

Christmas Newsletter

Update from the Autumn Statement

December 2012

Please note that our offices will be closed for the Christmas period from Saturday 22 December 2012, reopening on Wednesday 2 January 2013.



For regular tax updates please subscribe to our weekly blog

www.eavesandco.co.uk/blog



Businesses

Annual Investment Allowance

The Annual Investment Allowance (AIA) for capital allowances will increase from £25,000 per annum to £250,000 per annum.

The increase will take effect from 1 January 2013 and will last for 2 years.

The increased relief should be of benefit to those businesses that intend to invest in capital assets/ expansion during the next few years.

Businesses whose accounting periods do not end on 31 December 2012 will need to take care when apportioning the amount of the AIA available to them in accounting periods that straddle the change.

This is an area that has caused confusion following numerous changes to the amount of the AIA in recent years.

Corporation Tax Rates

The main rate of corporation tax for FY 2014 has been reduced by an additional 1% from the rates previously announced.

The rates will therefore be :

FY 2013	
Small Companies Rate	20%
Main Rate	23%
FY 2014	
Small Companies Rate	20%
Main Rate	21%

The latest reduction means that the gap between the small company's rate and the main rate of corporation tax is becoming ever smaller, thus reducing the potential impact of having associated/group company structures.

Cash Basis for Small Businesses—Income Tax



A new simpler scheme is to be introduced so that 'eligible sole traders and partnerships' will be able to calculate their taxable profits on a cash basis if they wish.

Eligible sole traders and partnerships will include those whose receipts for the year are below the VAT registration limit (currently £77,000) or twice the VAT registration limit (currently £154,000) for recipients of the Universal Credit. Businesses must leave the scheme where their receipts exceed twice the VAT registration limit.

There are particular rules for determining the 'receipts' and 'allowable payments' of the business and any losses may only be carried forward against future profits.

The scheme is likely to be of use to smaller traders; however care will need to be taken to ensure that the intricacies of the scheme are adhered to.

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Wishing you a Merry Christmas & a Happy New Year from all the team at Eaves & Co.



We are a team of Independent Specialist Tax Advisors who work with:

- Accountants
- Solicitors
- Businesses
- Financial Advisors
- Individuals

Further details can be found on our website:

www.eavesandco.co.uk

12 York Place,
Leeds, LS1 2DS
0113 244 3502

Individuals & Estates

Pension Annual Allowance

The annual allowance for tax relieved pension savings is to be reduced to £40,000 with effect from the tax year 2014/15.

Where a taxpayer's gross pension contributions (including employer contributions) exceed the annual allowance a tax charge will apply. The amount of the charge is calculated so as to eliminate tax relief on the excess contribution.



Inheritance Tax—Nil Rate Band

The nil rate band will be increased to £329,000 with effect from 2015/16.

Don't forget—the unused portion of the nil rate band may be transferred to the estate of the surviving spouse.

Personal Allowance

The personal allowance will be increased to £9,440 in 2013/14. This will save basic-rate taxpayers up to £267, although changes to the basic rate band mean that higher-rate taxpayers are unlikely to benefit.

Finance Bill 2013

The Finance Bill 2013 has been released in draft and includes legislation in respect of:

- ◆ **Income tax reliefs that will be limited** to the higher of £50,000 and 25% of adjusted net income. This does not apply to gift aid on charitable giving.
- ◆ **Entrepreneurs Relief and Shares Acquired Under EMI Share Options**—subject to the trading/employment conditions being met, entrepreneurs relief will be available where the EMI options were granted at least 1 year prior to the disposal of the shares. It is not necessary for the EMI options to have been exercised 1 year prior to the disposal nor for the employee to hold at least 5% of the share capital.
- ◆ **Statutory Residence Test**—the draft rules set out a legislative test to determine whether a person is UK resident in a given tax year. This should give more certainty to taxpayers, however given that the rules are more prescriptive than the current case law based guidance taxpayers should consider their position before the new rules come into force on 6 April 2013.

Income Tax Rates

The additional rate of tax is set to be reduced from 50% to 45% with effect from 6 April 2013.