

BUDGET 2012 NOW THE DUST HAS SETTLED

Paul Davison – 30 March 2012

Eaves & Co



Eaves & Co



- Professional firm based in Leeds, serving Yorkshire
- Tax advice and investigations
- Also private company valuations
- No traditional accounting services

The Basic Stuff

Tax Rates for Individuals

	2012/13	2013/14
Personal Allowance	8,105	9,205
Basic rate (20%)	8,105 to 42,475	9,205 to 41,450
High rate (40%)	42,475 to 150,000	41,450 to 150,000
Additional rate (£150, 000 plus)	50%	45%
(personal allowance withdrawn from £100,000)		

Other Personal Allowances/Reliefs

- Age allowance from 5/4/13 to remain at:-
 - Over 65s - £10,500
 - Over 75s- £10,660
- People born after 5/4/48 will no longer be able to claim age allowances
- Cap on income tax reliefs that are unlimited in essence. £50,000 or 25% of total income (if higher)
- Tax on child benefit from 7/1/13 (on joint incomes of £50,000 +)

Rates of Corporation Tax

	2011	2012	2013	2014
Main Rate	26%	24%	23%	22%
Small company rate	20%	20%	20%	20%
Marginal rate	27.5%	25%	23.75%	22.5%

Stamp Duty Land Tax

- Residential property purchases for $> \text{£}2\text{m} = 7\%$
- 15 per cent rate re residential properties over $\text{£}2$ million purchased by certain non-natural persons (Ltd companies), from 21 March 2012. In addition, the government will introduce legislation for an annual charge
- Rates for non-residential properties unchanged
- Warning re SDLT avoidance schemes

Seed Enterprise Investment Scheme

- No more than 30% ordinary shares in a trading company with gross assets less than £200,000
- Investment in shares of up to £100,000 comes with a 50% tax credit
- Other capital gains can be deferred into the investment
- If held for more than 3 years any gains in the shares are CGT free
- An alternative to lending money to a personal company?

Enterprise Management Incentives (Approved share options)

- Tax efficient way of incentivising staff through offering a minority shareholding
- Also of benefit to shareholders who can withdraw cash from their company very tax efficiently
- Value of shares on grant increased to £250,000 per employee
- From 2013 the holding period for Entrepreneurs relief will start when options are granted

Capital Taxes

- Inheritance tax Nil Rate Band to remain at £325,000
- From 6 April 2015 it will be amended in line with the Consumer Price Index
- Capital gains tax to be charged to non-resident “non-naturals”(!?)

Sundries

- VAT thresholds for registration increased with inflation
- UK / Swiss Agreement to be ratified
- A simpler way for unincorporated businesses, below VAT threshold, to calculate their tax. From April 2013
- 10% patent box to be introduced from 1/4/13
- Corporation tax relief for creative sector

Entrepreneurs' Relief

- Key tax rate of 10% for disposal of personal trading companies
- 5% minimum holding percentage may be removed
- A regular ER review should be carried out to avoid pitfalls
 - Investment property / cash in company monitored
 - Spouses shares, care taken

PA Holdings Case

- Last chapter of the case heard in the Court of Appeal
- Could be a significant decision depending on outcome in Supreme Court if appeal is allowed
- Could be a very powerful weapon for HMRC – conversion of the tax treatment of dividends to that of salary

General Anti-Avoidance Rule (GAAR)

- Added to the tax legislation in April 2013
- Is planning within the spirit of the law / non-abusive?
- Abnormal arrangements?
- Will the mass of specific anti-avoidance legislation be removed?

N V Pawson Dec'd v HMRC

- Holiday lets and Business Property Relief (Inheritance Tax)
- Considered a test case by HMRC
- Held in favour of Taxpayer
- HMRC have appealed the decision

Questions or Observations

?

Specific advice should be taken in relation to every situation. The contents of this presentation should not be used as advice.