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the Budget 2013

Budget Report 2013

This Report, which was written immediately after the Chancellor of the Exchequer delivered his Budget Speech, is intended to provide an overview of the latest announcements and recent measures most likely to affect you or your business.

Throughout this guide we have included tips and ideas for effective tax and financial planning, but it is important to remember that this planning should be an ongoing, year-round process, rather than something that is left until the last minute.

We can help you to reassess your plans regularly, and adapt them as your personal and business circumstances change. With our help, you can plan for a rewarding and financially secure future.

How to make the most of our services

- Use page 15 to compile your own summary of the key points arising from this Budget and any actions you wish to consider.
- Keep a copy of the 2013/14 Tax Calendar on page 16 handy. It details many of the key dates and deadlines for the coming year.
- Contact us as soon as possible to discuss any action you may be considering, and to review your longer term plans. We always welcome the opportunity to help.

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Please note: while most taxation changes take effect from the start of the financial year, or tax year, some may not take effect until 2014, or later. Where relevant, details of these changes have been included in this Report. Throughout the Report, 'HMRC' refers to HM Revenue & Customs.

Defiant Chancellor pledges support for an 'aspiration nation'

Delivering his fourth Budget statement to an animated House of Commons, Chancellor George Osborne pledged his support for 'aspiration' and vowed to face the UK's economic challenges 'head on'.

Confirming widespread concerns over the grim economic outlook, the Chancellor announced that the Office for Budget Responsibility had slashed the official growth forecast for 2013 from 1.2% to 0.6%. However, despite acknowledging that dealing with the deficit was taking 'longer than hoped', and that borrowing would rise to £114bn this year, the Chancellor insisted that the Government was 'slowly but surely fixing our country's economic problems'.

Heralding his Budget as a mandate for those who aspire to 'work hard and get on', the Chancellor unveiled some significant measures aimed at supporting businesses and individuals, with headline announcements including an additional reduction in the main rate of corporation tax, bringing the tax down to 20% from 2015, and a much-anticipated increase in the income tax personal allowance, which will see the threshold reaching the Coalition's £10,000 target in 2014, a year earlier than originally planned.

Budget Highlights

- **Corporation tax main rate to fall to 20%**
- **Income tax personal allowance to rise to £10,000 in 2014**
- **Employers' national insurance cut by £2,000**
- **Tax-free childcare vouchers worth up to £1,200 per child**
- **20% shared equity loans for new build homes**
- **September fuel duty rise scrapped**

Businesses are set to benefit from a new Employment Allowance, which will cut employers' national insurance bills by up to £2,000 from next April, exempting an estimated 450,000 small businesses from paying any national insurance contributions.

> **"This is a Budget that doesn't duck our nation's problems. It confronts them head on."**
>
> Chancellor George Osborne

Other measures include an annual £3bn boost for UK infrastructure from 2015, together with support for homebuyers through the extension of shared equity schemes, offering loans of up to 20% to buyers of new build homes.

The Chancellor also confirmed the Government's recently announced plans to offer 20% tax relief on childcare up to the value of £1,200 a year per child from 2015, together with a bringing forward of both the new single flat-rate pension and a £72,000 cap on social care costs, to 2016.

Meanwhile, acknowledging the financial pressures facing families, the Chancellor confirmed the cancellation of the rise in fuel duty planned for September, and raised some cheer in the House with the announcement of the scrapping of the beer duty escalator.

2013 Economic Forecasts

UK economic growth	0.6%
Government borrowing	£114bn
Inflation	2.8%
Unemployment	7.9%

Business tax and investment incentives

Corporation tax

Corporation tax rates and bands are as follows:

Financial year to	31 March 2014	31 March 2013
Taxable profits		
First £300,000	20%	20%
Next £1,200,000	23.75%	25%
Over £1,500,000	23%	24%

The main rate of corporation tax will be reduced to 21% for the financial year commencing 1 April 2014 and from 1 April 2015 it will be further reduced and unified with the small profits rate, giving a new unified rate of 20%.

Annual Investment Allowance (AIA)

As announced in the Autumn Statement, the AIA has been temporarily increased for a two-year period from £25,000 to £250,000 per annum for all qualifying investments in plant and machinery made on or after 1 January 2013. Provisions apply to accounting periods that straddle the start and end dates.

Research and development (R&D)

A 10% 'Above the Line' (ATL) credit for large company R&D expenditure will be introduced. This will apply to qualifying expenditure incurred on or after 1 April 2013. The credit will be fully payable, net of tax, to companies with no corporation tax liability. The ATL credit scheme will be optional until it becomes mandatory on 1 April 2016. Companies that do not elect to claim the ATL credit will be able to continue claiming R&D relief under the current large company scheme until 31 March 2016.

Creative industry tax credits

As previously announced, new corporation tax reliefs will be introduced for the video games, animation and high-end television industries. The animation and high-end television tax reliefs are expected to be approved shortly and will start on 1 April 2013. The video games tax relief will be introduced following State Aid approval.

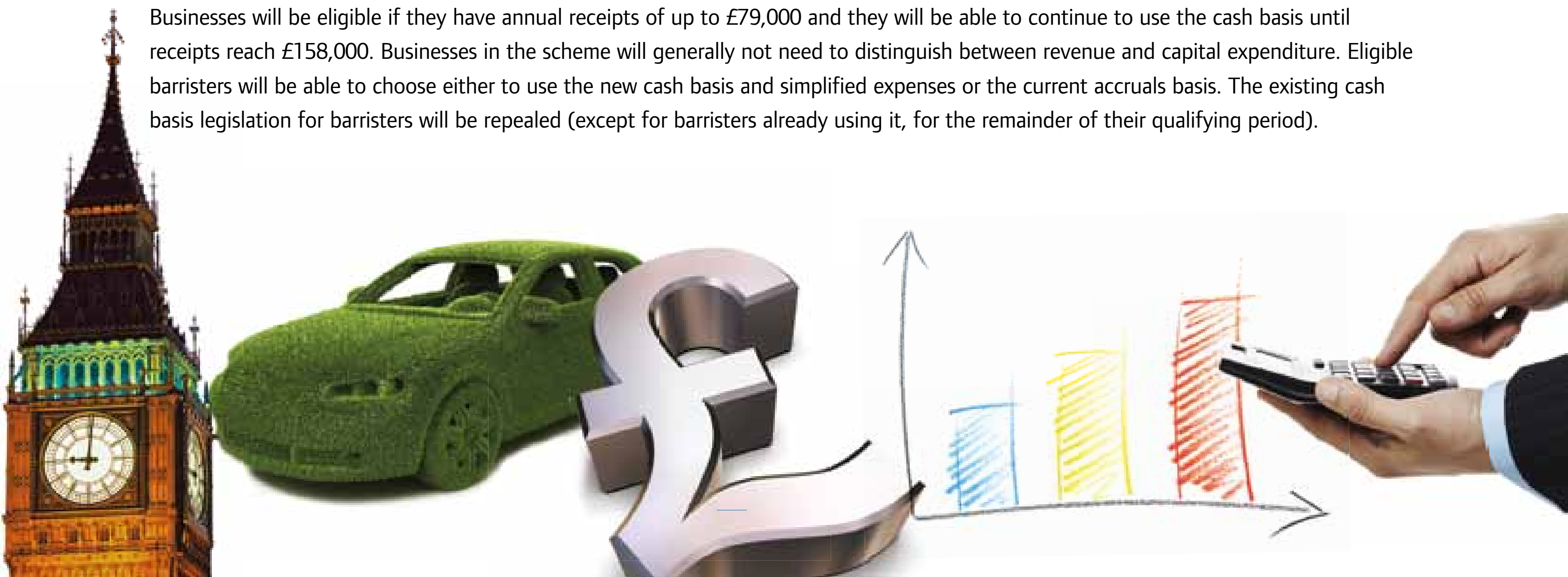
Patent Box

From 1 April 2013, the Patent Box will allow companies to elect to apply a 10% rate of corporation tax to all profits attributable to qualifying patents, whether paid separately as royalties or embedded in the sales price of products. The regime will also apply to other qualifying intellectual property rights such as regulatory data protection, supplementary protection certificates and plant variety rights.

Small businesses

From 6 April 2013 all unincorporated businesses will be able to choose to deduct certain expenses on a flat rate basis.

In addition, a new voluntary cash basis for calculating tax for small businesses will be introduced. The new cash basis will allow eligible self-employed individuals and partnerships to calculate their profits on the basis of the cash that passes through their businesses. Businesses will be eligible if they have annual receipts of up to £79,000 and they will be able to continue to use the cash basis until receipts reach £158,000. Businesses in the scheme will generally not need to distinguish between revenue and capital expenditure. Eligible barristers will be able to choose either to use the new cash basis and simplified expenses or the current accruals basis. The existing cash basis legislation for barristers will be repealed (except for barristers already using it, for the remainder of their qualifying period).



UK residential property

There is to be a package of taxes for certain companies, partnerships with company members and managers of collective investment schemes (collectively referred to as non-natural persons) which own residential property in the UK worth over £2m.

These taxes are: stamp duty land tax at 15% on acquisition of residential property (this came into effect on 21 March 2012); an annual tax of between £15,000 and £140,000 on relevant dwellings (effective from 1 April 2013); and capital gains tax (CGT) at 28% on any gain on disposal (effective from 6 April 2013).

There will be reliefs for property development, investment rental and trading businesses, residential properties open to the public for at least 28 days a year on a commercial basis, residential properties held for employee accommodation, residential properties owned by a charity and held for charitable purposes, working farmhouses, diplomatic properties, and some other publicly-owned residential properties.

Limited Liability Partnerships (LLPs)

The Government will consult on measures to remove the presumption of self-employment for LLP partners so as to tackle the disguising of employment relationships through LLPs, and counter the artificial allocation of profits to partners (in both LLPs and other partnerships) to achieve a tax advantage.

Disincorporation relief

The Government will introduce a disincorporation relief for five years from April 2013. The relief will allow a company to transfer goodwill and an interest in land to its shareholders so that no corporation tax charge arises on the transfer. The relief will be available to businesses with total qualifying assets not exceeding £100,000.

Employment Allowance

As from April 2014 every business and charity will be entitled to a £2,000 Employment Allowance. Employers will need to confirm their eligibility through their regular payroll process. This confirmation will ensure that up to £2,000 will be deducted from their employers' national insurance contributions (NICs) liability over the course of the year's PAYE payments.

Enterprise Management Incentives (EMI)

As announced at the 2012 Budget, the Government will extend Entrepreneurs' Relief to cover gains made on shares acquired through the exercise of EMI qualifying options. The measure applies to shares acquired on or after 6 April 2012 that are disposed of on or after 6 April 2013. The relief will apply even if the individual does not hold a 5% stake in the company.

Seed Enterprise Investment Scheme (SEIS)

Any investors making capital gains in 2013/14 will receive a 50% CGT relief when they re-invest those gains into SEIS qualifying companies in either 2013/14 or 2014/15.

There will be a change to the legislation so that some eligible companies will not inadvertently be disqualified from taking advantage of the SEIS regime, by virtue of having been established by a corporate formation agent. This will have effect in relation to shares issued on or after 6 April 2013.

Tax and travel

Car and fuel benefits

The taxable petrol and diesel car benefit is based on the car's CO_2 emissions. It is calculated using the car's UK list price and applying the 'appropriate percentage' as shown in the table on the right. The car fuel benefit is calculated by applying the same percentages to the fuel benefit charge multiplier, which for 2013/14 is £21,100.

For cars which cannot produce CO_2 engine emissions under any circumstances when driven ('zero emission cars', including those powered solely by electricity), the appropriate percentage is reduced to 0%, thereby reducing the car benefit charge to nil. For cars emitting between 1g/km and 75g/km the appropriate percentage is reduced to 5% (8% for diesel) for five years from 6 April 2010.

Future changes

The lower threshold will be reduced from 115g/km to 110g/km with effect from April 2014. The lowest appropriate percentages will remain at 0% and 5%. The appropriate percentage will increase by 1% for all vehicles with CO_2 emissions between 95g/km and 210g/km, to a maximum of 35%.

From April 2015, there will be two new appropriate percentage bands for company cars emitting 0-50g/km CO_2 (5%) and 51-75g/km CO_2 (9%). The remaining appropriate percentages are increased by 2% for cars emitting more than 75g/km CO_2 to a new maximum of 37%.

From April 2016, all the appropriate percentages are increased by 2% up to the maximum of 37%. The diesel supplement will be removed, so that diesel cars will be subject to the same level of tax as petrol cars.

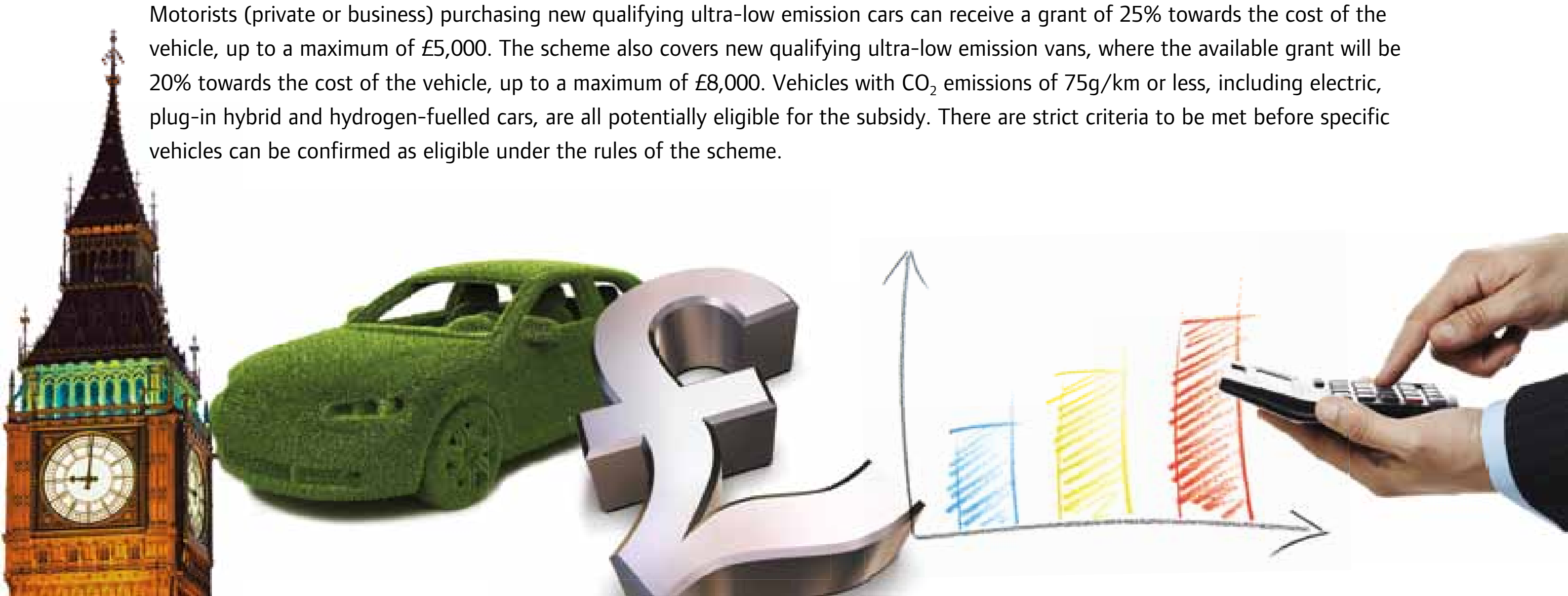
CO_2 emissions	Appropriate percentage		Quarterly VAT	
(g/km)	Petrol %	Diesel %	Fuel scale charge £	VAT on charge £
Zero	0	0	168	28.00
Up to 75	5	8	168	28.00
76 - 94	10	13	168	28.00
95 - 99	11	14	168	28.00
100 - 104	12	15	168	28.00
105 - 109	13	16	168	28.00
110 - 114	14	17	168	28.00
115 - 119	15	18	168	28.00
120 - 124	16	19	168	28.00
125 - 129	17	20	253	42.17
130 - 134	18	21	269	44.83
135 - 139	19	22	286	47.67
140 - 144	20	23	303	50.50
145 - 149	21	24	320	53.33
150 - 154	22	25	337	56.17
155 - 159	23	26	354	59.00
160 - 164	24	27	371	61.83
165 - 169	25	28	388	64.67
170 - 174	26	29	404	67.33
175 - 179	27	30	421	70.17
180 - 184	28	31	438	73.00
185 - 189	29	32	455	75.83
190 - 194	30	33	472	78.67
195 - 199	31	34	489	81.50
200 - 204	32	35	506	84.33
205 - 209	33	35	523	87.17
210 - 214	34	35	539	89.83
215 - 219	35	35	556	92.67
220 - 224	35	35	573	95.50
225 and above	35	35	590	98.33

VAT on fuel for private use in cars

Where businesses wish to reclaim the input VAT on fuel which has some degree of private use, they must account for output VAT on a scale charge. The table shows the VAT chargeable for quarters commencing on or after 1 May 2013.

Plug-in Grants

Motorists (private or business) purchasing new qualifying ultra-low emission cars can receive a grant of 25% towards the cost of the vehicle, up to a maximum of £5,000. The scheme also covers new qualifying ultra-low emission vans, where the available grant will be 20% towards the cost of the vehicle, up to a maximum of £8,000. Vehicles with CO_2 emissions of 75g/km or less, including electric, plug-in hybrid and hydrogen-fuelled cars, are all potentially eligible for the subsidy. There are strict criteria to be met before specific vehicles can be confirmed as eligible under the rules of the scheme.



Mileage rates

Changes to the HMRC business mileage rates are announced from time to time. The rates from 1 March 2013 are as follows:

Vehicle	First 10,000 miles	Thereafter	Car – fuel only advisory rates Engine capacity	Petrol	Diesel	LPG
Car/van	45p	25p	1400cc or less	15p	13p	10p
Motorcycle	24p	24p	1401cc to 1600cc	18p	13p	12p
Bicycle	20p	20p	1601cc to 2000cc	18p	15p	12p
			Over 2000cc	26p	18p	18p

The fuel only advisory rates relate to company cars only. They can be applied as a tax-free maximum rate for employees claiming for petrol used on business journeys and for employees reimbursing their employers with the cost of petrol used for private journeys.

HMRC will consider claims for a higher maximum rate, if it can be demonstrated that it is necessary for an employee to use a car with higher than average fuel costs.

Car costs – Vehicle Excise Duty (VED) rates

VED ('Car Tax') rates also reflect emissions, with lower scale rates for cars using alternative fuels. The following table shows the rates which apply from 1 April 2013 for cars registered on or after 1 March 2001:

VED Band	CO_2 Emissions (g/km)	First Year Rate	Standard Rate	
			Petrol & Diesel	Alternative Fuels
A	Up to 100	£0	£0	£0
B	101 - 110	£0	£20	£10
C	111 - 120	£0	£30	£20
D	121 - 130	£0	£105	£95
E	131 - 140	£125	£125	£115
F	141 - 150	£140	£140	£130
G	151 - 165	£175	£175	£165
H	166 - 175	£285	£200	£190
I	176 - 185	£335	£220	£210
J	186 - 200	£475	£260	£250
K*	201 - 225	£620	£280	£270
L	226 - 255	£840	£475	£465
M	Over 255	£1065	£490	£480

**includes cars emitting over 225g/km that were registered before 23 March 2006.*

Company vans

The taxable benefit for the unrestricted private use of vans is £3,000. There is a further £564 taxable benefit if the employer provides fuel for private travel.

Van and fuel charge	Van	Fuel	Total
Tax (20% taxpayer)	£600	£112.80	£712.80
Tax (40% taxpayer)	£1,200	£225.60	£1,425.60
Tax (45% taxpayer)	£1,350	£253.80	£1,603.80
Employer's Class 1A NICs	£414	£77.83	£491.83

The flat rate of £3,000 is reduced to nil for vans emitting zero CO_2. There is no fuel benefit for such vans.

National Insurance Contributions (NICs)

2013/14	Employer	Employee
Class 1 – not contracted out		
Payable on weekly earnings of		
Up to £109 (lower earnings limit)	Nil	Nil
£109 - £148 (employers' earnings threshold)	Nil	*0%
£148.01 - £149 (employees' earnings threshold)	13.8%	*0%
£149.01 - £797 (upper earnings limit)	13.8%	12%
over £797	13.8%	2%

**No NICs are actually payable but notional Class 1 NIC is deemed to have been paid; this protects certain basic state benefit entitlements. Over state pension age, the employee contribution is generally nil.*

		Employer	Employee
Class 1A	On relevant benefits	13.8%	Nil

Class 2	Self employed	£2.70 per week
	Limit of net earnings for exception	£5,725 per annum
Class 3	Voluntary	£13.55 per week
Class 4**	Self employed on profits	
	£7,755 - £41,450	9%
	Excess over £41,450	2%

***Exemption applies if state pension age was reached by 6 April 2013.*

Real Time Information and PAYE penalties

HMRC's new Real Time Information (RTI) regime comes into effect in April 2013, and will require most employers to submit information about the payments and deductions they have made under PAYE ***at or before the time of payment***.

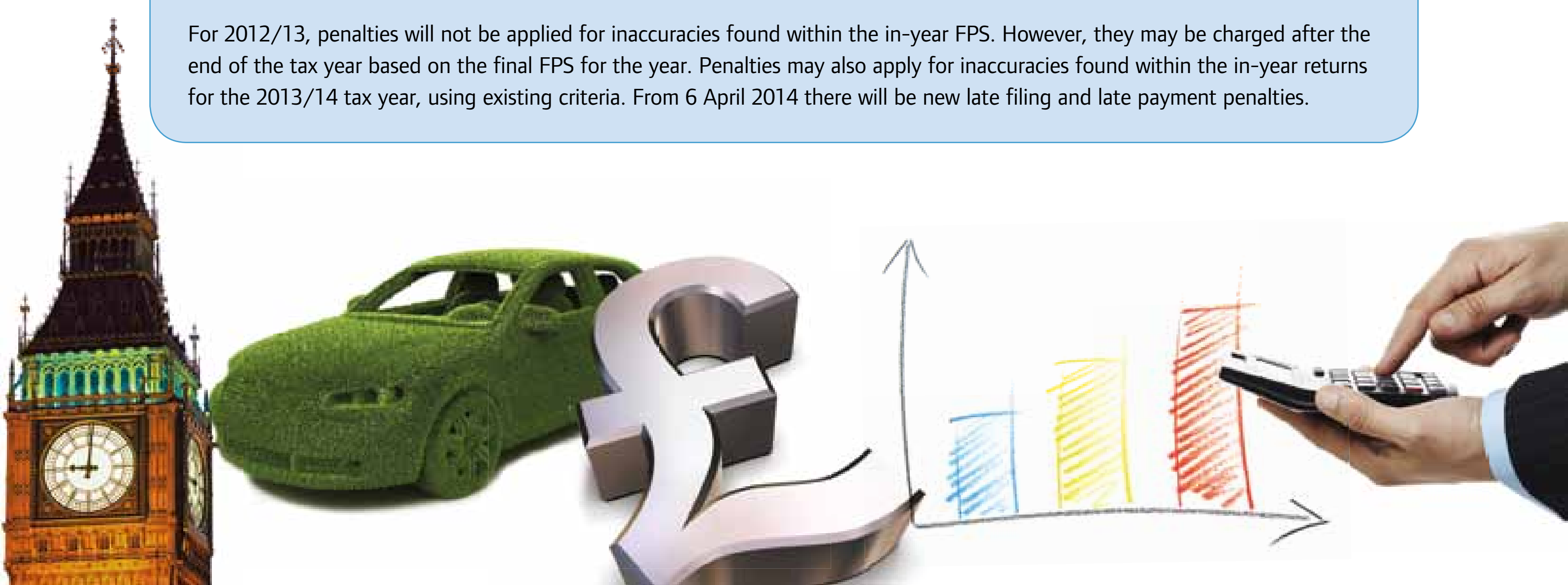
HMRC has agreed a temporary relaxation of reporting arrangements for smaller businesses. Until 5 October 2013, employers with fewer than 50 employees who pay their staff weekly or more regularly and find it difficult to report at the time of payment may send information by the date of their regular payroll, but no later than the end of the tax month. HMRC will continue to assess the impact of RTI on the smallest businesses, throughout the summer.

Historically, inaccuracies have gone undetected for long periods of time as the overall tax liability has not been reviewed and calculated until after the end of the tax year. The aim of the new system is to ensure that the correct deductions are made from pay, resulting in more individuals paying the right amount of income tax and NICs throughout the tax year.

HMRC has confirmed that for the tax years 2012/13 and 2013/14 there will be no change to the existing penalties for late filing of returns, and there will be no penalties for in-year Full Payment Submissions (FPSs) that are submitted late. However, penalties may be charged after the end of the tax year, based on the final FPS for the year.

Employers must submit an FPS every time they make a payment to an employee. To avoid a late filing penalty, the final FPS for an employee must be reported by 19 April. After 19 April, employers can submit an Earlier Year Update by 19 May to avoid a penalty. Employers who do not pay any employees in a tax month must send an Employer Payment Summary by the 19th of the following tax month.

For 2012/13, penalties will not be applied for inaccuracies found within the in-year FPS. However, they may be charged after the end of the tax year based on the final FPS for the year. Penalties may also apply for inaccuracies found within the in-year returns for the 2013/14 tax year, using existing criteria. From 6 April 2014 there will be new late filing and late payment penalties.



Income tax and personal savings

Income tax rates

	2013/14	2012/13
Basic rate band – income up to	£32,010	£34,370
Starting rate for savings	*10%	*10%
Basic rate	20%	20%
Dividend ordinary rate	10%	10%
Higher rate – income over	£32,010	£34,370
Higher rate	40%	40%
Dividend upper rate	32.5%	32.5%
Additional rate – income over	£150,000	£150,000
Additional rate	45%	50%
Dividend additional rate	37.5%	42.5%

**Starting rate is for savings income up to the starting rate limit of £2,790 (£2,710) within the basic rate band. The rate applies to any balance of the limit remaining after allocating taxable non-savings income.*

Personal allowances (ages are as at the end of the tax year)

		2013/14	2012/13
Personal allowances (PA)	Born after 5 April 1948/under 65†	*£9,440	†*£8,105
	Born after 5 April 1938 and before 6 April 1948/65-74†	*£10,500	†*£10,500
	Born before 6 April 1938/75 and over†	*£10,660	†*£10,660

The PA for those aged under 65 increases from 6 April 2013 to £9,440. The advantage to higher rate payers is countered by a lowering of the higher rate threshold, to £32,010 from 6 April 2013.

Married couple's allowance (MCA)

	2013/14	2012/13
Either partner born before 6 April 1935 (relief restricted to 10%)	*£7,915	*£7,705

**Age-related allowances are reduced by £1 for every £2 that adjusted net income exceeds £26,100 (£25,400) to a minimum PA of £9,440 (£8,105) and to a minimum MCA of £3,040 (£2,960). Where adjusted net income exceeds £100,000, PA is reduced in the same way until it is nil.*

Individual Savings Accounts (ISAs)

The annual ISA subscription limit for 2013/14 will rise from £11,280 to £11,520, up to £5,760 of which can be invested in a cash-only ISA.

The subscription limit for Junior ISAs, which are available to those aged under 18 who do not have a Child Trust Fund account, will rise from £3,600 to £3,720.

Lost for words: in 1869 Chancellor George Ward-Hunt arrived at the Commons and opened the Budget Box – only to discover that he had left his speech at home.

Personal allowances for 2014/15

For 2014/15, the personal allowance for those born after 5 April 1948 will be increased to £10,000, and the basic rate limit will be reduced to £31,865.

As set out at Budget 2011, once the personal allowance has reached £10,000, it will then increase by Consumer Prices Index (CPI) in future years, starting from 2015/16.

Exemption threshold for employment-related loans

The threshold for employment-related 'taxable cheap loans' to be treated as earnings of the employment, will increase from the current threshold of £5,000 to £10,000 for 2014/15 and subsequent tax years.

As long as the total outstanding balances on all such loans do not exceed the threshold at any time in a tax year, there is no tax charge.

Consequently employers will no longer be required to report details of small loans where the outstanding balance is £10,000 or less throughout a tax year.

Take Note

Have you considered letting a room in your own home? The rent-a-room scheme allows rental income from letting furnished accommodation in your only or main home (either owned or rented) to be received tax-free up to a limit of £4,250 a year. Where the accommodation is let by two or more people, the limit is £2,125 per person.

Employee shareholder status

In October 2012 the Government announced its intention to introduce a new 'employee shareholder' status. Individuals adopting the status will be exempt from CGT on the disposal of up to £50,000 of shares acquired under the employee shareholder agreement.

In addition, on acquisition of the shares the first £2,000 of share value received by the employee shareholder will not be subject to income tax or NICs.

These measures will apply to shares received from 1 September 2013, when the new status comes into force.

Pension savings

The Chancellor has confirmed the reduction of the standard lifetime allowance to £1.25m and the annual allowance to £40,000 for tax year 2014/15 onwards.

Legislation will also introduce a transitional protection regime (fixed protection 2014) for individuals with UK tax relieved pension rights of more than £1.25m or who think they may have rights in excess of £1.25m by the time they take their pension benefits. Individuals will need to notify HMRC by 5 April 2014 if they want to rely on fixed protection 2014.

Individuals with fixed protection 2014 will be entitled to a personal lifetime allowance of the greater of £1.5m and the standard lifetime allowance.

Child Trust Funds

The Government will consult on options for transferring savings held in Child Trust Funds into Junior ISAs.

Life insurance: qualifying policies

Under the current regime there is no upper limit on the investment premiums payable into a qualifying policy (QP), allowing individuals to obtain unlimited relief from higher and additional rates of income tax.

Legislation will be introduced in Finance Bill 2013 to provide for an annual premium limit of £3,600 for QPs from 6 April 2013.

Transitional rules will apply to policies issued between 21 March 2012 and 5 April 2013 inclusive. Policies issued in this period will be restricted so that relief is only attributable to premiums payable, or treated as payable, in the transitional period and for premiums payable up to the £3,600 annual limit thereafter.

Take Note

Have you considered investing parental gifts to produce tax-free income, or accumulate income, or in a cash or stocks and shares Junior ISA (JISA)? The £100 limit does not apply to gifts into Child Trust Funds, JISAs or National Savings Children's Bonds.

Cap on unlimited tax reliefs

As previously announced, a cap will be applied to certain income tax reliefs claimed by individuals from 6 April 2013 where they are otherwise unlimited. For anyone seeking to claim more than £50,000 in reliefs, a cap will be set at 25% of income (or £50,000, whichever is greater). However, following widespread controversy the cap on charitable donations will not go ahead.

Domicile and residence

Legislation will be introduced to provide a statutory residence test for individuals from 2013/14, and to eliminate the concept of 'ordinary residence' for tax purposes as far as possible. The legislation will also provide for a tax year to be split into a UK part and an overseas part in certain circumstances, together with new rules for the taxation of certain income and gains during a period of temporary non-residence.

Capital taxes

Capital gains tax (CGT)

The Annual Exempt Amount for 2013/14 has been increased to £10,900.

Inheritance tax (IHT)

The rate of IHT remains at 20% for lifetime transfers and at 40% for death estates (including transfers within seven years before death brought back into the estate for the purpose of calculating the tax due at death).

In Budget 2010 it was announced that the threshold below which estates are not liable for IHT, the nil-rate band, would be frozen at £325,000 until April 2015.

The Government announced on 11 February 2013 that the IHT nil-rate band would remain frozen until April 2018.

Serf's up: The famous Peasants' Revolt of 1381 was precipitated by tax collectors' attempts to enforce the deeply unpopular poll tax, and marked the beginning of the end of serfdom in medieval England.

IHT – spouses and civil partners domiciled overseas

All individuals, irrespective of their domicile status, benefit from an IHT nil-rate band, currently £325,000. Transfers of assets between spouses and between civil partners, whether gifts made during a person's lifetime or transfers of assets occasioned by the death of one of the couple, are generally exempt from IHT.

But where the spouse or civil partner to whom the assets are transferred does not have a UK domicile there is a lifetime limit (cap) on the value of the assets that can be transferred free of IHT. The cap is currently £55,000.

Legislation will be introduced in Finance Bill 2013 to reform the IHT treatment of transfers between UK-domiciled individuals and their non-UK domiciled spouse or civil partners in two ways:

- the cap will be increased to the level of the prevailing nil-rate band level, and
- under a new election regime, individuals domiciled other than in the UK and who are married or in a civil partnership with a UK domiciled person will be able to elect to be treated as UK-domiciled for IHT purposes.

Take Note

Married couples and civil partners can boost their own inheritance tax-free allowance by claiming the proportion of the 'nil-rate band' not used by their deceased partner. This can increase the IHT threshold of the second partner from £325,000 to a maximum of £650,000 for 2013/14.

IHT – limiting the deduction for liabilities

Legislation will be introduced in Finance Bill 2013 to amend the IHT 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. This only applies in certain circumstances.

Duties

Tobacco duty

The duty rates for all tobacco products will be increased by 2% above the rate of inflation (based on RPI) from 6pm on 20 March 2013.

Alcohol duty

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

The duty rates on beer will decrease with effect from 25 March 2013. This will reduce the price of an average strength pint of beer by 1p.

Stamp duty on junior shares

In Finance Bill 2014 the Government will bring forward legislation that abolishes stamp duty and Stamp Duty Reserve Tax on share transactions in UK companies quoted on Small Company Growth Markets. This is effective from April 2014.

Lawless: Chancellor Nigel Lawson was forced to suspend his Budget when an intervention by the Scottish Nationalists resulted in uproar. On another occasion, his speech was temporarily brought to halt, mid-sentence, because his staff had put the pages in the wrong order.

Value Added Tax (VAT)

From	1 April 2013
Standard rate	20%
VAT fraction	1/6
Reduced rate	5%
Current Turnover Limits	
Registration – last 12 months or next 30 days over	£79,000 from 1 April 2013
Deregistration – next 12 months under	£77,000 from 1 April 2013
Annual Accounting Scheme	£1,350,000
Cash Accounting Scheme	£1,350,000
Flat Rate Scheme	£150,000

National Minimum Wage (NMW)

The NMW rates are as follows:

Age	21 and over	18-20	16 and 17	Apprentices*
From 1 October 2012	£6.19	£4.98	£3.68	£2.65

**Rate applies to apprentices under 19, or those 19 and over in the first year of apprenticeship.*

Other measures announced

New childcare scheme from Autumn 2015

A new childcare scheme will be introduced to support working families with their childcare costs. For childcare costs of up to £6,000 per year per child, support of 20% will be available worth up to £1,200. From the first year of operation, all children under five will be eligible and the scheme will build up over time to include children under 12.

The scheme will provide support for families where all parents are in work and not receiving support through the Childcare Element of Working Tax Credits/Universal Credit and where each is earning less than £150,000 a year. Support will be provided through a childcare account redeemable at any registered childcare provider.

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

Start Up Loans

As announced in January 2013, £30m of additional funding has been provided to expand the Start Up Loans scheme in England and increase the age limit from 24 to 30.

Business Bank

The Government will publish the Business Bank's first business strategy on 22 March 2013. This will set out an accelerated timetable for how the Business Bank will deploy £1bn of new capital to improve existing access to SME support schemes. Elements will include: the launch of a £300m investment scheme in spring 2013 to help 'diversify and expand the supply of lending' to SMEs; the provision of an additional £50m for the Business Angel Co-investment Fund for SMEs; an extension of the Enterprise Capital Fund programme to include a £25m venture capital Catalyst Fund for investment in SMEs; and maintaining the lenders' guarantee cap at 20% for Enterprise Finance Guarantee loan portfolios for 2013/14.

General Anti-Abuse Rule (GAAR)

At the Autumn Statement, the Government confirmed its intention to introduce a new GAAR to 'provide a new deterrent to abusive avoidance schemes and strengthen HMRC's means of tackling them'. The taxes it will apply to include: income tax, NICs, corporation tax (including amounts treated as corporation tax), capital gains tax, inheritance tax, petroleum revenue tax and stamp duty land tax.

The measure will apply to 'abusive tax arrangements' entered into on or after Royal Assent to Finance Bill 2013.

Tax agreements with Isle of Man, Jersey and Guernsey

The UK has agreed a comprehensive package of measures with the Isle of Man, Guernsey and Jersey governments to 'clamp down on those who choose to hide their money offshore'.

The package consists of:

- agreement to automatically exchange a wide range of financial information on UK taxpayers with accounts in the Isle of Man, Guernsey and Jersey which will significantly enhance HMRC's ability to crack down on those who do not declare their offshore affairs; and
- a disclosure facility to allow people to come forward to disclose their previous tax affairs in advance of the information being automatically exchanged.

HMRC has signed Memoranda of Understanding with each of the Crown Dependencies.

Gift Aid small donations scheme

The new Gift Aid small donations scheme will come into effect from 6 April 2013. Announced at the 2011 Budget, the scheme enables eligible charities and Community Amateur Sports Clubs to claim a Gift Aid style top-up payment on up to £5,000 of small donations, without the need to collect Gift Aid declarations.

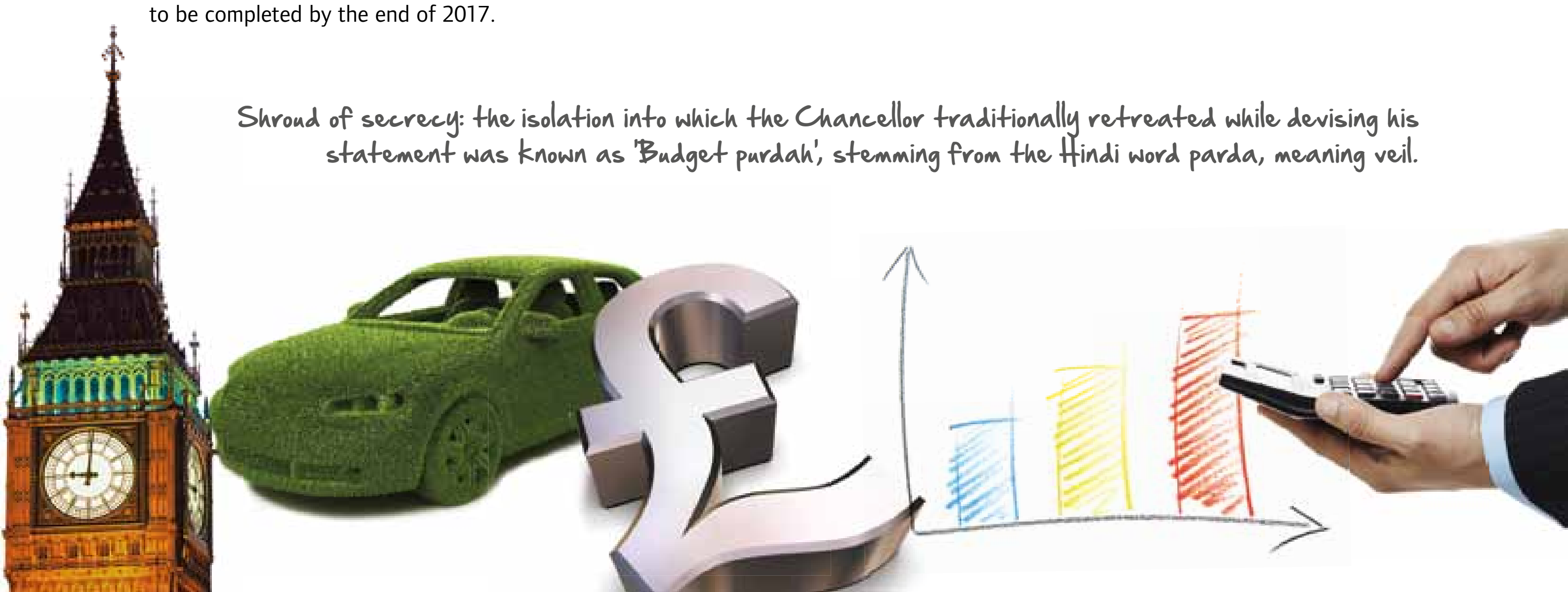
Charities will be able to claim the new payment on donations of £20 or less.

Universal Credit

Introduced as part of the Welfare Reform Act, Universal Credit will replace a range of existing benefits and tax credits with a more streamlined system. The benefit will be exempt from income tax and will involve a single monthly payment, covering all qualifying family members.

Universal Credit aims to improve work incentives and will be available to individuals who are in work and on a low income, as well as those who are out of work. The benefit will be introduced in a series of phases, starting from October 2013, with the process expected to be completed by the end of 2017.

Shroud of secrecy: the isolation into which the Chancellor traditionally retreated while devising his statement was known as 'Budget purdah', stemming from the Hindi word parda, meaning veil.



Personal Tax Statement

From the 2014/15 tax year the Government will introduce a new Personal Tax Statement for around 20 million taxpayers, including Self Assessment taxpayers and those in PAYE who receive a coding notice.

The statement will detail the income tax and NICs they have paid and their average tax rates. It will also outline how this contributes to public spending, outlining the proportions used for education, health and welfare.

The aim is to improve the transparency of the tax system.

According to sample Treasury calculations, someone earning just over £25,000 would pay £5,700 in direct taxes. Of that, more than £1,900 would go on welfare and pension payments, nearly £1,000 on health and £750 on education. £360 would also be spent on national debt repayments.

What they said

'This is a Budget for people who aspire to work hard and get on […] Together with the British people we are, slowly but surely, fixing our country's economic problems'

Chancellor George Osborne

'More of the same is not the answer to the problems of the last three years. More of the same is the answer of a downgraded Chancellor in a downgraded Government'

Labour leader Ed Miliband

'Business will appreciate many of the Chancellor's measures […] but will wish he had been even more radical in the pursuit of growth'

John Longworth, British Chambers of Commerce

'The FSB asked for a Budget for small businesses and this is what has been delivered. The Budget opens the door for small firms to grow and create jobs'

John Walker, Federation of Small Businesses

'No Plan B' – An economic background to the Budget

When George Osborne became Chancellor in the spring of 2010 the national budget deficit – the difference between the Government's annual spending and receipts – was estimated at a record £163.4bn. Tackling the deficit was declared the Coalition's 'top priority' and in his first Budget speech – the June 2010 'Emergency Budget' – Chancellor Osborne outlined his plan to eliminate it completely by 2014/15. This would be achieved by a combination of lower public spending and tax rises in an approximate ratio of 80:20, signalling an approach known as 'Plan A' in political circles and dubbed by the media as an 'austerity' programme.

In reality, the Emergency Budget forecasts proved unattainable. In his 2013 Budget statement the Chancellor was forced to announce that by 2014/15 the deficit will stand at 5.9%, far from the originally predicted surplus of plus 0.3%.

There have been other difficulties for the Coalition, with economic growth slow at best and a 'double-dip' recession.

Yet the Chancellor has consistently rejected Labour's calls for a 'Plan B' – which proposes borrowing more to spend on capital investments in the hope of stimulating growth – on the grounds that any positive effects of such actions would be far outweighed by the risk of an increased cost of borrowing, should the markets react badly to the Government's change of course.

Even the loss of the UK's AAA credit rating last month has not altered the Coalition's determination to stick to Plan A. In a speech made just a fortnight before the 2013 Budget, Prime Minister David Cameron reaffirmed his Government's commitment to its course, saying: 'There are some people who say that our focus on deficit reduction is damaging growth, and what we need to do is to spend more and borrow more. It's as if they think there's some magic money tree. …If there was another way, an easier way, I would take it. But there is no alternative.'

My key Budget points

Use this page to record any key points arising from the Budget which you think might affect you or your business. Once you have completed your summary, contact us to discuss the issues and for advice on any appropriate action to take.

Key point or question	To follow up ✓	Action agreed ✓

This Budget Report was prepared immediately after the Chancellor's Budget Statement based on official press releases and supporting documentation. The Budget proposals are subject to amendment before the Finance Act receives Royal Assent. This Report is for guidance only, and professional advice should be obtained before acting on any information contained herein. No responsibility can be accepted by the publishers or the distributors for loss occasioned to any person as a result of action taken or refrained from in consequence of the contents of this publication.

2013/14 Tax Calendar

April 2013

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

May 2013

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

June 2013

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

July 2013

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

August 2013

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

September 2013

M	Tu	W	Th	F	Sa	Su
30						1
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9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

October 2013

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

November 2013

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

December 2013

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

January 2014

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

February 2014

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

March 2014

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

April 2013

5 Last day of 2012/13 tax year.

Deadline for 2012/13 ISA investments.

Last day to make disposals using the 2012/13 CGT exemption.

14 Due date for income tax for the CT61 period to 31 March 2013.

19/22 Quarter 4 2012/13 PAYE remittance due.

20 Interest will begin to accrue on unpaid PAYE/NI for 2012/13.

30 Normal annual adjustment for VAT partial exemption calculations (monthly returns).

May 2013

1 Start of daily penalties for 2012 online Tax Return not yet filed. Additional penalties may apply for further delay.

3 Submission date of P46 (Car) for quarter to 5 April.

19 Last day for filing forms P14, P35, P38, and P38A – 2012/13 PAYE returns – without incurring penalties.

31 Last day to issue 2012/13 P60s to employees.

June 2013

30 End of CT61 quarterly period.

Annual adjustment for VAT partial exemption calculations (March VAT year end).

July 2013

6 Deadline for submission of Form 42 (transactions in shares and securities).

Deadline for submission of EMI40 (EMI Annual Return).

File Taxed Award Scheme Returns, file P11Ds, P11D(b)s and P9Ds. Issue copies of P11Ds or P9Ds to employees.

14 Due date for income tax for the CT61 period to 30 June 2013.

19/22 Quarter 1 2013/14 PAYE remittance due.

Final date for payment of 2012/13 Class 1A NICs.

31 Second payment due date for 2012/13 Class 2 NICs.

Second Self Assessment payment on account for 2012/13.

Annual adjustment for VAT partial exemption calculations (April VAT year end).

Liability to 5% penalty on any tax unpaid for 2011/12.

Deadline for tax credit Annual Declaration (if estimated, final figures required by 31/01/14).

August 2013

2 Submission date of P46 (Car) for quarter to 5 July.

31 Annual adjustment for VAT partial exemption calculations (May VAT year end).

September 2013

30 End of CT61 quarterly period.

Last day for UK businesses to reclaim EC VAT chargeable in 2012.

October 2013

1 Due date for payment of Corporation Tax for period ended 31 December 2012.

5 Individuals/trustees must notify HMRC of new sources of income/ chargeability in 2012/13 if a Tax Return has not been received.

14 Due date for income tax for the CT61 quarter to 30 September 2013.

18/22 Quarter 2 2013/14 PAYE remittance due.

31 Deadline for paper submission of 2013 Tax Return without incurring penalties.

November 2013

1 £100 penalty if 2013 paper Tax Return not yet filed. Additional penalties may apply for further delay.

2 Submission date of P46 (Car) for quarter to 5 October.

December 2013

30 Last day for online submission of 2013 Tax Return for HMRC to collect tax through clients' 2014/15 PAYE code, where they owe less than £3,000.

31 Last day for non-EU traders to reclaim recoverable UK VAT suffered in the year to 30 June 2013.

End of relevant year for taxable distance supplies to UK for VAT registration purposes.

End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for period ended 31 December 2012.

January 2014

1 Due date for payment of Corporation Tax for period ended 31 March 2013.

14 Due date for income tax for the CT61 quarter to 31 December 2013.

17/22 Quarter 3 2013/14 PAYE remittance due.

31 First self assessment payment on account for 2013/14.

Capital gains tax payment for 2012/13.

Balancing payment – 2012/13 income tax/Class 4 NICs.

Last day to renew 2013/14 tax credits.

First payment due date for 2013/14 Class 2 NICs.

Deadline for amending 2011/12 Tax Return.

Last day to file the 2013 Tax Return online without incurring penalties.

February 2014

1 £100 penalty if 2013 Tax Return not yet filed online. Additional penalties may apply for further delay. Interest starts to accrue on 2012/13 tax not yet paid.

2 Submission date of P46 (Car) for quarter to 5 January.

14 Last date (for practical purposes) to request NIC deferment for 2013/14.

March 2014

2 Last day to pay any balance of 2012/13 tax and Class 4 NICs to avoid an automatic 5% late payment penalty.

31 End of Corporation Tax financial year.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for the period ended 31 March 2013.