% (death rate)	Over £325,000	Over £325,000
20% (lifetime rate)	Over £325,000	Over £325,000

Main Exemptions

Gifts to UK domiciled spouse	Unlimited	Unlimited
Annual gifts	£3,000	£3,000
Small gifts to different individuals	£250	£250
Gifts on marriage - by parent	£5,000	£5,000
Gifts on marriage - by remote ancestor	£2,500	£2,500
Gifts on marriage - by other person	£1,000	£1,000

Minimum wage

An employer must pay their workers a minimum amount as defined by law. This is called the National Minimum wage.

There are three levels of minimum wage, and the rates from 1st October 2012 (October 2013 rates to be announced shortly) are:

- for workers aged 21 years or more: £6.19 per hour
- for workers aged 18 to 20 inclusive: £4.98 per hour (no change)
- for workers aged under 18 (but above compulsory school age): £3.68 per hour (no change)
- for apprentices aged under 19: £2.65 per hour
- for apprentices aged 19 and over, but in the first year of their apprenticeship: £2.65 per hour

Business matters

Corporation tax

- Corporation tax will remain at 20 per cent for companies will profits under £300k, the small profits rate.

- The main rate of corporation tax will reduce by an additional 1 per cent from April 2013 to 23%. The rate will fall by a further 2% to 21% in April 2014 and then by a further 1% to 20% in April 2015. This affects companies with taxable profits of more than £300,000.

Capital allowances

- To continue to encourage investment by small businesses, the rate of first-year capital (FYA) allowances for small businesses spending on low CO2 emission cars. First-year allowances are available (up to 31 March 2013) for expenditure on a new electric car, or a new, unused car with CO2 emissions of not more than 110gm per km driven. From April 2013, the Government will extend the 100 per cent FYA for businesses purchasing low emissions cars for a further five years to 31 March 2018. The carbon dioxide emissions threshold below which cars are eligible for the FYA will also be reduced from 110 grams/kilometre to 95 grams/kilometre, and leased business cars will no longer be eligible for the FYA.

- Capital allowances allow the cost of capital assets to be written off against a business's taxable profits. They take the place of depreciation charged in accounts which is not tax allowable. The main rate of capital allowances for general spending on plant and machinery is 20% a year on the reducing balance basis and 18% from 1 April 2012.

- **Legislation will be introduced in Finance Bill 2013 to increase the maximum amount of the annual investment allowance (AIA) from £25,000 to £250,000 for a temporary period of two years from 1 January 2013**. This measure is designed to stimulate growth in the economy by providing an additional time-limited incentive for businesses to invest in plant or machinery. The measure will have effect from 1 January 2013 for all businesses (whether within the charge to corporation tax (CT) or within the charge to income tax (IT)). Where a business has a chargeable period that straddles either or both of: (i) the operative date of the increase on 1 January 2013, or (ii) the operative date of the decrease to £25,000 on 1 January 2015 (that is, after the two year period of the increase has elapsed), the transitional rules outlined below will apply.

Private Use of Company Cars and Vans

The changes to be made to business tax relief for expenditure on cars will take effect from 1 April 2009:

- the changes are broadly as expected and relief will be based on the CO2 emissions of each car. If the car has emissions no greater than 110g/km (95g/km from April 2013) it will attract an immediate 100% tax write down; if the emissions exceed 110g/km but not 160g/km the car is attracts 20% Writing Down Allowance (WDA) in the general pool. Cars with emissions exceeding 160g/km are dealt with in the special rate pool attracting WDAs at 10% per year. No balancing adjustment will be available on disposal of the car.

- a car owned by an unincorporated business and with an element of non-business use will continue to be held in a separate private-use pool. Capital allowances will be based on the emissions of the car as per the new regime. Currently such cars attract a balancing adjustment on disposal and as they will continue to be held in single use asset pools it seems that this will still be available (a Technical Note providing further details will be published shortly).

- the new capital allowances rules apply to cars acquired on or after 6 April 2009 (1 April 2009 for companies). Expenditure incurred before that date will be subject to the existing 'expensive' car rules for five years with any balance at that date being transferred to the general pool.

- cars obtained on a lease have a restriction on the amount of tax relief for the finance element of the lease payments. This restriction applies to 'expensive' cars. Under the new regime only cars with CO2 emissions in excess of 160g/km will have a restriction for lease payments at 15% of the relevant payments made under the lease.

- cars acquired under leases commencing prior to 6 April 2009 (1 April 2009 for companies) will continue to be subject to the existing rules.

- motorcycles are excluded from these rules and expenditure on or after 6 April 2009 (1 April 2009 for companies) will qualify for the Annual Investment.

- **Van benefit charge** – The Government will freeze the van benefit charge at £3,000 in 2012-13. From April 2015, the five year exemption for zero carbon vans from the van benefit charge will expire, as legislated in Finance Act 2010.

Mileage expenses

Employees (including directors) using their own vehicles for work is entitled to receive certain payments free of tax and NICs (the rules for each are related but not identical). If employees receive greater amounts than are allowed tax-free, they will pay tax on the excess. If they receive greater amounts than are allowed NICs-free, both employers and employees will be liable for Class 1 NICs on the excess. If employees receive less than the respective amounts above, no NICs will be payable and tax relief will be available. The rates are as follows;

Approved mileage rates		
	First 10,000 business miles in the tax year	Each business mile over 10,000 in the tax year
Cars and vans	45p	25p
Bicycles	20p	20p
Motorcycles	24p	24p

(It is important to remember that if the company wants to claim the Vat element back on the mileage the expense claim must be accompanied with valid petrol receipts).

Company Cars - Advisory Fuel Rates for Company Cars from 1 March 2013

These rates apply to all journeys on or after 1st March 2013 until further notice for employees (including directors) claiming mileage:

Engine size	Petrol	Diesel	LPG
1400cc or less (Diesel 1600cc or less)	15p	13p	10p
1401cc to 2000cc (Diesel 1601cc to 2000cc)	18p	15p	12p
Over 2000cc	26p	18p	18p

(It is important to remember that if the company wants to claim the Vat element back on the mileage the expense claim must be accompanied with valid petrol receipts).

Value Added Tax

The VAT registration and deregistration thresholds will be increased in line with inflation so that with effect from 1 April 2013:

- the taxable turnover threshold which determines whether a person must be registered for VAT, will be increase 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.

HMRC

The current late payment and repayment interest rates applied to the main taxes and duties that HMRC currently charges and pays interest on are:

- Late payment interest rate is 3.0% from 29/09/09
- Repayment interest rate is 0.5% from 29/09/09

If you would like any further information on the tax issues discussed above, please contact Heidi Pay on 01242 230043.