

## PENSIONS

### Annual and Lifetime Limits

Annual contributions of up to 100% of earnings are allowed, subject to a cap of £50,000. The £50,000 relief, if not used in full can be carried forward for up to 3 years. Unused relief from 2009/10 and 2010/11 calculated as if the £50,000 limit applied for those years is carried forward at 6 April 2012. The roll-up of relief will only take effect if the individual is a member of a registered pension scheme in the relevant years.

A lifetime allowance applies. From 6 April 2012 this will be £1.5million (£1.8million 2010/11). A tax charge will arise if benefits are taken when these limits are exceeded. The lifetime allowance of £1.8million can be protected by making an election prior to 6 April 2012. Anyone with existing primary or enhanced protection will continue to be unaffected by the reduction in the lifetime allowance.

### Inheritance tax and pensions

A tax charge may be payable on any sum remaining in the pension scheme on death.

## CORPORATION TAX

Rates	Year from 1 April	
	2012 %	2011 %
Small companies rate	20	20
Main rate	24	26
Marginal relief fractions for profits between marginal limits are: £300,001 – £1,500,000	1/100	3/200
Effective rates of tax on such profits are: £300,001 – £1,500,000	25	27.50

The main rate of corporation tax will be 23% for the year from 1 April 2013 and 22% for the year from 1 April 2014.

Limits	£	£
Small companies rate limit	300,000	300,000
Upper marginal relief limit	1,500,000	1,500,000

Marginal relief limits are divided equally between associated companies.

### Tax payments

Quarterly payments on account – for large companies (including members of large groups)	Period from start of accounting period
First	6 months and 14 days
Second	9 months and 14 days
Third	12 months and 14 days
Fourth	15 months and 14 days

Small and medium companies	Period from end of accounting period
Due date	9 months and 1 day

Growing companies do not have to pay by instalments in the period in which they become large if their profits are less than £10 million.

### Tax returns

The filing date is twelve months after the end of the accounting period. Special rules apply for periods of account of longer than twelve months.

## CAPITAL ALLOWANCES

First year / Initial allowances	2012/13 %	2011/12 %
Plant and machinery: – Annual Investment Allowance (“AIA”) (limited to £25,000 of expenditure (note 1))	100	100
– Expenditure above AIA cap	N/A	N/A
Designated energy saving plant and machinery (note 2)	100	100
New low emission cars (CO <sub>2</sub> < 110g/km) (note 3)	100	100
Equipment for re-fuelling vehicles with natural gas, biogas or hydrogen fuel	100	100
Environmentally beneficial plant and machinery (note 2)	100	100
Research and development	100	100
Expenditure on renovation or conversion of: – underused space above certain commercial premises to residential use (being withdrawn after April 2013)	100	100
– vacant business properties in disadvantaged areas	100	100

Annual writing down allowances (“WDA”)	% of reducing balance	
Special rate pool	8	10
– Long life assets (life of more than 25 years)		
– Integral features of a building		
– Motor cars - CO <sub>2</sub> > 160g/km (note 3)		
– Thermal insulation		
– Solar panels		
Main rate pool	18	20
– Other plant and machinery		
– Motor cars - CO <sub>2</sub> < 160g/km (note 3)		
Patents and know-how	25	25

### Notes:

- Prior to April 2012, the Annual Investment Allowance was capped at £100,000.
- Loss making companies investing in qualifying environmentally beneficial and energy saving technologies can surrender losses from qualifying expenditure for a cash payment of 19% of the expenditure, subject to a cap of the higher of £250,000 and the company's PAYE/NIC liability.
- From April 2013 low emission cars will be those with carbon dioxide emissions below 95g/km. Leased business cars will no longer be eligible for the first year allowance. From April 2013, the carbon dioxide emissions threshold for the main rate of capital allowances for business cars will reduce from 160g/km to 130g/km. Motor cars purchased before April 2009 continue to have writing down allowances at the main rate limited to a maximum of £3,000 per annum for cars costing more than £12,000.

## CAR & FUEL BENEFITS

### Company car benefits

The benefit is calculated using a percentage of list price when new. This percentage is determined by the rate of CO<sub>2</sub> emission. The taxable benefit in kind (cash equivalent) is nil for cars with no CO<sub>2</sub> emissions and 5% of list price for cars with CO<sub>2</sub> emissions up to 75g/km. If emissions exceed 75g/km but are less than 100g/km for the year, the appropriate percentage is 10%. If emissions are equal to 100g/km for the year, the appropriate percentage is 11%. For each 5g/km by which emissions exceed the relevant threshold the percentage is increased by 1%, up to a maximum of 35% (for emissions of 220g/km or more for 2012/13 and 225g/km or more in 2011/12). For diesel cars there is a 3% supplementary charge but the maximum charge will still not exceed 35%.

### Notes:

- From April 2011 there is no cap on the list price of the car for calculating the benefit (previously the manufacturer's list price when new was subject to a maximum limit of £80,000).
- Special rules apply for alternative fuel cars and employee capital contributions.
- For vehicles that meet the definition of company van the benefit remains at £3,000.

### Fuel benefit scale rates

The benefit is calculated by applying the percentage as determined for car benefits to the fixed amount of £20,200 (fixed £550 for vans) for 2012/13 and £18,800 (fixed £550 for vans) for 2011/12. The fuel benefit scale charge is reduced to nil if the employee is required to, and does, make good the cost of all fuel provided for private use.

### Authorised annual mileage rates

Tax free mileage allowances are 45p per mile on the first 10,000 miles, and 25p thereafter.

## VALUE ADDED TAX

Rates	%	
Standard (from 4 January 2011)	20.0	
Reduced	5.0	
Thresholds	From 1 April 2012 £	1 April 2011 £
Registration threshold (for supplies in previous 12 months or next 30 days)	77,000	73,000
Deregistration threshold	75,000	71,000
Cash accounting scheme	1,350,000	1,350,000
Annual accounting scheme	1,350,000	1,350,000
Flat rate scheme	150,000	150,000
De minimis limits for partial exemption (provided exempt input tax is less than 50% of total input tax)	625 pcm	625 pcm

Partially exempt businesses with residual input tax are required to apply an annual adjustment.

## STAMP DUTY

Shares and marketable securities - standard rate	0.5%
- higher rate	1.5%

Instruments executed after 12 March 2008 where stamp duty would be £5 are exempt.

## STAMP DUTY LAND TAX

Land and buildings Consideration (incl VAT where applicable)	On whole of the consideration	
	Residential %	Commercial %
£0 – £125,000	Nil	Nil
£125,001 – £150,000	1	Nil
£150,001 – £250,000	1	1
£250,001 – £500,000	3	3
£500,001 – £1,000,000	4	4
£1,000,001 – £2,000,000	5	4
More than £2,000,000	7*	4

\* From 21 March 2012 SDLT of 15% will be charged on residential properties purchased by certain non-natural persons for more than £2m.

Transfers of residential property in designated disadvantaged areas are exempt up to a value of £150,000. Gifts, testamentary dispositions and certain other transactions are exempt.

From 22 April 2009 relief from SDLT is available for all leaseholders who are exercising the statutory right to enfranchise their leases.

Until 30 September 2012, buyers of new zero carbon homes and flats will have no SDLT liability on the property's first sale where the home costs up to £500,000. For homes costing more than £500,000 the SDLT will be reduced by £15,000.

From 19 July 2011, the rate of SDLT for bulk purchases of residential property acquired as one transaction is determined by the average consideration of the bulk purchase (subject to a minimum of 1%).

### Lease rentals and premiums

On leases the charge is 1% of the discounted rental value under the lease on the excess over £125,000 (£150,000 for commercial).

### Returns and payments

Land transaction returns must be filed within 30 days of the effective transaction. Duty is payable within 30 days of the effective transaction.

## TAX DATES: RETURNS & PAYMENTS

Personal and trust tax returns	2012/13	2011/12
2011/12 paper return		By 31 October 2012
2011/12 online return		By 31 January 2013
<b>Tax payments</b>		
First interim income tax payment	31 January 2013	31 January 2012
Second interim income tax payment	31 July 2013	31 July 2012
Final balancing income tax payment	31 January 2014	31 January 2013
Capital gains tax payment	31 January 2014	31 January 2013

Professional advice should be sought before taking any action based on this budget summary.

## INCOME TAX

**Rates: individuals**

	Taxable income	Dividend income	Other savings	Other
	£	%	%	%

**2012/13**  
Starting rate band for savings 0-2,710 10 10 N/A  
Basic rate band 0-34,370 10 20 20  
Higher rate band 34,371-150,000 32.5 40 40  
Additional rate band Excess 42.5 50 50

**2011/12**  
Starting rate band for savings 0-2,560 10 10 N/A  
Basic rate band 0-35,000 10 20 20  
Higher rate band 35,001-150,000 32.5 40 40  
Additional rate band Excess 42.5 50 50

Dividends are deemed to be the top slice of income in computing the tax liability, followed by other savings income.

If the remittance basis of taxation is claimed, foreign dividend income is taxed at the rate applicable to other income.

From 6 April 2013, the government intends to reduce the additional rate band of taxation to 45% for savings and other income and to 37.5% for dividend income.

<b>Allowances: individuals</b>	2012/13	2011/12		
	£	%	£	%
<b>Under 65</b>				
Personal	8,105	100	7,475	100
<b>Age 65 to 74</b>				
Personal	10,500	100*	9,940	100*
<b>Age 75 and over</b>				
Personal	10,660	100*	10,090	100*
Married Couple	7,705	10*	7,295	10*
<b>Other</b>				
Blind Person's Allowance	2,100	100	1,980	100

\* The additional age related allowances are reduced by 50% of the excess of the total income above £25,400 (£24,000 for 2011/12). The minimum Married Couple's allowance after such reduction, if applicable, is £2,960 (£2,800 for 2011/12). The Married Couple's allowance is only available where either spouse was born before 6 April 1935.

The government has announced that age related allowances will be frozen from 2012/13 onwards. Personal allowances for those with taxable income in excess of £100,000 will be reduced by £1 for every £2 of taxable income in excess of £100,000.

**Rates: UK trusts**

	Dividend income	Other savings income	Other income
	%	%	%

Life interest trusts and estates in administration 10 20 20  
Discretionary trusts, subject to a standard rate band of £1,000 42.5 50 50

From 6 April 2013, the government intends to reduce the rate of taxation for discretionary trusts to 45% for savings and other income and to 37.5% for dividend income.

## CAPITAL GAINS TAX

	2012/13	2011/12		
	%	%		
<b>Gains of individuals (see notes below)</b>				
Gains falling within remaining basic rate band (1)	18	18		
Gains exceeding basic rate band	28	28		
Gains in UK trusts and estates in administration	28	28		
Gains in self settlements and certain offshore trusts (2)	28	28		

**Notes:**

(1) The remaining basic rate band is calculated as £34,370 (£35,000 for 2011/12) less taxable income and any gains on which entrepreneurs' relief has been claimed.

(2) Capital payments from certain offshore trusts are chargeable at rates applicable to individuals plus a maximum supplementary charge of 60% of the tax.

<b>Annual Exemption</b>	2012/13	2011/12		
	£	£		
Individuals	10,600	10,600		
Trustees	5,300	5,300		

The annual exemption available to trusts is normally divided equally between all those UK resident trusts made by the same settlor after 6 June 1978. The minimum exemption per trust is one tenth of the full annual exemption for individuals.

### Indexation Allowance

Companies receive Indexation Allowance on capital gains as a percentage of base cost, calculated with reference to increases in the Retail Price Index since 31 March 1982 or, if later, the date of acquisition.

### Entrepreneurs' Relief

Gains made by individuals and by trustees (where a life interest beneficiary has a qualifying interest in the business) on the disposal of the whole or part of a business or relevant shareholding, will qualify for this relief. Relief will be provided as follows:

- Claims may be made on more than one occasion up to a lifetime limit of £10million for disposals occurring on or after 6 April 2011.
- Taxable gains are charged at a rate of 10%.
- The asset must have been a qualifying asset for at least one year, and be disposed of within 3 years of ceasing to qualify.

Assets which qualify for Entrepreneurs' Relief include:

- Trading businesses or part of a trading business undertaken personally or in partnership. Property letting and certain other activities are not trading businesses for these purposes.
- Assets used in a trading business carried on by an individual or by a partnership in which the taxpayer has an interest where that business has ceased.
- Certain other assets disposed of at the same time as selling a business, or part of a business.
- Shareholdings in trading companies or holding companies of a trading group where the taxpayer is a director or employee and holds 5% or more of the share capital.

## RESIDENT NON-UK DOMICILIARIES

Resident non-UK domiciliaries can claim the remittance basis such that their foreign income and gains are only subject to UK taxation to the extent that they are remitted to the UK.

No remittance basis charge is payable by resident non-UK domiciliaries who:

- have been resident in the UK for fewer than 7 out of the previous 9 tax years; or
- have unremitted foreign income and gains of less than £2,000; or
- are under the age of 18; or
- are dual resident and protected by a double taxation agreement.

Resident non-UK domiciliaries who have been resident for at least 7 of the previous 9 tax years are subject to an annual remittance basis charge of £30,000.

Resident non-UK domiciliaries who have been resident for at least 12 of the previous 14 tax years are subject to an annual remittance basis charge of £50,000.

In most cases, remittance basis users will not be entitled to the annual income tax allowances and capital gains tax annual exempt amount.

When the remittance basis is not claimed, resident non-UK domiciliaries will be subject to UK taxation on their worldwide income and gains (including deemed income and gains).

## INVESTMENTS AND SAVINGS

<b>Enterprise Investment Schemes and Venture Capital Trusts</b>		
<b>Income tax relief and maximum qualifying investment per year</b>	%	£
Seed Enterprise Investment Scheme ("SEIS")	50	100,000
Enterprise Investment Scheme ("EIS")	30	1,000,000*
Venture Capital Trust ("VCT")	30	200,000

\* The EIS limit in 2011/12 was £500,000.

The minimum period of ownership necessary to avoid withdrawal of income tax relief is three years for EIS and SEIS investments, and five years for VCT investments.

### Capital gains tax relief

Any investment in an EIS or SEIS company on which income tax relief has been given will be exempt from capital gains tax on a subsequent disposal after three years, subject to certain conditions. All gains on the disposal of shares in VCTs are exempt, up to the maximum qualifying investment.

For 2012/13 only, capital gains otherwise chargeable will be exempt if reinvested into shares on which SEIS income tax relief is obtained. The reinvestment relief will be withdrawn in circumstances where the income tax relief is withdrawn.

### Capital gains tax deferral (EIS only)

Deferral is available on the value of qualifying shares acquired. Provided the company qualifies, the amount of the investment is not restricted for the purpose of deferring capital gains.

Qualifying activities under all three schemes exclude investment activities, farming, forestry, property development, hotels, care homes, shipbuilding and coal and steel production.

### Individual Savings Accounts (ISAs)

From 6 April 2012, the ISA limit is £11,280 (2011/12 – £10,650), up to £5,640 (2011/12 – £5,340) of which can be invested in cash.

The limits will rise in line with inflation.

The account is free of all income tax and capital gains tax. Withdrawals may be made from the account at any time without loss of tax relief.

The Junior ISA limit is £3,600 per tax year. The account belongs to the child and is tax free. Withdrawals cannot normally be made until the child is 18.

## INHERITANCE TAX

<b>Rates</b>	Transfers on death	Lifetime transfers		
<b>Gross cumulative chargeable transfers</b>	%	%		
£0-£325,000	Nil	Nil		
Excess	40	20		

Subject to certain provisions, any unused proportion of the nil-rate band is carried forward to the second death for married couples and civil partners.

From 6 April 2012 a reduced rate of 36% will apply to taxable estates where 10% or more of the estate is left to charity.

#### Potentially exempt transfers

Inheritance tax does not generally arise on lifetime transfers between individuals provided that the donee survives the gift by at least 7 years.

#### Reduced tax charge on gifts within seven years of death:

Years before death	0 – 3	3 – 4	4 – 5	5 – 6	6 – 7
% of full tax charge at death	100	80	60	40	20

Credit is given for tax paid on lifetime transfers within seven years of death.

If the value of the lifetime transfer falls within the nil rate band, the above relief may have no effect.

### Trusts

Transfers to trusts (other than charitable trusts, trusts for people who are disabled and trusts established on death) are taxed as lifetime transfers.

Discretionary trusts and most trusts created on or after 22 March 2006 are subject to a 6% IHT charge every 10 years, and exit charges. From 6 April 2008 existing A&M trusts which do not provide that assets will pass to a beneficiary absolutely at 18 will be subject to 10 yearly IHT charges, subject to special rules for trusts that provide for assets to go to a beneficiary absolutely by age 25.

Interest in possession trusts in existence on 22 March 2006 will be subject to 10 yearly IHT charges, and exit charges, where changes to beneficiaries' entitlements are made after 5 October 2008, and in certain situations following the death of the life tenant. Charges may arise in other circumstances.

### Exemptions and reliefs

Normal expenditure out of income	£		
Annual exemption	Exempt	3,000	
Small gifts to same person – per year		250	
Spouses and civil partners both with UK domicile	Exempt		
Spouses and civil partners where donee is not UK domiciled		55,000	

Marriage gifts made by:

- parent 5,000
- grandparent 2,500
- other person 1,000

Gifts to charities and qualifying political parties

Transfers of qualifying heritage assets (subject to various undertakings)

<b>Agricultural property relief</b>	%
Transfers with vacant possession (or right to obtain within 12 months)	100
Land let under a tenancy for more than 12 months made on or after 1 September 1995	100
Most other cases	50

<b>Business property relief</b> (subject to exclusions)	
Unincorporated businesses	100
Unquoted shares	100
Quoted shares (controlling holding)	50
Land, buildings, machinery or plant used by qualifying businesses	50

### Tax payments on chargeable lifetime transfers:

Between 6 April and 30 September 2012	30 April 2013
Between 1 October 2012 and 5 April 2013	Six months after end of month and transfers becoming chargeable on death
	of transfer/death

## Pre-owned assets

A charge to income tax may arise on benefits received by individuals having free or low cost enjoyment of assets they formerly owned or funded, subject to some exemptions, including a de minimis of £5,000 a year of the taxable value of the benefit.

For land and buildings the taxable benefit is the open market rent. For chattels and intangible property, the taxable benefit is determined by applying a rate of interest to the capital value of the asset. The interest rate is set at 5%. Most assets are to be revalued every 5 years.

## NATIONAL INSURANCE CONTRIBUTIONS

<b>Class 1</b>	2012/13	2011/12		
	Weekly earnings	Weekly earnings		
<b>Not contracted out of SERPS</b>	£	%	£	%
Primary contributions (employees)	0-146 147-817 Over 817	Nil 12.0 2.0	0-139 139-817 Over 817	Nil 12.0 2.0

Secondary contributions (employers)	Over 144	13.8	Over 136	13.8
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<b>Contracted out of SERPS</b>				
Primary contributions (employees)	£	%	£	%
	0-146 147-817 Over 817	Nil 10.6 2.0	0-139 139-817 Over 817	Nil 10.4 2.0

Secondary contributions (employers)	147-817 Over 817	10.4 13.8*	136-817 Over 817	10.1-12.4 13.8
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<b>Class 1A /1B (employers) on benefits in kind</b>				
	No limit	13.8	No limit	13.8
	Weekly charge		Weekly charge	
<b>Class 2 (self-employed)</b>	Over 107	£2.65	Over 102	£2.50

<b>Class 3 (voluntary)</b>				
	Annual profit	%	Annual profit	%
<b>Class 4 (self-employed)</b>	£7,605-£42,475 Over £42,475	9.0 2.0	£7,225-£42,475 Over £42,475	9.0 2.0

Contracted out rates are for salary related schemes. From 2012/13 the contracted out rebate for money purchase schemes has been abolished.

Notification of commencement of self-employment and liability to Class 2 must be made to HM Revenue & Customs within 3 months of commencement of trade.