Budget Report 2013

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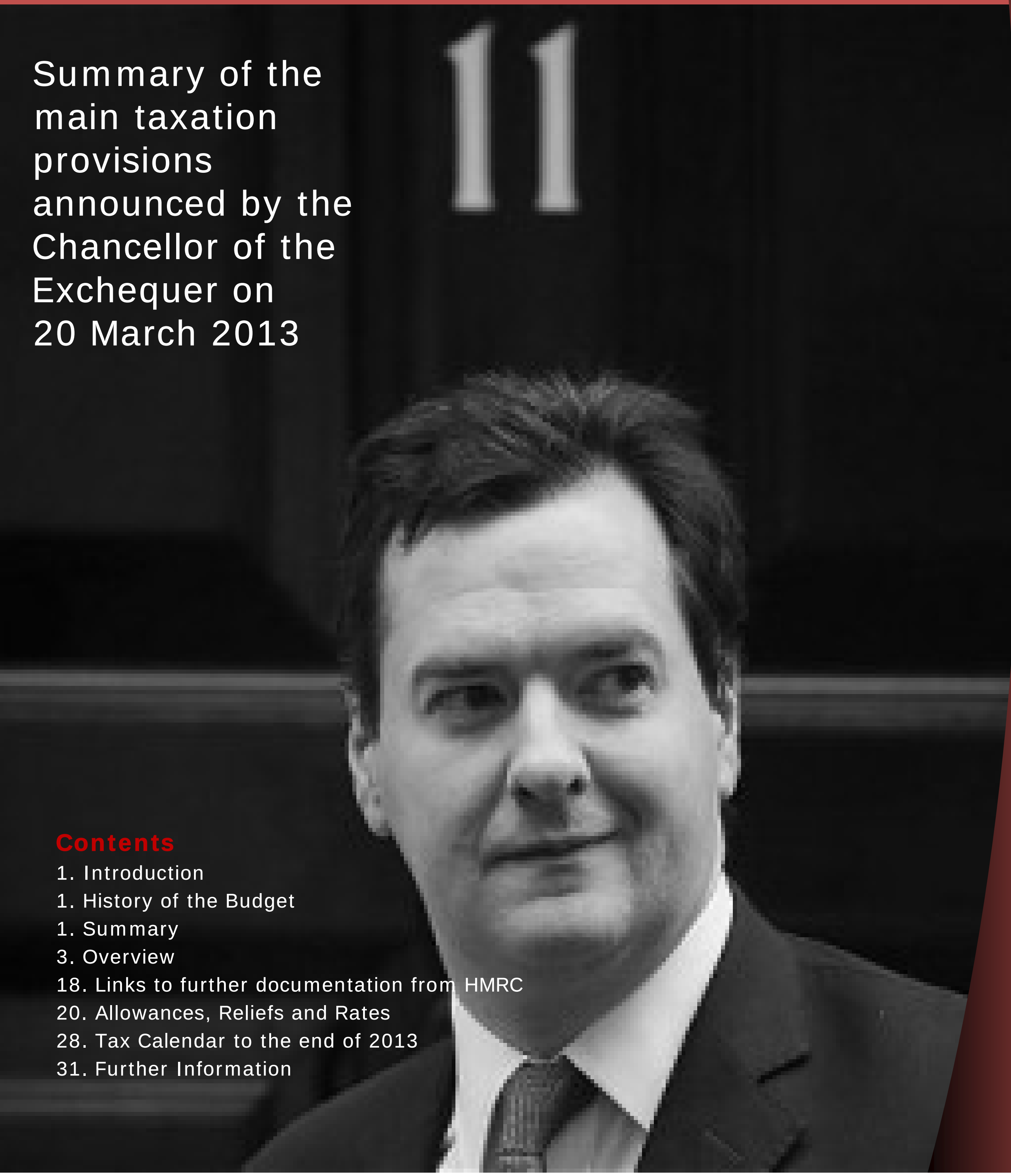

Summary of the main taxation provisions announced by the Chancellor of the Exchequer on 20 March 2013

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Introduction

Today, the Chancellor of the Exchequer George Osborne delivered his Budget to the House of Commons.

About the Budget

When the Government publishes the Budget, the Chancellor gives a speech to Parliament in which he sets out the key decisions on tax, borrowing and spending, and his reasons for taking those decisions. This speech is known as the Budget Statement.

The official forecast on which the Chancellor bases the Government's Budget is provided by the Office for Budget Responsibility (OBR). The Budget Responsibility and National Audit Act 2011 require the OBR to publish two economic and fiscal forecasts for each financial year, including one published at the Budget. The OBR's duty is to examine and report on the sustainability of the public finances and it is required to do so objectively, transparently and impartially.

History of the Budget

You can discover the history of the Budget, past Chancellors and the famous Budget box with HM Treasury's[1] guide and video.

The Chancellor of the Exchequer is the most senior minister at HM Treasury and acts as the nation's primary finance minister.

The Treasury dates back to the time of the Norman Conquest, but the information within HM Treasury's website and interactive explorer begins in the 1550s, when the role of the Chancellor of the Exchequer as we know it really began. Even before 1066, the Anglo-Saxon Treasury collected taxes (including the danegeld, first levied as a tribute to the Vikings to persuade them - sometimes unsuccessfully - to stay away) and controlled expenditure.

The first "Treasurer" was probably "Henry the Treasurer", who owned land around Winchester; the site of most royal treasure of both the Anglo-Saxons and the Normans. Henry is referred to in the Domesday Book (a systematic tax assessment of the whole country undertaken by the Treasury) and is believed to have served William the Conqueror as his Treasurer.

For most of the medieval period the office of the Treasurer was within the Exchequer, which managed and accounted for the royal revenue, as well as collecting and issuing money. The Exchequer wasn't always effective at its job: in 1433, for example, war with France led to a deficit of £30,000, the equivalent of over £100 billion today.

For further information, see:
http://www.hm-treasury.gov.uk/about_history_index.htm

Summary

BBC News summarised the main points from Chancellor George Osborne's Budget statement as follows:

- The Chancellor opened by saying that the government is "building a modern, reformed state, bringing business to our shores with competitive taxes and fixing the banks".
- "It is a Budget for our aspiration nation," said George Osborne.
- The growth forecast for this year by the OBR is 0.6%.
- "The Office for Budget Responsibility (OBR) has today sharply revised down their future growth forecast for the Eurozone, and expect it will remain in recession throughout this year," said the Chancellor, warning its weakness will hit the UK.
- The OBR expects recovery to pick up to 1.8% in 2014, 2.3% in 2015.
- Growth is expected to be 2.7% in 2016 and 2.8% in 2017.
- For every job lost in the public sector, six jobs are created in the private sector, said the Chancellor.
- The deficit continues to come down, George Osborne said. Three years ago, the country was borrowing £1 for every £4 it spent. Mr Osborne said the deficit has 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, said Mr Osborne.
- The government is forecast to borrow £114bn this year - less than the previous government, said the Chancellor.

- The OBR says the government is on course to meet “fiscal mandate” one year early.
- We have a plan to cut our structural deficit and our credibility comes from sticking to the plan, George Osborne said.
- Spending reduction promises have been more than delivered, argued Mr Osborne. The proportion of national income spent by The State has fallen, he added.
- George Osborne said 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 said 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," said Mr Osborne.
- More on the Bank of England: In order to boost growth, the Chancellor said: "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 government departments will see a 1% spending cut. Schools and NHS are not affected.
- He confirmed the nation's "long-standing commitment to the world's poorest to spend 0.7% of our national income on international development".
- The Chancellor said £745bn will be the total amount of managed expenditure for 2015/16.
- Public sector pay increases will be limited to 1% in 2015/16.
- Military will be exempt from the 1% pay cap on public sector workers to recognise their work, the Chancellor said.
- Proceeds 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 said.
- The Chancellor said the UK is building the most competitive tax system in the world.
- The Chancellor promised to boost infrastructure spending by £3bn in 2015/16.
- George Osborne: "I accept Michael Heseltine's excellent idea of a single competitive pot of funding for local enterprise. I also fully endorse the report of Doug Richard to make the most of our apprenticeships."
- The Chancellor announced 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 announced help for small firms, saying: "We'll increase by fivefold the value of government procurement budgets spent through the Small Business Research Initiative".
- Mr Osborne said he is introducing a generous new tax regime to promote early investment into shale gas.
- George Osborne said he is introducing capital gains tax relief for sales of businesses to their employees.
- Mr Osborne promised to double to £10,000 the size of the loans that employers can offer tax-free to employees to pay for items such as season tickets.
- "Research and development is absolutely central to Britain's economic future," the Chancellor said.
- Mr Osborne said Britain will have a 20% rate of corporation tax - the lowest business tax of any major economy in the world.
- Mr Osborne pledged to introduce "one of the largest ever packages of tax avoidance and evasion measures presented at a Budget".
- Mr Osborne said agreements with the Isle of Man, Guernsey, and Jersey will bring in over a billion pounds of unpaid taxes.
- Mr Osborne confirmed the previously revealed changes to childcare assistance. He said: "New tax-free childcare vouchers for working families: 20% off the first £6,000 of your childcare costs for each child. And increased childcare support for those low-income working families on universal credit."
- The flat-rate pension will be brought forward to 2016, the Chancellor said.
- Extra money is to be made available for Equitable Life policy holders.
- The social care spending cap will be brought forward to 2016 - to protect savings above £72,000.
- Mr Osborne announced help to buy homes. He proposes two components: £3.5bn in capital spending over three years to shared equity loans; and up to 20% of a loan to be offered to people looking to move up the ladder.
- 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, he said.
- The personal income tax allowance will be increased to £10,000 by next year.
- The chancellor has scrapped above-inflation rise in beer duty and taken a penny off the price of a pint. But he has kept the rise for other forms of alcohol.
- Raising the income tax threshold will mean £700 less paid by working families, said Mr Osborne.
- From April 2014, the first £2,000 is to be deducted from national insurance paid by every employer. This change means that 450,000 small businesses - one third of all employers in the country - will pay no national insurance at all, Mr Osborne said.

Overview

The various documents published on HM Treasury website on 20 March 2013 included draft clauses and Explanatory Notes for inclusion in Finance Bill 2013 on measures previously announced.

The Budget notes released after the Chancellor finished speaking provide:

- Details of all tax measures to be legislated in Finance Bill 2013 or that will otherwise come into effect in 2013-14. This includes confirmation of previously announced policy changes and explains where changes, if any, have been made following consultation on the draft legislation. It also sets out new measures announced at Budget 2013.
- Details of proposed tax changes announced at Budget 2013 to be legislated in next year's Finance Bill 2014, other future finance bills, programme bills or secondary legislation.

The Finance Bill 2013 will be published on 28 March 2013.

Personal tax

Statutory residence test

As announced in Budget 2011, the Government will introduce a statutory definition of tax residence for individuals. The legislation will be introduced in Finance Bill 2013 and will also provide for a tax year to be split into a UK part and an overseas part in certain circumstances, and contain new rules for the taxation of certain income and gains arising during a period of temporary non-residence. Following consultation, the legislation contains amendments to the concepts of full-time work, international transportation workers and split-year status.

The legislation will take effect from 6 April 2013.

Ordinary residence

As announced in Budget 2011, the Government will reform the concept of 'ordinary residence' for tax purposes. The legislation will be introduced in Finance Bill 2013. The legislation will eliminate as far as possible the concept of ordinary residence. In particular, overseas workday relief, which is currently accessed by remittance basis users who are resident but not ordinarily resident and who perform employment duties in the UK and abroad, will in future be available to non-domiciled individuals who have been non-resident for three tax years. It will apply for a fixed period of residence in the UK regardless of whether the individual settles or intends to settle here.

Following consultation, the legislation contains amendments to the transitional rules for claiming overseas workday relief to better align these with the current position. The legislation will take effect from 6 April 2013.

Statement of practice 1/09 (SP1/09)

As proposed in the June 2011 document, *Reform of the taxation of non-domiciled individuals: a consultation*, legislation will be introduced in Finance Bill 2013 to put SP1/09 on a statutory basis.

Following consultation on the draft legislation, changes have been made to the rules to ensure that they are as straightforward to operate as possible.

Seed enterprise investment scheme (SEIS): reinvestment relief

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.

Seed enterprise investment scheme: income tax relief

Legislation will be introduced in Finance Bill 2013 to prevent a company from being disqualified from SEIS where it was established by a corporate formation agent before sale to its ultimate owners. This will apply in respect of shares issued on or after 6 April 2013.

Employee shareholder status

As announced in December 2012, legislation will be introduced in Finance Bill 2013 to exempt gains made on disposals of up to £50,000 worth of 'employee shareholder' shares from CGT. Following consultation, the legislation has been revised to prevent an income tax charge arising on a distribution where a company buys back CGT-exempt shares and to strengthen the 'material interest' anti-avoidance provision, which denies CGT exemption in certain circumstances. Legislation will also be introduced in Finance Bill 2013 and by statutory instrument so that income tax and National Insurance contributions (NICs) respectively will not be chargeable on the first £2,000 of share value received by eligible employee shareholders. It is anticipated that these changes will have effect from 1 September 2013.

Enterprise Management Incentives (EMI)

As announced in Budget 2012, legislation will be introduced in Finance Bill 2013 that removes, for shares acquired through the exercise of a qualifying EMI scheme option, the requirement for a person to hold 5 per cent or more of the ordinary share capital in the company in order to qualify for the entrepreneurs' relief. Following consultation, the legislation has been revised to allow the period during which the option is held to count towards the qualifying 12 month holding period requirement. In addition, relief will also apply to the disposal of shares that replace EMI shares following a reorganisation of a company and to certain shares following an exchange for shares in another company.

Review of tax advantaged employee share schemes

As announced in December 2012, legislation will be introduced in Finance Bill 2013 to implement a number of the recommendations made by the Office of Tax Simplification (OTS) in its review of tax advantaged employee share schemes. Following consultation, the legislation has been revised to:

- protect the position of current Save As You Earn (SAYE) participants who reach a specified age;
- widen the range of circumstances in which tax free exercise of SAYE and Company Share Option Plan options or tax free payments for Share Incentive Plan (SIP) shares, will be available on the cash takeover of a business;
- ensure that SIP partnership shares may not be subject to forfeiture provisions;
- allow businesses flexibility to limit the amount of cash dividends that can be reinvested in SIP dividend shares; and,
- make a number of minor technical and consequential revisions.

Most of these changes will have effect from the date of Royal Assent to Finance Bill 2013, although changes which relate to the reinvestment of cash dividends paid on SIP shares come into effect on 6 April 2013.

London Anniversary Games tax exemption

As announced on 15 February 2013, legislation will be introduced in Finance Bill 2013 to exempt from UK tax any income arising to competitors who are not UK resident in relation to a performance at the London Anniversary Games to be held in July 2013 at the Olympic Stadium, Stratford.

Pensions tax relief

As announced in Autumn Statement 2012, legislation will be introduced in Finance Bill 2013 to reduce the annual allowance to £40,000 for the 2014-15 tax year onwards and to reduce the standard lifetime allowance to £1.25 million also for the 2014-15 tax year onwards. Transitional protection (fixed protection 2014) will be introduced to provide individuals with a lifetime allowance of £1.5 million subject to certain conditions.

Following consultation, draft legislation for the restriction to the lifetime allowance has been revised to include various minor adjustments and several consequential changes in connection with previous protection regimes.

Pensions' drawdown policy

As announced in Autumn Statement 2012, legislation will be introduced in Finance Bill 2013 to increase the capped drawdown limit for pensioners of all ages with these arrangements from 100 per cent to 120 per cent of the value of an equivalent annuity. Following consultation, the legislation has been revised to remove the rule requiring the maximum drawdown pension to be recalculated after a pensioner with transitional protection from the Finance Act 2011 rules transfers to another scheme, so ensuring that transfers do not affect the capped drawdown limit. These changes will have effect from 26 March 2013.

Pensions' tax: abolition of contracting out

As announced in Budget 2012, legislation will be introduced in Finance Bill 2013 to bring tax legislation into line with Department of Work and Pensions legislation which abolished contracting out through a defined contribution pension scheme from 6 April 2012. Following consultation, the legislation has been revised to clarify the types of payment that would be considered a 'member's contribution' for the purposes of a short service refund lump sum.

Transfer of assets abroad and Gains on assets held by foreign companies

As announced in Budget 2012, legislation will be introduced in Finance Bill 2013 to allow for changes to be made to these anti-avoidance provisions and ensure their compliance with EU law. Following consultation, the legislation relating to transfer of assets abroad has been revised to partially exempt income from charge when the income is attributable to a transaction where part is genuine and part is not genuine. The proposed changes to clarify the 'matching rules' (the rules governing the calculation of the income chargeable when an individual other than the transferor receives a benefit following the transfer of an asset) have been postponed pending further consultation and legislation will be introduced in Finance Bill 2014.

The gains on assets held by foreign companies' legislation to be introduced in Finance Bill 2013 has been amended to remove the requirement in the new 'economically significant activity' exemption for activity to be carried on wholly outside the UK through a non-UK business establishment.

Income tax rules on interest

Following consultation on changes to the income tax rules on interest, the Government announced in October 2012 that legislation would be introduced in Finance Bill 2013 on disguised interest and on deduction of income tax from interest on compensation payments, specialty debt, and interest in kind. Following further consultation, the legislation on disguised interest has been revised to exclude certain types of share from its application, subject to an anti-avoidance rule.

Company car tax (CCT)

Legislation will be introduced in Finance Bill 2013 to introduce two new appropriate percentage bands from 2015-16 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). In addition, as announced in Budget 2012, the remaining appropriate percentages will increase by two percentage points for cars emitting more than 75g CO_2 per km, to a new maximum of 37 per cent. The differential between each of the bottom three CCT bands is set at 4 percentage points in 2015-16.

Car and van fuel benefit charge

The rate of fuel benefit charge for company cars, fuel benefit charge for company vans, and the benefit charge for company vans will all increase in line with inflation (based on RPI) for 2014-15. The increase will be based on the September 2013 RPI figure. The changes will be brought in by secondary legislation in the autumn, in time for the normal tax code exercise in January 2014.

National Insurance contributions

National Insurance: £2,000 employment allowance

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 bill 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 Budget 2013 and is seeking to introduce legislation later in the year.

Business tax

Simpler income tax

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 the 2013-14 tax year.

Corporate tax

Corporation tax rates

Legislation will be introduced in Finance Bill 2013 to reduce the main rate of corporation tax for non-ringfenced profits to:

- 21 per cent for the financial year commencing 1 April 2014; and,
- 20 per cent for the financial year commencing 1 April 2015.

Finance Bill 2013 also sets the small profit rate at 20 per cent for the financial year commencing 1 April 2013.

Finance Bill 2013 will also set the marginal rate fraction and rate for ring fenced profits.

Bank Levy

As announced in Autumn Statement 2012, to ensure that the Bank Levy raises at least £2½ billion each year the full rate of the levy will increase from 0.105 per cent to 0.130 per cent from 1 January 2013. The half rate for chargeable equity and long term chargeable liabilities will be increased from 0.0525 per cent to 0.065 per cent also with effect from 1 January 2013.

As set out in Budget 2013, to offset the benefit to the banking sector from reductions to the main rate of corporation tax announced since 2010, the full rate of the levy will increase from 0.130 per cent to 0.142 per cent from 1 January 2014. The half rate for chargeable equity and long term chargeable liabilities will be increased from 0.065 per cent to 0.071 per cent also with effect from 1 January 2014. Legislation for all rates will be in Finance Bill 2013.

Research and development (R&D) credits

Following consultation, legislation will be introduced in Finance Bill 2013 to provide an 'above the line' (ATL) tax credit to encourage R&D activity by larger companies. The ATL credit will be paid at a rate of 10 per cent of qualifying expenditure and will increase the visibility and certainty of UK R&D tax relief and provide greater financial and cash flow support to companies with no corporation tax liability. The new rules will be effective for qualifying expenditure incurred on or after 1 April 2013.

Foreign currency assets and corporate chargeable gains

As announced in Budget 2012, the Government will introduce legislation in Finance Bill 2013 requiring relevant companies to compute their chargeable gains and losses on disposals of shares in their functional currency (or for UK resident investment companies with a designated currency, that designated currency).

Following consultation on the draft legislation, this measure has been extended to also cover disposals of ships, aircraft and interests in shares. This measure will have effect from a day to be appointed by Treasury Order, shortly after Royal Assent to Finance Bill 2013.

Oil and gas: decommissioning tax relief certainty

As announced in Budget 2012, the Government will in 2013 enter into contracts with oil and gas companies to guarantee the basis on which tax relief for decommissioning will be available. This involves a package of measures to be introduced in Finance Bill 2013 which enable the Government to meet its liabilities under the contracts and also make changes to the tax regime to support the introduction of the contracts.

Following consultation, aspects of the legislation have been revised to ensure it will operate effectively.

Corporation tax: deferring payment of exit charges

As announced on 11 December 2012, legislation will be introduced in Finance Bill 2013 to enable companies to opt for deferred payment arrangements in respect of exit charges. This will allow UK resident companies to defer payment of certain corporation tax charges when they cease to be resident here as a consequence of a transfer of their place of management to another EU or EEA Member State. Following consultation, the legislation has been revised to extend the scope of the charges which can be deferred to include the corporation tax attributable to the revaluation of trading stock.

UK permanent establishments of non-resident companies incorporated elsewhere in the EU or EEA will also be able to defer payment of corporation tax attributable to unrealised gains on assets which cease to be held for the purposes of a UK trade.

These changes have effect from 11 December 2012.

Group relief

As announced on 11 December 2012, legislation will be introduced in Finance Bill 2013 to amend the restrictions when companies resident in the EEA can surrender losses from their UK branches as group relief from corporation tax in the UK. From 1 April 2013, these restrictions will be based on whether the losses are used elsewhere in any period, rather than on whether they could potentially be used elsewhere. A technical note will be published on 28 March 2013 to clarify how this will interact with existing group relief legislation.

Controlled foreign companies (CFC) regime

As announced on 11 December 2012, legislation will be introduced in Finance Bill 2013 to make four amendments to the new CFC rules introduced in Finance Act 2012. These amendments counter two tax planning opportunities and make consequential changes to ensure the rules work as intended. Finance Bill 2013 will also include four new minor mechanical amendments to ensure the CFC rules operate as intended.

The amendments, one of which is subject to a transitional rule, will have effect from 1 January 2013 in line with the commencement date for the new CFC rules.

Investment trust companies

Legislation will be introduced in Finance Bill 2013 to remove an unintended consequence of changes to the tax rules for investment trust companies (ITCs). This measure makes changes so that all or substantially all of the business of a company (wishing to be approved as an ITC) must be investing its funds in shares, land or other assets with the aim of spreading investment risk and giving members of the company the benefit of the results of the management of its funds. This will ensure that ancillary activities will not prevent a company from being capable of being approved as an ITC.

This has effect for accounting periods commencing on or after 1 January 2012. Secondary legislation to provide an exception to the income distribution requirement for ITCs will be published for consultation in spring 2013. The exception will apply in certain circumstances where an ITC has accumulated realised revenue losses in excess of its income for an accounting period, such that a requirement to make a distribution would result in a distribution from capital. Subject to the consultation responses, the changes are expected to take effect for accounting periods commencing on or after 1 July 2013.

Offshore funds amendments

Secondary legislation will be introduced to address certain technical issues in the operation of the Offshore Funds (Tax) Regulations 2009. The changes will make aspects of the regulations fairer for UK investors in offshore funds, and ensure that they are taxed in a similar way to investors in equivalent UK funds.

A statutory instrument came into force on 20 March 2013 to put beyond doubt that, in a case where a disposal of an interest in an offshore fund would incur a charge to tax on an offshore income gain then the potential charge will not be avoided by any merger or reorganisation of the fund in which the interest is held.

A further statutory instrument will be published for consultation to address the remaining issues. Those issues concern investors in reporting offshore funds and the proposed changes will help to ensure that they are taxed on their correct proportionate share of the income of a reporting fund. Subject to the consultation responses, those changes are expected to take effect by 30 June 2013.

Investment management exemption

The Government will consult on the possibility of expanding the published ‘White List’ within secondary legislation governing the investment manager exemption, authorised investment funds, investment trusts and offshore reporting funds. The list provides certainty that specified transactions will not be treated as trading activities for the purposes of authorised investment funds, investment trusts and offshore reporting funds. The list also acts to determine the types of investment transactions that may qualify for the investment manager exemption.

Reform of the withholding tax rules on interest distributions

The Government will consult on a proposal to remove the requirement to withhold tax on interest distributions on UK domiciled bond funds when sold via reputable intermediaries and marketed only to non-UK investors.

Authorised contractual funds

The Government remains committed to the early introduction of authorised contractual funds (tax transparent funds) and intends to introduce regulations to Parliament shortly.

Capital allowances for energy-saving plant and machinery in Northern Ireland

Legislation will be introduced in Finance Bill 2013 to ensure that expenditure on plant and machinery in Northern Ireland that qualifies for both first year allowances for energy-saving technologies and the renewable heat incentive is treated in the same way as in the rest of the UK.

These changes will apply to expenditure incurred on or after 1 April 2013 (corporation tax) or 6 April 2013 (income tax). Enhanced capital allowances will be available for expenditure incurred on combined heat and power systems until 31 March 2014 or 5 April 2014. The legislation will also apply to any future feed-in tariff that may be introduced in Northern Ireland at a later date.

Capital allowances: railway assets and ships

Legislation will be introduced in Finance Bill 2013 to remove the general exclusions to first year allowances for expenditure incurred on railway assets and ships. These changes will have effect from 1 April 2013.

Enhanced capital allowances: energy-saving and water-efficient technologies

The energy-saving and water-efficient enhanced capital allowances schemes will be updated by Treasury Order in summer 2013, subject to State aid approval. The main changes will be the inclusion of two new technologies to the schemes: carbon dioxide heat pumps for water heating and grey water re-use technology. In addition, four technologies will be removed from the energy-saving scheme, and one will be removed from the water efficient scheme. The qualifying criteria for a number of technologies in both schemes will be revised.

Corporation tax: Chief Constables and Commissioner of Police of the Metropolis
As announced on 17 January 2013, following changes introduced by the Police Reform and Social Responsibility Act 2011, legislation will be included in Finance Bill 2013 to exempt Chief Constables and the Commissioner of Police of the Metropolis from corporation tax.

Community Amateur Sports Clubs (CASCs)
As announced on 4 March 2013, powers will be introduced in Finance Bill 2013 to allow the Government to change the rules on CASCs through secondary legislation. The Government will consult on a range of issues including fees, allowable income, travel expenses and permitting limited payments to players, before laying regulations after Royal Assent to Finance Bill 2013.

Property tax

Annual tax on enveloped dwellings
As announced in Budget 2012, legislation will be introduced in Finance Bill 2013 for an annual charge on residential properties valued at more than £2 million held by certain non-natural persons.

Following consultation on draft legislation, changes have been made to introduce additional reliefs, modify conditions for some of the reliefs, and alter the requirements to make returns if companies cease to be eligible for relief or become liable to an increased charge. The changes also introduce rules for alternative finance arrangements; provide exemptions for charities and certain others; and set rules for claims, appeals, information powers, disclosure of tax avoidance schemes and for penalties. The annual tax on enveloped dwellings will come into effect on 1 April 2013.

Stamp duty land tax (SDLT): changes to the 15 per cent rate
Finance Bill 2012 introduced a 15 per cent rate of SDLT on the acquisition by certain non-natural persons of dwellings costing more than £2 million. The scope of the 15 per cent rate was included as part of the consultation on the annual charge. A number of reliefs will be introduced in Finance Bill 2013 to reduce the rate to 7 per cent. The reliefs will, broadly, match those where there is relief against the annual tax on enveloped dwellings. However, these SDLT reliefs will apply only if the property continues to satisfy the qualifying conditions throughout the following three years. If it does not, additional SDLT will become payable.

CGT: extension to certain non-natural persons disposing of UK residential property valued at over £2 million
The Government will legislate in Finance Bill 2013 to introduce a CGT charge payable by certain non-natural persons when they dispose of interests in high value residential property in the UK on or after 6 April 2013. Broadly, the new tax charge will be payable by these non-natural persons, wherever they are resident, if they were liable to the new annual tax on enveloped dwellings on the property in question. CGT will normally be payable only on gains attributable to periods of ownership after 5 April 2013. However, it will be possible to elect for gains or allowable losses to be computed for CGT purposes by reference to the entire period of ownership. The tax will be charged at 28 per cent.

SDLT: transfer of rights
As announced in Autumn Statement 2012, legislation will be introduced in Finance Bill 2013 to reform the stamp duty land tax rules for 'transfer of rights'. Following consultation, the legislation has been revised to:

- improve its clarity and structure;
- address a number of technical issues including identifying who the vendor is in various circumstances; and,
- include a power to make certain changes by way of statutory instrument.

This measure will have effect from Royal Assent to Finance Bill 2013.

SDLT avoidance
Legislation will be introduced in Finance Bill 2013 to put beyond doubt that certain SDLT avoidance schemes that abuse the transfer of rights rules do not work. These changes will have retrospective effect to 21 March 2012. A guidance note with further detail about the changes is available on the HMRC website.

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SDLT: leases simplification
As announced in Budget 2012, legislation will be introduced in Finance Bill 2013 to simplify the reporting requirements that apply when a lease continues after the expiry of its fixed term and where an agreement for lease is substantially performed before the actual lease is granted. The rules on abnormal rent increases will also be abolished. Following consultation the legislation has been revised to provide clarification of how the provisions apply in certain circumstances. The legislation will have effect from the date of Royal Assent to Finance Bill 2013.

Indirect tax

Gaming duty

Legislation will be introduced in Finance Bill 2013 to raise the gross gaming yield (GGY) bandings for gaming duty in line with inflation (based on RPI). The revised GGY bandings used to calculate gaming duty must be used for accounting periods starting on or after 1 April 2013.

Tobacco duty

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

Alcohol duty

Legislation will be introduced in Finance Bill 2013 to increase the duty rates for spirits, wine and made-wine, cider and perry by 2 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) and 0.75 per cent on high strength beer (above 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.

Fuel duty

Legislation will be introduced in Finance Bill 2013 to reflect the cancellation of the 1 January 2013 fuel duty increases and to amend fuel duty rates to reflect the current effective rates of duty. The Government announced in Budget 2013 that the fuel duty increase that was due to take effect on 1 September 2013 would be cancelled.

Vehicle excise duty (VED)

Legislation will be introduced in Finance Bill 2013 to increase VED rates in line with inflation (based on RPI) with effect from 1 April 2013. The exceptions to this are VED rates for heavy goods vehicles, buses and other selected vehicles, which will be frozen in 2013-14.

Air passenger duty

Legislation will be introduced in Finance Bill 2013 to increase air passenger duty rates in line with inflation (based on RPI) from 1 April 2013.

Climate change levy (CCL)

Legislation will be introduced in Finance Bill 2013 to increase the rates of CCL in line with inflation (based on RPI), from 1 April 2014.

Carbon price floor (CPF)

The CPF will be introduced in Great Britain from 1 April 2013. Legislation will be introduced in Finance Bill 2013 to set the carbon price support (CPS) rates of CCL for the years 2013-14, 2014-15 and 2015-16, and to exempt Northern Ireland.

Following consultation on draft legislation, Finance Bill 2013 will also include minor changes to the CPF:

- all solid fuels that are taxed under CCL will be taxable commodities for CPS, with one rate covering all solid fuels;
- the previously announced reliefs from the CPS rates of CCL for coal slurry and stand-by generators will be clarified; and
- where conditions are met, credit from the CPS rates of CCL will be allowed when fuel which has borne CPS tax, but has not been used to generate electricity, is removed from a power station.

Two statutory instruments will be laid before Parliament in March 2013. The first will set the CPS rates of fuel duty on oils used in electricity generation for the years 2013-14, 2014-15, and 2015-16, and exempt Northern Ireland from these rates. The second will deal with the administrative provisions needed to give effect to the CPS rates of CCL.

Landfill tax

Legislation will be introduced in Finance Bill 2013 to increase the standard rate of landfill tax by £8 per tonne to £80 per tonne for disposals of waste made, or treated as made, to landfill on or after 1 April 2014. The lower rate will remain frozen at £2.50 per tonne for 2014-15.

Value of landfill communities fund (LCF)

A statutory instrument laid on 20 March 2013 will maintain the potential value of the LCF for 2013-14 at £78.1 million of claimable landfill tax credit. This will be achieved by amending the maximum credit that landfill site operators may claim against their annual landfill tax liability for contributions made to environmental bodies enrolled under the LCF from 5.6 per cent to 6.8 per cent from 1 April 2013.

VAT: revalorisation of fuel scale charges

A statutory instrument laid on 20 March 2013 will revalorise fuel scale charges with effect from 1 May 2013.

VAT: future revalorisation of road fuel scale charges

As announced in Autumn Statement 2012, legislation will be introduced in Finance Bill 2013 to amend the way that VAT law sets out the scale charges and provides for their annual revalorisation. This will bring two concessions into law, simplify the annual revalorisation process and take it out of the Budget. HM Treasury will be given powers to amend the way the annual revalorisation is done, including to change the definition of road fuel and thus the scope of the optional scheme, after a parliamentary debate. A change to the legislation published in December means that a similar power to amend will also apply to the definition of road fuel in the anti-avoidance section of the legislation. This does not affect the way the legislation will operate.

VAT: revalorisation of registration and deregistration thresholds

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.

The simplified reporting requirement (three line accounts) for the income tax self-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.

VAT: withdrawal of exemption for business supplies of research between eligible bodies

The consultation on the withdrawal of the VAT exemption for business research supplied by one eligible body to another closed on 14 March 2013. Subject to the responses, the Government plans to introduce secondary legislation and proceed with the withdrawal of the exemption on 1 August 2013. The Government will consider the possibility of transitional reliefs.

Anti-avoidance

General anti-abuse rule (GAAR)

Legislation will be introduced in Finance Bill 2013 for a GAAR to counteract tax advantages arising from abusive tax avoidance schemes. The GAAR will apply to income tax, corporation tax (and amounts treated as corporation tax), CGT, inheritance tax, SDLT, the annual tax on enveloped dwellings and petroleum revenue tax. Before counteraction can proceed under the GAAR, HMRC must refer the arrangements to an independent advisory panel for its opinion. The opinion is not binding, but forms part of the evidence in any subsequent hearing, as does the guidance to be approved by the advisory panel.

The legislation applies to abusive tax arrangements undertaken on or after the date of Royal Assent to Finance Bill 2013. Separate legislation will be introduced later in 2013 to apply the GAAR to NICs.

Inheritance tax: limiting the deduction for liabilities

Legislation will be introduced in Finance Bill 2013 to amend the inheritance tax provisions which allow a deduction from the value of an estate for liabilities owed by the deceased on death.

The changes are being introduced in response to avoidance schemes and arrangements which exploit the current rules that allow a deduction regardless of whether or not the liabilities are paid after death, or how the borrowed funds have been used. In some circumstances, the changes will bring in new conditions for the deduction to be allowable, or will restrict the deduction, so that the tax advantage resulting from the schemes or arrangements does not arise. These changes will have effect from the date of Royal Assent to Finance Bill 2013.

Trade and property business deductions

As announced on 21 December 2012, the Government will introduce targeted anti-avoidance rules (TAARs) to the income tax and corporation tax provisions governing the relationship between the rules prohibiting and allowing deductions, with effect from that date.

The TAARs will apply where a permissive rule would otherwise allow a deduction in calculating the profits of a trade or property business for an amount which arises from tax avoidance arrangements and will ensure that the rules prohibiting a deduction take precedence over those allowing a deduction. Legislation will be included in Finance Bill 2013.

Corporation tax deductions for employee share acquisitions

Legislation will be introduced in Finance Bill 2013 to clarify the rules that determine the availability of corporation tax deductions in connection with share options or awards granted to employees. This legislation will have effect from 20 March 2013 in relation to company accounting periods ending on or after that date.

Close company loans to participators

Legislation will be introduced in Finance Bill 2013 to close three loopholes used to attempt to avoid the tax charge on close company loans to their participators. The changes will:

- charge close companies on loans they make via intermediaries to their participators;
- charge close companies on other payments they make via intermediaries to their participators; and,
- update the repayment rules with an anti-avoidance provision.

These changes will have effect for loans, payments, repayments and repayment arrangements made on or after 20 March 2013.

Loss buying

Legislation will be introduced in Finance Bill 2013 to prevent ‘loss buying’, where companies pass the potential to gain access to corporation tax relief to unconnected third parties. The legislation will:

- extend the current ‘loss buying’ rules, in Part 14 of Corporation Tax Act 2010 (CTA 2010), to apply to a transfer of ownership of a company that is not a trading company nor one with a property or investment business, which holds non trading loan relationship deficits and non trading intangible fixed asset debits and credits;
- amend the rules in Part 14 of CTA 2010 to additionally apply to the trade of a company that has undergone a change of ownership, if that trade or part trade is subsequently transferred to a fellow group company; and,
- amend the rules at Part 5 of CTA 2010 to add to the threshold which ‘relevant amounts’ must exceed before they can be surrendered by way of group relief.

The threshold will be amended to include any apportionments of profits under controlled foreign company rules made to the surrendering company.

These changes have effect from 20 March 2013.

Loss buying: ‘targeted loss buying’ rule

Legislation will also be introduced at a later stage of Finance Bill 2013 to address arrangements which seek to circumvent the longstanding loss buying rules in Part 14 of CTA 2010. The Government proposes, in certain circumstances, to bring the tax treatment of unrealised loss, involved in a transfer between unconnected parties, more closely into line with the longstanding treatment of realised losses. The proposed changes relate to reliefs, deductions, allowances and expenses for which it is possible to dictate or predict in advance the timing of their ‘crystallisation’. Three separate rules will be introduced to combat ‘loss buying’ which, when triggered, will not remove the ability to relieve relevant losses but merely stop their set-off against other profits (including by way of group relief). Draft legislation will be published on 28 March 2013. The legislation will have effect from 20 March 2013.

Tax administration

PAYE late payment and filing penalties

As announced in Budget 2012, and following consultation, legislation will be introduced in Finance Bill 2013 to encourage compliance with the real time information payment and information obligations, whilst ensuring those who do not comply do not gain an advantage. The legislation includes new late filing penalties and changes to the current late payment penalties to ensure they can be charged in-year, with effect from 6 April 2014. It will also include minor changes to the existing inaccuracy penalties so they can be charged in a way that minimises the burden on employers and HMRC, with effect from the date of Royal Assent to Finance Bill 2013.

Information powers

Following consultation, legislation will be introduced to bring into effect international agreements to improve tax compliance. Primary legislation will be introduced in Finance Bill 2013. Regulations will also be issued shortly to implement the UK-US agreement to Improve International Tax Compliance and to Implement FATCA (FATCA refers to the US provisions commonly known as the Foreign Account Tax Compliance Act). An updated Tax Information and Impact Note for this measure will be published alongside the regulations. Further regulations will be introduced to implement subsequent similar automatic exchange agreements entered into.

Data-gathering from merchant acquirers

As announced in Autumn Statement 2012, legislation will be introduced in Finance Bill 2013 to amend the current data-gathering powers to allow HMRC to issue notices to card payment processors. The notices will require them to provide bulk data about businesses accepting credit and debit cards. This data will help HMRC identify businesses that are not declaring their full tax liability. Following consultation, the legislation has been revised to ensure that all institutions that settle card payments to businesses are covered. This measure will have effect from the date of Royal Assent to Finance Bill 2013.

Measures unchanged following consultation

This section lists those measures where draft legislation has been published for consultation and no changes were made as a result or small, technical amendments have been made to the final legislation to be introduced in Finance Bill 2013.

Personal tax

- Income tax basic rate limit and personal allowance 2013-14
- Tax status of Universal Credit
- Cap on unlimited tax reliefs
- Personal services companies and IR35
- Glasgow 2014 Commonwealth Games tax exemption
- Expenses of members of devolved administrations
- Pensions tax relief: family pension plans
- Bridging pensions
- Pensions tax relief: lifetime allowance – technical changes
- Qualifying Recognised Overseas Pensions Schemes
- Life insurance: qualifying policies
- Life insurance policies: time apportioned reductions
- Inheritance tax: spouses and civil partners domiciled outside the UK
- Heritage maintenance funds
- Inheritance tax: investments in open ended investment companies and authorised unit trusts
- Non-domicile taxation

Corporate tax

- Corporation tax reliefs for the creative sector
- Annual investment allowance
- First year capital allowances for gas refuelling equipment
- Capital allowances: emissions threshold for a main rate car
- Disincorporation relief
- Corporation tax: NHS bodies
- Banks' regulatory capital
- Debt cap
- Removing inadvertent restriction on corporate tax group loss relief
- Community Investment Tax Relief

Property tax

- Real Estate Investment Trusts
- Lease premium relief

Indirect tax

- Combined bingo
- Herbal smoking products
- Vehicle excise duty administration
- Air passenger duty: annual accounting scheme
- VAT: reduced rate for energy-saving materials in charitable buildings
- VAT: refunds for NHS bodies

Anti-avoidance

- Manufactured payments
- Review of the taxation of unauthorised unit trusts
- Disclosure of Tax Avoidance Schemes
- Abolition of income tax relief for payments of patent royalties
- Bank levies
- Avoidance schemes involving loan relationships and derivatives

Tax administration

- Withdrawing a notice to file a self-assessment tax return
- UK-Switzerland agreement: remittance basis
- Overpayment relief: limiting the effect of

prevailing practice and timing of loss mistakes

- Criminal investigations
- Customs and excise modernisation

Cross-Cutting measures

- Personal Independence Payment and Armed Forces Independence Payment

Secondary legislation

- Building society capital instruments

Future Tax Changes

Personal tax allowances etc

Legislation will be introduced in Finance Bill 2014 to set the personal allowance for people born after 5 April 1948 at £10,000 in 2014-15. 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. 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.

Government response to Office of Tax Simplification (OTS) review of tax advantaged share schemes

Following a recommendation from the OTS and subsequent HMRC consultation, the Government announced in December 2012 that it would replace the current system of HMRC approval of tax advantaged employee share schemes with self-certification of schemes by businesses. The Government is developing arrangements for self-certification in consultation with businesses, and will publish details of the proposed self-certification process shortly. Legislation will be included in Finance Bill 2014.

Government response to OTS review of unapproved share schemes –

The Government will consult on a number of recommendations of the OTS review of non tax advantaged (unapproved) share schemes. Legislation will be in future finance bills.

Employee ownership

The Government will introduce a new capital gains tax relief in Finance Bill 2014 on the sale of a controlling interest of a business into an employee ownership structure. The Government will also look at further incentives in this area, including measures targeted at employees through indirect ownership models.

OTS review of partnerships

The Government has asked the OTS to carry out a review of ways to simplify the taxation of partnerships. This will include an initial scoping exercise to identify which areas are most complex for taxpayers. If legislation is found to be needed it will be in a future finance bill.

Social investment tax relief

The Government will consult by summer 2013 on the introduction of a new tax relief to encourage investment in social enterprises, with a view to introducing legislation in Finance Bill 2014.

Tax relief for employer expenditure on health-related interventions

The Government will introduce a targeted tax relief so that amounts up to a cap of £500 paid by employers on health-related interventions recommended by the Health and Work Assessment and Advisory Service to support employees to return to work after a period of sickness absence, are not treated as a taxable benefit in kind.

Consultation on the detail of the implementation of the relief will be held later in 2013.

Legislation will be included in the Finance Bill 2014.

Exemption threshold for employer provided beneficial loans

Legislation will be introduced in Finance Bill 2014 to increase the exempt threshold for employment-related loans from £5,000 to £10,000 with effect from 6 April 2014.

Pensions' tax relief

In connection with the reduction of the standard lifetime allowance as announced in Autumn Statement 2012, the Government will offer an individual protection regime in addition to fixed protection 2014 when the standard lifetime allowance is reduced from £1.5 million to £1.25 million for 2014-15 and subsequent tax years. The Government will consult on the detail of this individual protection regime in spring 2013 and legislation will be included in Finance Bill 2014.

Interest relief on loans to purchase life annuities

The Government will consult on the impact of the future withdrawal of relief for interest on loans to purchase life annuities taken out by pensioners before 1999. Subject to the outcome of consultation, the Government intends to legislate in Finance Bill 2014 to withdraw the relief for interest paid from 6 April 2019 onwards or from another future date.

Transfer of funds from Child Trust Funds (CTF) into Junior Individual Savings Accounts (ISAs)

The Government will consult on options around transferability of CTF funds into Junior ISAs. Any changes following this consultation will be for future legislation.

Inheritance tax (IHT): nil-rate band

Legislation will be introduced in Finance Bill 2014 to extend the freeze on the IHT nil-rate band of £325,000 for a further three years from 2015-16 until 2017-18. This supersedes previous announcements on the level of the threshold.

IHT: periodic charges on trusts

The Government will shortly publish a response to the July 2012 consultation. A further, more detailed consultation setting out options for simplifying the calculation of IHT periodic and exit charges for trusts will be published in the spring. Legislation will be in Finance Bill 2014.

Company car tax

In 2016-17, the appropriate percentages of the list price subject to tax for the 0-50g CO2 per km band will be 7 per cent; and 11 per cent for the 51-75g CO2 per km band. As announced in Budget 2012, all other appropriate percentages will be increased by 2 percentage points to a maximum of 37 per cent.

The 3 percentage point diesel supplement will be removed. Legislation will be introduced in Finance Bill 2014. The differential between each of the bottom three CCT bands will be set at 4 percentage points in 2016-17 and at 3 percentage points in 2017-18. The Government is committed to maintaining a 2 percentage point differential between each of the bottom three CCT bands each year in 2018-19 and 2019-20.

Gift Aid

The Government is looking at options to improve the take-up of Gift Aid on donations through digital channels. The Government will consult after Budget 2013 on a range of options including enabling donors to complete a single Gift Aid declaration to cover all their donations through a specific channel. The consultation will inform policy changes, and should these require primary legislation, this will be in Finance Bill 2014.

Payroll giving

The Government published a consultation on improving payroll giving on 24 January 2013. It set out a range of options to increase amounts received by charities through payroll giving, including opening up the market to non-charity participants. The consultation closes on 19 April 2013. The Government will take forward any necessary changes to the payroll giving scheme in a future finance bill as appropriate.

National Insurance contributions

NICs: process simplification for the self-employed

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. Plans for legislative change will follow if required.

Corporate tax

Corporation tax rates

Legislation will be introduced in Finance Bill 2014 to unify the small profits rate and the main rate of corporation tax at 20 per cent in 2015.

Code of Practice on Taxation for Banks –

Following consultation the Government will introduce legislation in Finance Bill 2014 to provide for HMRC to publish an annual report, from 2015, on the operation of the Code of Practice on Taxation for Banks. This report may include the naming of any bank that HMRC considers not to be complying with the Code.

The Government will consult on the governance process around determining non-compliance and the nature of the report to be published by HMRC.

Shale gas: tax incentives to encourage investment

The Government will consult on tax measures to encourage the exploration and production of shale gas, including a new shale gas field allowance and the extension of the Ring Fence Expenditure Supplement for shale gas from 6 to 10 years. Legislation will be in Finance Bill 2014. Additionally, the Government will produce robust planning guidance on shale gas by July. The Government will ensure local communities benefit from shale gas development in their area and will work with industry and communities to bring forward proposals by the summer.

Consultation on tax support to the visual effects industry

The Government will consult on options to provide further support to the visual effects industry through the tax system.

Review of loan relationships and derivative contracts

The Government will consult after Budget 2013 on modernising the legislation in Parts 5, 6 and 7 of the Corporation Tax Act 2009 governing the taxation of loan relationships and derivative contracts. It aims to provide simpler and fairer tax treatment, minimising the scope for abuse, reducing uncertainty and improving structural and legislative clarity as well as reducing administrative burdens. Legislation will be in Finance Bill 2014 and Finance Bill 2015.

Mineral extraction allowances

Following the introduction of the foreign branch exemption, the Government will consult informally on proposals to align the treatment of assets for mineral extraction allowances with that for assets eligible for plant and machinery allowances, where profits are not taxed in the UK. Legislation will be in Finance Bill 2014.

UK management of offshore funds

The Government will consult on proposals to widen the scope of section 363A of the Taxation (International and Other Provisions) Act 2010. This will provide certainty that locating fund management activities of certain offshore non-UCITS (Undertakings for Collective Investments in Transferrable Securities) funds in the UK will not lead to a risk of that fund being deemed to be tax resident. Legislation will be in Finance Bill 2014.

Tax treatment of Additional Tier One capital instruments

The Government will, following the conclusion of the Capital Requirements Directive IV, issue secondary legislation to confirm and ensure that banks' Additional Tier One debt capital instruments, both already in issue and yet to be issued, will be deductible for the purposes of a bank in computing profits for corporation tax.

Abolition of Schedule 19

Legislation will be introduced in Finance Bill 2014 to abolish the stamp duty reserve tax charge on unit trusts and open-ended investment companies in Schedule 19 to the Finance Act 1999.

Stamp duty on junior shares

The Government intends, following consultation, to abolish stamp duty on shares quoted on growth markets such as the Alternative Investment Market and the ISDX Growth Market. This will improve financing conditions for around 1,000 quoted UK businesses. Legislation will be in Finance Bill 2014.

Capital allowances: low emission vehicles

Legislation will be introduced in Finance Bill 2015 to extend the 100 per cent allowance (FYA) for expenditure incurred on cars with low carbon dioxide emissions and electrically propelled cars for an additional three years to 31 March 2018. At the same time, to ensure the FYA remains appropriately targeted, the carbon dioxide emissions threshold below which vehicles are eligible for the FYA will be reduced from 95g/km to 75g/km. The complementary 100 per cent FYA for gas refuelling equipment will also be extended to 31 March 2018. The case for extending the FYA for cars beyond April 2018 will be reviewed at Budget 2016 alongside a review of the 130g/km main rate threshold.

Indirect tax

Air passenger duty rates

Legislation will be introduced in Finance Bill 2014 to increase air passenger duty in line with inflation (based on RPI) from 1 April 2014.

Vehicle excise duty (VED) for heavy goods vehicles (HGVs)

Legislation will be introduced in Finance Bill 2014 to reduce and restructure VED for HGVs. These changes will have effect from 1 April 2014.

Reduced pollution certificates (RPCs)

Legislation will be introduced in Finance Bill 2014 to remove RPC VED discounts for vehicles within the HGV road user scheme. The discounts for Euro IV-VI vehicles will be replaced with grants, to be provided by the Department for Transport, until 31 December 2016. These changes will have effect from 1 April 2014. Legislation will be introduced in a future finance bill to remove RPC VED discounts for Euro I-III vehicles outside the HGV road user levy scheme. These changes will have effect from 1 April 2016.

VED: classic vehicles

Legislation will be introduced in Finance Bill 2014 to extend by one year the cut off date from which classic vehicles are exempt from VED. From 1 April 2014, a vehicle manufactured before 1 January 1974 will be exempt from paying VED.

Climate change levy (CCL): exemptions for energy used in metallurgical and mineralogical processes

The Government will introduce exemptions from the CCL for energy used in metallurgical and mineralogical processes from 1 April 2014. It will seek views from industry after the Budget, with the intention of introducing legislation in Finance Bill 2014.

VAT: review of the Retail Export Scheme (tax free shopping)

The Government will consult on options for redesigning the Retail Export Scheme. This scheme allows refunds of VAT on goods bought in the UK by non-EU visitors who export those goods in their personal luggage. The consultation will be launched in the summer and will focus on changes that make the scheme easier to use and understand, reduce the scope for error, improve compliance, protect revenue and represent good value for money for the taxpayer. Responses to the consultation will enable HMRC to explore the impact of a range of options, including the potential for introducing a digital scheme.

VAT: changes to zero-rating of exports from the UK

The Government will consult on secondary legislation on VAT zero-rating of certain supplies of goods for export outside the EU. These changes will treat sales to businesses who are VAT registered in the UK but have no business establishment here as zero-rated where they arrange for the export of the goods to a non-EU destination. Current UK law applies VAT to such transactions and is not compatible with EU law. Following consultation, a statutory instrument will be laid in late summer or early autumn. A minor housekeeping change will also be made to UK law on zero-rating of goods dispatched to other EU Member States to amend an outdated reference to excise law.

VAT: changes to the place of supply rules

Legislation will be introduced in Finance Bill 2014 to tax intra-EU business to consumer supplies of telecommunications, broadcasting and e-services in the Member State in which the consumer is located. These services are currently taxed in the Member State in which the business is established. The changes will take effect from 1 January 2015 and implement already agreed EU legislation into UK legislation, ensuring that these services are taxed fairly in the Member State of consumption. To save the need for businesses affected by these changes to register for VAT in other Member States, a Mini One Stop Shop will also be introduced from 1 January 2015. This is an IT system that will give businesses the option of registering in just the UK and accounting for VAT due in other Member States using a single return.

VAT: treatment of refunds made by manufacturers

Legislation will be introduced in Finance Bill 2014 to enable regulations to be made that will allow manufacturers to reduce their VAT payments to take account of refunds they make directly to final customers. These could be adjustments to VAT to reflect refunds made as a result of faulty or damaged products or customer dissatisfaction. The Government will consult to gain a better understanding of industry practices to support the design of the legislation.

VAT: refunds for the Health Research Authority and Health Education England

Following changes proposed in the Care and Support Bill, the Government will introduce legislation in Finance Bill 2014 to include the Health Research Authority and Health Education England within section 41 of the VAT Act 1994. This is to ensure that these bodies can continue to claim refunds of VAT.

VAT: extension of the education exemption to for-profit providers of higher education

In Budget 2012, the Government announced that they would consult on and review the VAT treatment of university degree level education with a view to extending the existing exemption to commercial entities supplying such education. The responses to the consultation have identified a number of significant issues and concerns with the options proposed. The Government is seeking to develop alternative options which will also cover possible changes to the exemption for further education (a point that a large number of respondents made). The Government has therefore decided to spend more time exploring the issues raised and will consult again on this matter later in the year with a view to legislation in a future finance bill.

Anti-avoidance

Offshore employment intermediaries

The Government will consult on strengthening obligations to ensure the correct income tax and NICs are paid by offshore employment intermediaries, with a view to legislating in Finance Bill 2014. This is a result of the review announced in Autumn Statement 2012.

Partnerships

The misuse of the partnership rules has been a feature of many avoidance schemes closed down in recent years. The Government announced in Autumn Statement 2012 that it would consider whether partnerships should be reviewed, as part of the rolling examination of high risk areas of the tax code. The Government has now announced that it will consult on measures to:

- remove the presumption of self-employment for limited liability partnership (LLP) partners, to tackle the disguising of employment relationships through LLPs; and,
- counter the manipulation of profit/loss allocations by partnerships including a company, trust or similar vehicle in order to secure tax advantages.

A consultation document will be published with proposals to address both issues in the spring, with legislation to be introduced in Finance Bill 2014.

High-risk promoters

The Government will consult this summer on a package of information powers, penalties and other measures, including the possible use of 'naming and shaming' for tackling the behaviour of high-risk promoters of tax avoidance schemes, with a view to bringing forward legislation in Finance Bill 2014.

Close company loans to participators

The Government will consult later this year on the structure and operation of the tax charge on loans from close companies to their participators. If legislation is found to be needed it will be in Finance Bill 2014.

Tax administration

Notification requirement for avoidance scheme users

The Government will consult on a proposal to follow up court decisions in HMRC's favour in avoidance cases. This will require taxpayers who have used avoidance schemes which are defeated in another party's litigation to acknowledge to HMRC that the judgment applies to them and amend their returns accordingly, or confirm that they stand by their original return. A tax-geared penalty would be charged subject to safeguards, if they failed to take reasonable care. Legislation will be in Finance Bill 2014

Coding out

The Government will consult on improving its collection of tax debts through the PAYE system (known as coding out), 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. Changes will be made through secondary legislation in due course.

Administration of the Scottish rate of income tax

Legislation will be introduced in Finance Bill 2014 to require the National Audit Office to report direct to the Scottish Parliament annually on HMRC's administration of the Scottish rate of income tax. The Scottish rate was legislated for in the Scotland Act 2012 and will be introduced in April 2016. The legislation will ensure that the auditing and reporting arrangements envisaged during the passage of the Scotland Act 2012 can be fully implemented.

Customs and excise modernisation

The Government will consult on modernising customs civil penalties to create a fairer, consistent, more transparent and effective system, while securing our borders and protecting revenue. The changes will bring the customs civil penalty regime in line with other HMRC penalties. Legislation will be in Finance Bill 2014.

Links to further documentation from HMRC

Further information on various measures announced by the Chancellor can be found at:

Income Tax

- Income tax personal allowance for those born after 5 April 1948 and basic rate limit for 2014-15
  http://www.hmrc.gov.uk/budget2013/tiin-2531.pdf
- Statement of Practice 1/09
  http://www.hmrc.gov.uk/budget2013/tiin-4780.pdf
- Seed Enterprise Investment Scheme: CGT re-investment relief
  http://www.hmrc.gov.uk/budget2013/tiin-1692.pdf
- Seed Enterprise Investment Scheme: eligible companies
  http://www.hmrc.gov.uk/budget2013/tiin-5113.pdf
- Employee shareholder status: capital gains tax exemption and income tax and NICs treatment
  http://www.hmrc.gov.uk/budget2013/tiin-1008.pdf
- London Anniversary Games
  http://www.hmrc.gov.uk/budget2013/tiin-2605.pdf
- Glasgow Commonwealth Games
  http://www.hmrc.gov.uk/budget2013/tiin-2040.pdf
- Exemption threshold for employment-related loans
  http://www.hmrc.gov.uk/budget2013/tiin-5143.pdf
- Reducing the pensions tax annual and lifetime allowances
  http://www.hmrc.gov.uk/budget2013/tiin-1046.pdf
- Amendments to the transfer of assets abroad legislation
  http://www.hmrc.gov.uk/budget2013/tiin-776.pdf
- Life Insurance - qualifying policies
  http://www.hmrc.gov.uk/budget2013/tiin-630.pdf
- Inheritance tax: nil-rate band
  http://www.hmrc.gov.uk/budget2013/tiin-1260.pdf
- Inheritance tax: spouses and civil partners domiciled overseas
  http://www.hmrc.gov.uk/budget2013/tiin-784.pdf
- Company car tax rates
  http://www.hmrc.gov.uk/budget2013/tiin-2654.pdf
- Simpler income tax for the simplest small businesses
  http://www.hmrc.gov.uk/budget2013/tiin-2014.pdf

Corporate Tax

- Corporation tax: main rate and small profits rate
  http://www.hmrc.gov.uk/budget2013/tiin-2505.pdf
- Bank levy 2014 rate change
  http://www.hmrc.gov.uk/budget2013/tiin-4004.pdf
- Research and development tax credits reform: Above the Line
  http://www.hmrc.gov.uk/budget2013/tiin-2118.pdf
- Foreign currency assets and chargeable gains
  http://www.hmrc.gov.uk/budget2013/tiin-4800.pdf
- Decommissioning: increasing tax certainty for oil and gas investment in the UKCS
  http://www.hmrc.gov.uk/budget2013/tiin-1118.pdf
- Corporation tax: deferral of payment of exit charges
  http://www.hmrc.gov.uk/budget2013/tiin-2260.pdf
- Controlled foreign companies regime
  http://www.hmrc.gov.uk/budget2013/tiin-2024.pdf
- Investment trust amendments
  http://www.hmrc.gov.uk/budget2013/tiin-5117.pdf
- Amendments to the Offshore Funds (Tax) Regulations 2009
  http://www.hmrc.gov.uk/budget2013/tiin-5131.pdf
- First year allowances for energy-saving technologies and the renewable heat incentive for Northern Ireland
  http://www.hmrc.gov.uk/budget2013/tiin-5136.pdf
- Capital allowances for railway assets and ships
  http://www.hmrc.gov.uk/budget2013/tiin-2011.pdf
- Update of the enhanced capital allowances schemes for energy-saving and environmentally beneficial (water efficient) technologies
  http://www.hmrc.gov.uk/budget2013/tiin-4016.pdf
- Taxation of high-value UK residential property held by certain non-natural persons
  http://www.hmrc.gov.uk/budget2013/tiin-1182.pdf

Indirect Tax

- Beer duty rates
  http://www.hmrc.gov.uk/budget2013/tiin-4005.pdf
- Fuel duty rates
  http://www.hmrc.gov.uk/budget2013/tiin-2522.pdf
- Carbon price floor: rates from 2015-16, exemption for Northern Ireland and technical changes
  http://www.hmrc.gov.uk/budget2013/tiin-1006.pdf
- Vehicle Excise Duty for heavy goods vehicles in 201 3-14
  http://www.hmrc.gov.uk/budget2013/tiin-2566.pdf

Anti Avoidance

- General anti-avoidance rule
  http://www.hmrc.gov.uk/budget2013/tiin-4754.pdf
- Inheritance tax: limiting the deduction for liabilities
  http://www.hmrc.gov.uk/budget2013/tiin-2006.pdf
- Corporation tax deductions for employee share acquisitions
  http://www.hmrc.gov.uk/budget2013/tiin-5104.pdf
- Loans from close companies to their participators
  http://www.hmrc.gov.uk/budget2013/tiin-5120.pdf
- Corporation tax loss relief: anti-avoidance
  http://www.hmrc.gov.uk/budget2013/tiin-5121.pdf
- Stamp duty land tax avoidance
  http://www.hmrc.gov.uk/budget2013/tiin-5144.pdf

Tax Administration

- Securing compliance with real time information: penalties
  http://www.hmrc.gov.uk/budget2013/tiin-4762.pdf
- Data-gathering from card payment processors
  http://www.hmrc.gov.uk/budget2013/tiin-2019.pdf

Other Documents

- Overview of Tax Legislation and Rates (OOTLAR)
  http://www.hmrc.gov.uk/budget2013/ootlar-main.pdf
- Tax and Procurement
  http://www.hmrc.gov.uk/budget2013/tax-procure-con-resp.pdf
- Levelling the Tax Playing field
  http://www.hmrc.gov.uk/budget2013/level-tax-playing-field.pdf
- No Safe Havens HMRC's Offshore Evasion Strategy
  http://www.hmrc.gov.uk/budget2013/offshore-strategy.pdf
- Stamp duty land tax avoidance: retrospective changes to section 45 of Finance Act 2003.
  http://www.hmrc.gov.uk/budget2013/sdlt-retrospective-changes.pdf
- Memorandum of Understanding between HMRC and Guernsey
  http://www.hmrc.gov.uk/budget2013/mou-guernsey.pdf
- Memorandum of Understanding between HMRC and Jersey
  http://www.hmrc.gov.uk/budget2013/mou-jersey.pdf
- Changes to the VAT place of supply rules and the introduction of the Mini One Stop Shop (MOSS)
  http://www.hmrc.gov.uk/budget2013/vat-place-supply-rules.pdf
- CT Loss loophole closure rules
  http://www.hmrc.gov.uk/budget2013/ct-loss-loophole-closure-rules.pdf
- CT Close company loans to participators
  http://www.hmrc.gov.uk/budget2013/close-company-loans-loophole.pdf
- CT Employee share acquisitions
  http://www.hmrc.gov.uk/budget2013/ct-relief-employee-shares.pdf
- CT Targeted Loss Anti Avoidance
  http://www.hmrc.gov.uk/budget2013/ct-loss-buying-rules-tech-note.pdf

Allowances, Reliefs and Rates

For your convenience, the following Tables set out the allowances, reliefs and rates of taxation.

Personal Allowances

The personal allowances are as follows:

£ per year (unless stated)	2013-14	2014-15
Personal allowance*1		
Those born after 6 April 1948	£9,440	£10,000
Those born between 6 April 1938 and 5 April 1948	£10,500	£10,500
Those born before 5 April 1938	£10,660	£10,660
Income limit for personal allowance*2	£100,000	£100,000
Income limit for personal allowances (born before 6 April 1948)*3	£26,100	Not yet published
Married couple's allowance*4		
Maximum amount*5	£7,915	Not yet published
Minimum amount*6	£3,040	Not yet published
Blind person's allowance	£2,160	Not yet published

Notes:
1 From 2013-14, the amount of an individual's personal allowance depends on their date of birth and their income in the tax year.
2 The personal allowance reduces where the individual's income is above this limit by £1 for every £2 above the limit. This applies regardless of age or date of birth.
3 This allowance reduces where the individual's income is above the income limit (£26,100 for 2013-14) by £1 for every £2 above the income limit until they reach the level of the basic personal allowance.
4 Available to people born before 6 April 1935. Tax relief for this allowance is restricted to 10 per cent.
5 This allowance reduces where the individual's income is above the income limit (£26,100 for 2013-14) by £1 for every £2 above the income limit until it reaches the minimum amount. Any reduction applies after any reduction to the individual's personal allowance.
6 This is also the maximum relief for maintenance payments where at least one of the parties is born before 6 April 1935.

Tax Rates

INCOME TAX: TAXABLE BANDS

Rate	2013-14	2014-15
Savings rate	£0 to £2,790	Figure not yet announced
Basic rate	(20%) £0 to £32,010	(20%) £0 to £31,865
Higher rate 40%	£32,011 to £150,000	£31,866 to £150,000
Additional rate	45% Over £150,000	45% Over £150,000 *

Notes: There is a 10% starting rate for savings income only. If an individual's taxable non-savings income is above this limit then the 10% savings rate will not be applicable.

From 2008-09 there is a 10 per cent starting rate for savings income only. The starting rate limit for savings is £2,790 for 2013-14 and will increase in line with RPI thereafter. If an individual's taxable non-savings income exceeds the starting rate limit, then the 10 per cent starting rate for savings will not be available for savings income.

The rates available for dividends for the 2013-14 tax year are 10 per cent dividend ordinary rate, 32.5 per cent dividend upper rate and the 37.5 per cent dividend additional rate are available.

* Some rates have not been announced.

If an estate includes UK woodlands, a claim may be made to defer IHT on the value of growing timber, subject to meeting certain conditions. Generous reliefs are available on 'relevant business property'. Qualifying assets can have their IHT values reduced substantially (subject to meeting certain conditions) as shown in the next Table.

BUSINESS PROPERTY RELIEF

Asset	% Reduction
Business or interest in a business	100
Land, buildings, machinery or plant used in a company you control, or in a partnership to which you belong	50
Shares in an unquoted AIM company	100
Shares in a fully quoted company in which there is control	50
Owner-occupied farms and agricultural tenancies (after 1 September 1995)	100
Interest of landlords in let farmland	100

IHT Rates and Reliefs

The following are the thresholds for IHT:

INHERITANCE TAX (IHT) THRESHOLDS	
Year	Nil Rate Band
2006-07	£285,000
2007-08	£300,000
2008-09	£312,000
2009-10	£325,000
2010-11 to 2014-15	£325,000
For married and civil partners, the above figures can potentially be doubled from 9 October 2007	Note: The rate of IHT is 40% (36% where more than 10% of net estate is left to charity)

IHT MAIN EXEMPTIONS	
	Exempt Amount
Annual gifts per donor	£3,000 per year
Small gifts to same person	£250
To non-domicile spouse	£325,000 from 6/4/2013
To UK domicile spouse	unlimited gifts
On marriage by either party to the marriage	£2,500
On marriage by parent of either party	£5,000
On marriage by remoter ancestor of either party	£2,500
On marriage by any other person	£1,000
To charities	all gifts
To political parties	all gifts

IHT CHARGE ON GIFTS WITHIN SEVEN YEARS OF DEATH	
Years between gift and death	%age of death rate charge applied to gift
0 to 3	100%
3 to 4	80%
4 to 5	60%
5 to 6	40%
6 to 7	20%

VAT Rates

VALUE ADDED TAX		
Rates:		Rate from 4/1/2012
Standard rate		20%
Reduced rate		5%
VAT fraction		1/6th
Limits:	Limits to 31/03/13	Limits from 01/04/13
Registration limit	£77,000	£79,000
Deregistration limit	£75,000	£77,000
Annual accounting turnover limit	£1.35m	£1.35m

Tax Rates for Trustees

SPECIAL RATES FOR TRUSTEES' INCOME			
Tax Years	2011-12	2012-13	2013-14
Standard rate on first £1,000 of income which would otherwise be taxable at the special rates for trustees.	Up to 20%, depends on the type of income	Up to 20%, depends on the type of income	Up to 20%, depends on the type of income
Trust rate	50%	50%	45%
Dividend trust rate	42.50%	42.50%	37.50%

Corporation Tax Rates

The rates of Corporation Tax are shown in the table below. The profit limits may be reduced for a company that is part of a group or has associated companies. The lower rates and marginal reliefs do not apply to close investment holding companies.

CORPORATION TAX RATES		
Year(s) from 1 April	2012	2013
Companies earning under £300,000	From £1 to £300,000 @ 20%	From £1 to £300,000 @ 20%
Companies earning between £300,000 and £1.5 million:		
First £300,000	20%	20%
Upper Marginal rate (excess over £300,000)	25%	23.75%
Companies earning over £1.5million:		
Main rate	24%	23% (Note 1)

Note 1:
Reducing to 21% from 1 April 2014 and to 20% in 2015.

National Insurance

NATIONAL INSURANCE CONTRIBUTIONS		
	2012-13	2013-14
Lower earnings limit, primary class 1	Below £107 week	Below £109 week
Upper earnings limit, primary class 1	£146 to £817 a week	£149 to £797 a week
Primary threshold	£107 to £146 a week	£109 to £149 a week
Secondary threshold	Below £144 a week	Below £148 a week
Employees' primary class 1 rate	12% on earnings above earnings threshold, up to upper earnings limit	12% on earnings above earnings threshold, up to upper earnings limit
	2% above upper earnings limit	2% above upper earnings limit
Employees' contracted-out rebate	1.60%	1.60%
Married women's reduced rate	5.85% on earnings above earnings threshold, up to upper earnings limit	5.85% on earnings above earnings threshold, up to upper earnings limit
	2% above upper earnings limit	2% above upper earnings limit
Employers' secondary class 1 rate	13.8% on earnings above earnings threshold	13.8% on earnings above earnings threshold
Employers' contracted-out rebate, salary-related schemes	3.40%	3.40%
Employers' contracted-out rebate, money-purchase schemes	1.40%	1.40%
Class 2 rate	£2.65 a week	£2.70 a week
Class 2 small earnings exception	£5,595 a year	£5,725 a year
Special class 2 rate for share fishermen	£3.30 a week	£3.35 a week
Special class 2 rate for volunteer development workers	£5.35 a week	£5.45 a week
Class 3 rate	£13.25 a week	£13.55 a week
Class 4 rate	9%	9%
Class 4 lower profits limit	£7,605 a year	£7,755 a year
Class 4 upper profits limit	£42,475 a year	£41,450 a year
Class 4 rate above upper profits limit	2%	2%

Notes:

- The contracted-out rebate for primary contributions in 2013-14 is 1.4 per cent of earnings between the LEL and the upper accrual point (UAP) of £770 for contracted-out salary-related schemes (COSRS). Contracting out for money purchase schemes (COMPS) was abolished on 5 April 2012.
- The contracted-out rebate for secondary contributions is 3.4 per cent of earnings between the LEL and UAP for COSRS.
- No NICs are actually payable but a notional Class 1 NIC is deemed to have been paid in respect of earnings between LEL and PT to protect contributory benefit entitlement.
- Married Women's reduced rate is paid only by married women and certain widows with valid reduced rate elections.
- Class 3 NICs are paid by contributors to make the year a qualifying year for basic State Pension and Bereavement Benefit purposes.
- Budget 2013 announced that the first £2,000 is to be deducted from national insurance (employer class 1 secondary NIC liability) paid by an employer, from April 2014.

Pensions and Pension Contributions

PENSIONS - ANNUAL AND LIFETIME ALLOWANCES		
Tax Year	Annual Allowance	Lifetime Allowance
2006-07	£215,000	£1,500,000
2007-08	£225,000	£1,600,000
2008-09	£235,000	£1,650,000
2009-10	£245,000	£1,750,000
2010-11	£255,000	£1,800,000
2011-12	£50,000	£1,800,000
2012-13 and 2013-14	£50,000	£1,500,000
2014-15 onwards	£40,000	£1,250,000

Notes:
Tax relief - There's no limit on the amount that you can pay into your personal pension and any other pension plans you have, but there is no tax relief on payments over a certain amount. HMRC allows tax relief on your personal payments to your pension plans of up to £2,880 a year (which would become £3,600 with tax relief), or 100% of your UK taxable earnings if greater.

Annual Allowance - The Annual Allowance has an overall limit, which is £50,000 in the tax year 2012-13. If total payments from you and your employer to all your pension plans are above the Annual Allowance they may be subject to a tax charge.

Lifetime Allowance - The Lifetime Allowance is a limit on the amount of money you can build up in all your pension plans without losing tax advantages. Any amount above this allowance will normally be subject to a tax charge when benefits start payment. The Lifetime Allowance is £1,500,000 in the 2012-13 tax year. As well as the amount you're currently building up in pension plans, the Lifetime Allowance also takes into account the value of any pensions already being paid to you and any tax-free lump sums you've received. If you already have pension funds that exceed the Lifetime Allowance or you think may exceed it in future, you should talk to a financial adviser before taking out a personal pension.

STATE PENSION		
	2012-13	2013-14
Single Person	£107.45 per week	£110.15per week
Couple (if wife is a non-contributor)	£64.40 per week	£66.00 per week

PENSION CREDIT		
Standard minimum income guarantee:	2012-13	2013-14
Single	£142.70	£145.40
Couple	£217.90	£222.05

Child Benefit and Guardian's Allowance

The rates of Child Benefit and Guardian's Allowance are as follows:

CHILD BENEFIT RATES	6 APR 2012 - 5 APR 2013 £ PER WEEK	6 APR 2013 - 5 APR 2014 £ PER WEEK
Eldest/only child	£20.30	£20.30
Other children	£13.40	£13.40
Guardian's allowance	£15.55	£15.90

Note: The Guardian's Allowance is a tax-free payment for people who are bringing up children whose parents have died. In certain circumstances you may qualify for Guardian's Allowance where only one parent has died.

Child and Working Tax Credit Rates

The rates are:

TAX CREDITS		
Working Tax Credits	2012-13	2013-14
Basic element	£1,920	£1,920
Couple and lone parent element	£1,950	£1,970
30 hour element	£790	£790
Disabled worker element	£2,790	£2,855
Severe disability element	£1,190	£1,220
50+ Return to work payment (16-29 hours)	Withdrawn	Withdrawn
50+ Return to work payment (30+ hours)	Withdrawn	Withdrawn
Childcare element of Working Tax Credit		
Maximum eligible cost for one child, per week	£175	£175
Maximum eligible cost for two or more children, per week	£300	£300
Percentage of eligible costs covered	70%	70%
Child Tax Credit		
Family element	£545	£545
Family element, baby addition	Withdrawn	Withdrawn
Child element	£2,690	£2,720
Disabled child element	£2,950	£3,015
Severely disabled child element	£1,190	£1,220
Income threshold and withdrawal rates		
First income threshold	£6,420	£6,420
First withdrawal rate (%)	41%	41%
Second income threshold	Withdrawn	Withdrawn
Second withdrawal rate (%)	n/a	n/a
First threshold for those entitled to Child Tax Credit only	£15,860	£15,910
Income disregard	£10,000	£5,000
Income fall disregard	£2,500	£2,500

Capital Gains Tax

CAPITAL GAINS TAX: Annual Exempt Amount		
Year	Annual exempt amount for individuals	Annual exempt amount for trustees
2012-13	£10,600	£5,300
2013-14	£10,900	£5,450

CGT Rate		
2012-13	Standard Rate: 18%	Higher Rate: 28%*
2013-14	Standard Rate: 18%	Higher Rate: 28%*

Entrepreneurs' Relief

Entrepreneurs' Relief allows individuals and some trustees to claim tax relief for 2008-09 onwards on maximum lifetime limit, made on the disposal of any of the following:

- all or part of a business;
- the assets of a business after it has ceased;
- shares in a company.

Claims for Entrepreneurs' Relief can be made on more than one occasion as long as the total qualifying gains in all the claims doesn't exceed the lifetime limit.

ENTREPRENEURS' RELIEF RATE (10%) on Gains up to:		
For disposals on or after 23/06/10 to 05/04/11	£5 million	Over £5m @ 18%
For disposals on or after 06/04/11	£10 million	Over £10m @ 28% *

Note: * the 28% rate applies to higher and additional rate taxpayers

Capital Allowances

Capital allowances for 2009-10 onwards are:

CAPITAL ALLOWANCES		
Tax Years	2009-10 to 2011-12	2012-13 onwards
Writing Down Allowance (WDA) on Plant & Machinery in the general pool	20%	18%
WDA on Plant & Machinery Long Life assets in the general pool and on integral fixtures	10%	8%
Temporary first year allowance (2009-10 only)	40%	Not available
Annual Investment Allowance (AIA) available at 100% on qualifying expenditure on most Plant & Machinery (apart from cars) of up to:	£50,000 (2009-10) or £100,000 (2010-11 and 2011/12)	£25,000 to 31 December 2012, then from 1 January 2013 the AIA is increased to £250,000 for a temporary period of two years

Interest on late payment of tax

INTEREST ON LATE TAX PAYMENTS	
	FROM 29/09/09
Income Tax, NIC & CGT Stamp Duty and Stamp Duty Reserve Tax	3%
CTSA, From normal due date	3%
Inheritance Tax	3%

Official Rate of Interest

Directors and employees earning £8,500 a year or more (including gross expenses payments and the value of benefits in kind) are taxable on benefits in kind. The amount chargeable to tax in respect of a loan made by an employer is based on the difference between the interest paid by the employee (if any) and the interest which would have been paid on the loan at the "official rate" of interest.

Tax year to 5 April	Rate
2012	4%
2013	4%

Car Benefits

The main car benefits are as follows:

CAR BENEFITS TABLE					
< Vehicle CO_2 Emissions >				< Car Benefits >	
2010/11	**2011/12**	**2012/13**	**2013/14**	**Petrol**	**Diesel**
120	120	Up to 99	Up to 95	10	13
n/a	n/a	100	95	11	14
n/a	n/a	105	100	12	15
n/a	n/a	110	105	13	16
n/a	n/a	115	110	14	17
130	125	120	115	15	18
135	130	125	120	16	19
140	135	130	125	17	20
145	140	135	130	18	21
150	145	140	135	19	22
155	150	145	140	20	23
160	155	150	145	21	24
165	160	155	150	22	25
170	165	160	155	23	26
175	170	165	160	24	27
180	175	170	165	25	28
185	180	175	170	26	29
190	185	180	175	27	30
195	190	185	180	28	31
200	195	190	185	29	32
205	200	195	190	30	33
210	205	200	195	31	34
215	210	205	200	32	35
220	215	210	205	33	35
225	220	215	210	34	35
230	225	220	215	35	35

Notes:

How to use the Table

1. Look up the tax year in question
2. Look up the CO_2 emissions for your car.
3. If your car's CO_2 emissions fall between bandings, round the number down to work out the company car tax band. For example, a petrol business car emitting 153g/km would be classified in the 20% benefit in kind band for the 2011/12 tax year.

Source: http://www.businesscarmanager.co.uk/company-car-tax-tables-for-tax-years-201011-to-201314/

Measures announced on 20 March 2013

For 2015-16, two new percentage bands for company cars emitting 0-50g of carbon dioxide (CO2) per kilometre (5 per cent) and 51-75g CO2 per km (9 per cent). In addition, as announced at Budget 2012, the remaining appropriate percentages are increased by two percentage points for cars emitting more than 75g CO2per km, to a new maximum of 37 per cent per km or less for 2016-17. In addition, the Budget provides a commitment that in 2017-18 there will be a 3 percentage point differential between the 0-50 and 51-75 g/km CO2 Budget 2013 also sets out rates for company cars emitting 75g CO2 bands and between the 51-75 and 76-94 g/km CO2 bands. In 2018-19 and 2019-20 there will be a 2 percentage point differential between the 0-50 and 51-75 g/km CO2 bands and between the 51-75 and 76-94 g/km CO2 bands.

Source: http://www.hmrc.gov.uk/budget2013/tiin-2654.pdf

Mileage Allowances

The maximum tax free mileage allowances for employees using their own transport for business journeys are as follows:

REIMBURSEMENT RATES, PER MILE		
	First 10,000 miles	**Over 10,000 miles**
Car / van	45p	25p
Motorcycle	24p	24p
Bicycle	20p	20p
Passenger payments	5p	5p

If an employer pays a mileage rate higher than the statutory rate, the employee pays income tax on the excess. If an employer pays a mileage rate lower than the statutory rate the employee can claim tax relief on the shortfall.

CAR - ADVISORY FUEL RATES EFFECTIVE FROM 1 MARCH 2013		
Engine capacity	**Petrol**	**Gas**
Up to 1400cc	15p	10p
1401 - 2000cc	18p	12p
Over 2000cc	26p	18p

CAR - ADVISORY FUEL RATES EFFECTIVE FROM 1 MARCH 2013	
Engine capacity	**Diesel**
1600cc or less	13p
1601cc to 2000cc	15p
Over 2000cc	18p

VAT-registered businesses can reclaim VAT at the rate of 1/6th based on these fuel only mileage rates. Sufficient fuel VAT receipts must be kept to support the amount of VAT reclaimed. Based on the above Table, the VAT recoverable for each business mile is as follows:

CAR - ADVISORY FUEL RATES VAT RECOVERABLE FROM 1 MARCH 2013			
Engine capacity	**Petrol**	**Diesel**	**Gas**
Up to 1400cc	2.50p	2.17p	1.67p
1401 - 2000cc	3.00p	2.50p	2.00p
Over 2000cc	4.33p	3.17p	3.00p

Tax Shelters

Tax shelters are as follows:

TAX SHELTERS		
Venture Capital Trusts - investment limit and rate of tax relief (maximum)	£200,000 (relief at 30%)	
EIS – investment limit and rate of tax relief (maximum)	From 6/4/12, the limit was increased to £1m. From 6/4/11, the rate of tax relief was increased from 20% to 30%.	
Seed EIS (SEIS) offers 50% income tax relief on investments in small early stage companies carrying on, or preparing to carry on, a new business in a qualifying trade. In addition to the SEIS income tax relief, there will be a capital gains tax (CGT) exemption for gains realised in 2012–13 and 2013-14, and then invested through SEIS in the same year. (This exemption is separate from the CGT disposal relief that will apply to gains on disposals of SEIS shares.)	The income tax relief is available on total investments up to £150,000 per company. To give the greatest degree of flexibility, this is a cumulative limit, not an annual limit. For individual investors there is an annual limit on the amount of qualifying investments of £100,000.	
Tax-free employment termination	£30,000	
Tax-free "rent-a-room" income	£4,250 (£2,125 if letting jointly)	
	2012–13	2013–14
ISAs: Overall Investment Limit	£11,280	£11,520
Including cash maximum of	£5,640	£5,760
Junior ISA limit	£3,600	£3,720

Stamp Duty Rates

Stamp duty is payable at 0.5% of transfers of shares and securities with a value of £1,000 and over.

Stamp duty is payable on a residential lease at 1% above the £125,000 threshold (£150,000 for a non-residential or mixed use lease).

The stamp duty land tax rates for property or land purchases are shown in the Table below:

STAMP DUTY LAND TAX RATES			
Rate	Properties in disadvantaged areas (Note 3)	Residential	Non-residential and Mixed-Use Property
0%	Up to £150,000	Up to £125,000 (Note 1)	Up to £150,000
1%	More than £150,000 but not more than £250,000	More than £125,000 but not more than £250,000 (Note 1)	More than £150,000 but not more than £250,000
3%	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000
4%	More than £500,000 but not more than £1m	More than £500,000 but not more than £1m	More than £500,000
5%	£1m to £2m	£1m to £2m	
7%	More than £2m (after 21/3/2012)	More than £2m (after 21/3/2012)	
15%	Residential property costing over £2m purchased via a company or collective investment scheme after 21/3/2012	Residential property costing over £2m purchased via a company or collective investment scheme after 21/3/2012	

Notes:

1 A stamp duty relief for first-time buyers of residential property costing up to £250,000 applied for 2 years from 25 March 2010. From 6 April 2011, a new 5% rate applies to buyers of residential property costing over £1m.

2 Properties sold for more than £2m after 21 March 2012 are subject to a 7% stamp duty charge. Stamp duty on residential properties over £2m which are bought via a corporate body increased to 15% after 21 March 2012.

3 You can check to see if your property is in a disadvantaged are by inserting your postcode at: http://www.hmrc.gov.uk/so/dar/dar-search.htm

Tax Calendar to the end of 2013

SELF ASSESSMENT: The following dates apply to those who are employed, self-employed, and all other taxpayers

30-Dec-12	For those with a tax liability of less than £3,000, if you file your self- assessment tax return on-line by this date, the tax office will adjust your PAYE code (provided you are an employee) so that you can pay any tax due for 2011/12 over time through PAYE, rather than as a lump sum on 31 January 2013.
31-Jan-13	If you were sent a 2011/12 tax return, this is the deadline for sending back the completed return. This is also the deadline for paying the balance of any tax that you owe for 2011/12. Some people may have to make "payments on account". Each payment will normally equal one half of the previous year's tax liability (after taking off tax deducted at source and tax credits on dividends). The payments are due on 31 January in the tax year and 31 July following the tax year. Any Capital Gains Tax due for 2011/12 would be part of, or form, the balancing payment due on this date. If either the balancing payment for 2011/12 or first payment on account for 2012/13 is not made by this date, then interest will be charged. If you have not made the balancing payment for 2010/11 by this date, a third automatic 5% surcharge will be applied.
01-Feb-13	If you were sent a tax return for 2011/12, you will be charged a penalty of £100 if HMRC has not received your return by this date. The penalty increases over time – see www.hmrc.gov.uk/sa/deadlines-penalties.htm#3 for details.
28-Feb-13	If you have not made the balancing payment due for 2011/12 by this date, a first automatic 5% surcharge will be applied. The 5% surcharge does not apply to late payment of the first payment on account for 2012/13.
05-Apr-13	The last day of the 2012/13 tax year.
31-May-13	By this date, your employer should have given you a Form P60 (pay and tax details from employment) to assist you with the completion of your tax return for the year ended 5 April 2013.
05-Jul-13	You must make a claim to HMRC for any new tax credits to which you are entitled (in order to receive full entitlement).
06-Jul-13	If applicable to you, your employer must provide you with a copy of Form P11D showing details of the benefits in kind provided to you or expense payments reimbursed to you. Benefits in kind include, for example, the provision of a company car.
31-Jul-13	Some people may have to make payments on account. Each payment will normally equal one half of the previous year's tax liability (after taking off tax deducted at source and tax credits on dividends). The payments are due on 31 January in the tax year and 31 July following the tax year. If you need to make a second payment on account for the tax year ending on 5 April 2013, this is the date by which it should be made. If you have still not made a balancing payment of tax for 2011/12 by this date, you will be charged a second automatic 5% surcharge. The second 5% surcharge does not apply to late payment of the first payment on account for 2012/13.
05-Oct-13	You must tell HMRC of any income or capital gains you have received in the 2012/13 tax year, if you have not received a tax return. You have a legal obligation to do this. HMRC may, or may not, need to send you a tax return - some taxpayers will be able to pay the right amount of tax through an adjustment to their PAYE code.
31-Oct-13	If you were sent a 2012/13 tax return, this is the deadline for sending back the completed paper tax return. Paper tax returns must be filed by this date if you want HMRC to collect any unpaid tax (of under £3,000) for 2012/13 through PAYE. For self-assessment tax returns filed on-line, the filing deadline is 31 January 2014.
30-Dec-13	For those with a tax liability of less than £3,000, if you file your self-assessment tax return on-line by this date, the tax office will adjust your PAYE code (provided you are an employee) so that you can pay any tax due for 2012/13 over time through PAYE, rather than as a lump sum on 31 January 2014.

PARTNERS AND PARTNERSHIPS: The following are dates for Partners and Partnerships

31-Jan-13	If you were sent a 2011/12 tax return, this is the deadline for sending back the completed return. This is also the deadline for paying the balance of any tax that you owe for 2011/12. Some people may have to make "payments on account". Each payment will normally equal one half of the previous year's tax liability (after taking off tax deducted at source and tax credits on dividends). The payments are due on 31 January in the tax year and 31 July following the tax year. Any Capital Gains Tax due for 2011/12 would be part of, or form, the balancing payment due on this date. If either the balancing payment for 2011/12 or first payment on account for 2012/13 is not made by this date, then interest will be charged. For members of a partnership or limited liability partnership, this is the deadline by which the completed 2011/12 partnership tax return should be sent back to HMRC. If either the balancing payment for 2011/12 or first payment on account for 2012/13 is not made by this date, then interest will be charged. If you have not made the balancing payment for 2010/11 by this date, a third automatic 5% surcharge will be applied.
01-Feb-13	If you were sent a tax return for 2011/12, you will be charged a penalty of £100 if HMRC has not received your return by this date. The penalty increases over time – see www.hmrc.gov.uk/sa/deadlines-penalties.htm#3 for details. Where HMRC has not received the completed 2011/12 partnership tax return by this date, each member of the partnership or limited liability partnership will be charged a penalty of £100. This penalty applies even if the member does not have a liability to tax for the year.
28-Feb-13	If you have not made the balancing payment due for 2011/12 by this date, a first automatic 5% surcharge will be applied. The 5% surcharge does not apply to late payment of the first payment on account for 2012/13.
05-Apr-13	The last day of the 2012/13 tax year.
05-Jul-13	You must make a claim to HMRC for any new tax credits to which you are entitled (in order to receive full entitlement).
31-Jul-13	Some people may have to make payments on account. Each payment will normally equal one half of the previous year's tax liability (after taking off tax deducted at source and tax credits on dividends). The payments are due on 31 January in the tax year and 31 July following the tax year. If you need to make a second payment on account for the tax year ending on 5 April 2013, this is the date by which it should be made. If you have still not made a balancing payment of tax for 2011/12 by this date, you will be charged a second automatic 5% surcharge. The second 5% surcharge does not apply to late payment of the first payment on account for 2012/13.
05-Oct-13	You must tell HMRC of any income or capital gains you have received in the 2012/13 tax year, if you have not received a tax return. You have a legal obligation to do this.
31-Oct-13	If you want HMRC to calculate your 2012/13 tax liability, your paper 2012/13 tax return must be with them by this date. The deadline for internet filed returns for 2012/13 tax returns is 31 January 2014.

COMPANIES AND EMPLOYERS: The following are dates for companies and employers.
NOTE: Dates relating to companies only are highlighted in purple.

14- Jan-13 *(Companies only)*	Due date for income tax due for the CT61 (Quarterly accounting) quarter to 31 December 2012.
19-Jan-13	Monthly PAYE/NIC to 5 January 2013 due.
02-Feb-13	Last day for notifying car changes in quarter to 5 January 2013 - Form P46 (Car).
19-Feb-13	Monthly PAYE/NIC to 5 February 2013 due.
19-Mar-13	Monthly PAYE/NIC to 5 March 2013 due.
31-Mar-13 *(Companies only)*	End of Corporation Tax financial year. Corporation tax return for the year ended 31 March 2012 to be filed by this date to avoid £100 penalty (£500 for third consecutive default).
06-Apr-13	Real Time Information (RTI) starts on 6 April 2013. RTI will improve the operation of the PAYE system by creating more up-to-date taxpayer records and making it easier for employers and HMRC to administer. The fundamentals of PAYE will stay the same, but employers and pension providers will send PAYE information to HMRC each time they pay their employees, rather than after the end of the tax year. See: http://www.hmrc.gov.uk/about/briefings/briefing-rti-paye.pdf for further information.
14 Apr-13 *(Companies only)*	Due date for income tax due for the CT61 (Quarterly accounting) quarter to 31 March 2013.
19-Apr-13	Monthly PAYE/NIC to 5 April 2013 due. Any arrears of PAYE/NIC due for the year ended 5 April 2013 to be paid by this date.
03-May-13	Last day for notifying car changes in quarter to 5 April 2013 - Form P46 (Car).
19-May-13	Monthly PAYE/NIC to 5 May 2013 due.
31-May-13	Employer's PAYE/NIC return P35 for the year ended 5 April 2013 must be with HMRC. If you are an employer, you must provide a form P60 (showing pay and tax details) to each employee who is working for you at the end of the tax year and for whom you have completed P11. For an employee who left before 5 April they receive a P45.
19-Jun-13	Monthly PAYE/NIC to 5 June 2013 due.
01-Jul-13 *(Companies only)*	Corporation tax return for the year ended 31 March 2012, not filed before 31 March 2013, to be filed by this date to avoid a minimum £200 penalty (£1,000 for third consecutive default). Tax geared penalties apply where returns are filed more than 18 months after the end of the return period.
06-Jul-13	Copies of Forms P11D, showing details of the benefits in kind provided and/or expense payments reimbursed, for the year ended 5 April 2013 must be provided to all current employees (and to ex-employees who request them).
14-Jul-13 *(Companies only)*	Due date for income tax due for the CT61 (Quarterly accounting) quarter to 30 June 2013.
19-Jul-13	Monthly PAYE/NIC to 5 July 2013 due. Employers Class 1A NICs on Relevant Benefits in Kind must be paid.
19-Aug-13	Monthly PAYE/NIC to 5 August 2013 due.
19-Sep-13	Monthly PAYE/NIC to 5 September 2013 due.
14-Oct-13 *(Companies only)*	Due date for income tax due for the CT61 (Quarterly accounting) quarter to 30 September 2013.
19-Oct-13	Monthly PAYE/NIC to 5 October 2013 due.
19-Nov-13	Monthly PAYE/NIC to 5 November 2013 due.
19-Dec-13	Monthly PAYE/NIC to 5 December 2013 due.

Dates that only apply to companies:

9 months + 1 day, after company year end	Corporation Tax for the year to be paid.
9 months (6 months for PLCs) after company year end	Company accounts for the year to be filed with Companies House.
12 months after company year end	Company accounts for the year to be filed with HMRC, together with Corporation Tax return Form CT600.
Annually on anniversary of company incorporation	Annual Return showing details of Company Directors, Secretary and Shareholders to be filed with Companies House, within 28 days together with filing fee.
Quarterly (unless monthly or annual accounting opted for)	VAT Return to be filed with Customs & Excise: for accounting periods beginning on or after 1 April 2012, virtually all VAT registered businesses must submit their VAT return online. You can only submit a paper return where you have been advised that you are exempt from submitting your return online. The deadline for submission of the VAT return, and payment of the VAT (HMRC must receive cleared funds by the deadline date), is one month and seven days from the end of the VAT quarter.

Further Information

This Budget Report was prepared immediately after the Chancellor's Budget Statement on 20 March 2013 and is based on official press releases and supporting documentation. This publication summarises many, but not all, of the proposals and new measures issued in the press releases published today – these run to hundreds of pages.

The press releases and other Government announcements are crown copyright which is duly acknowledged.

The Budget proposals are subject to amendment before the 2013 Finance Act receives Royal Assent.

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We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

If you would like to receive further information about this subject or other publications, please call us – see our contact details on the next page.

Important Notice

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References etc

[1] See: http://www.hm-treasury.gov.uk/about_budget.htm

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