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CHARTERED ACCOUNTANTS

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In this New Tax Year Roundup, we want to provide an insightful overview of how the Budget of 2013 will affect you, our clients. Not necessarily the immediate effects, for example the pleasure to be taken from the reduction in the duty on beer, but the effects which will impact long term on planning for your family, your business and your future. As always, if you would like any advice or help on any of the items in this New Tax Year Roundup then please telephone the office and speak to a member of the team.

Personal Allowance and Tax Rates

If you are employed, you will notice an increase in your pay packet at the end of the month. As from 6th April 2013, the personal tax allowance will increase to £9,440 with the basic rate limit falling slightly from the current limit to £32,010, making the 40% rate come into play once your income reaches £41,450. For example an employed person under retirement age on £100,000 will be £180 better off during 2013/14 but this is not only an income tax saving, £120 of the figure relates to savings in National insurance Contributions!

In terms of income tax alone a person under retirement age on £195,000 per annum will be £1,778 better off in 2013/14.

The 2013 budget brought forward the expected increase of the Personal Income Tax Allowance to £10,000 to 6th April 2014. The basic rate limit will decrease once again in 2014/15 to £31,865 making the income limit £41,865 for the higher rate of tax to apply. This change is anticipated to make an annual gain of £50 for over 24.5 million individuals in the UK in 2014/15.

Employers Allowance

For our clients who are considering taking on more employees, the £2,000 Employment Allowance, a reduction in the amount of Employers National Insurance (NIC), will be a significant boost. Every business will be able to employ one worker on a salary of £22,400 or four employees working full time on the adult National Minimum Wage, without paying any employer NICs at all.

The allowance will be claimed as part of the normal payroll process through Real Time Information (RTI) which comes in for payments made after 6th April 2013. If you have not yet discussed your payroll requirements following the move to RTI please speak to a member of the team as soon as possible.

Tax Free Childcare Scheme

A new Tax Free Childcare Scheme will be introduced to support working families with the costs of childcare. Once fully in place, support will be worth 20% of childcare costs up to £6,000 per child each year for children under 12. In real terms this is a saving of up to £1,200 for each child.

This new system will be phased in from autumn 2015, with all children under five eligible from the first year of operation. Disabled children up to age 16 will also be eligible in line with existing Employer Supported Childcare Rules. Tax Free Childcare will be available to families where all parents are working, who are not already receiving support through the Tax Credits or Universal Credit and where neither parent earns over £150,000 a year. Alongside the new scheme, the current Employer Supported Childcare will be phased out for new applicants from autumn 2015.

The childcare support within Universal Credit will also increase, to improve work incentives and ensure that it is worthwhile to work up to full-time hours for low and middle income parents. An additional £200 million of support for childcare will be provided, which is equivalent to covering 85% of childcare costs for households qualifying for the Universal Credit childcare element where the lone parent or both earners in a couple pay income tax.

Until the autumn of 2015 you may be able to get support through the Employer Supported Childcare (ESC) scheme, if your employer participates in the scheme. ESC is a tax exemption on childcare vouchers. ESC will begin to be phased out when the new voucher system is introduced.

Company Cars

The tax system is designed to favour cars that are less damaging to the environment and to encourage company car drivers to choose such cars. You can therefore reduce your own tax liability and the employers National Insurance contributions by choosing a car with low CO_2 emissions. Cars that can run on alternative fuels such as hybrid electric and LPG also have reduced tax charges.

The normal charge is between 15% and 35% of the list price of the car, though the reductions for cars with low CO_2 emissions or alternative fuels can reduce the charge to below 15%. For the current tax year and for 2014/15 the maximum can never exceed 35%, even for diesels, most of which incur a 3%

surcharge to reflect their greater adverse effect on urban air pollution.

Planning for tax efficiently running company cars and car fuel is always one of the key concerns for our clients. From April 2013, the threshold for obtaining the main rate of capital allowances for business cars reduces from cars with 160g of CO_2 /km to 130g of CO_2 /km. At the same time, the threshold for claiming 100% first year capital allowances falls from cars with emissions of 110g of CO_2 /km to cars with emissions of 95g of CO_2 /km.

These changes will affect a huge number of company car drivers, who were considering a change of vehicle during this tax year and going forwards the 2013 Budget introduced two new percentage bands for cars with low carbon dioxide (CO_2) emissions.

To enable you and your company to plan forward the key changes to take account of are :-

- **Zero Carbon / Ultra Low Emissions Cars.** Until April 2015, there is an exemption from the benefit in kind charge for cars with zero carbon and at the same time the lower company car tax rate for ultra-low emissions company cars ends. From the 2015/16 tax year zero and ultra-low emission cars will have two new bands: 0-50g/km charged at 5% and 51-75g/km will be charged at 9%.

- **The 3% diesel surcharge** will be abolished from April 2016 bringing diesel and petrol cars in line.

- For those choosing cars with the highest CO_2 emissions the top rate of company car tax rises from 35% of the list price to 37% from April 2015.

We can help:

A review of the car policy is advisable on an annual basis to plan for any tax savings which can be made. If you would like to review possible car and car fuel tax savings please telephone a member of the team.

Child Trust Funds and Junior ISA's

Junior ISAs were introduced on 1st November 2011. A Junior ISA is a type of children's saving account designed specifically to replace the now defunct Child Trust Funds and it is aimed at providing parents, grandparents and any other person or organisation who wishes to contribute with a simple and tax-free way to save for the child's future.

On an initial glance this tax free opportunity may not look that attractive, however when the capital invested is from the child's parents then, for tax purposes, interest paid on that capital in excess of £100 is deemed to be that of the parent.

With an annual limit of £3,720 being contributed to a Junior ISA from a parent who is an additional or higher rate tax payer this could amount to a significant tax saving, as much as **£1,674** for a 45% tax payer, which would otherwise be taxed via the parent's Self-Assessment Tax Return!

The investment can be either a cash investment or a stocks and shares investment with the annual limit being paid to either account or a combination of the two accounts; but there can only be the two accounts.

The accounts are available to children born on or after the 3rd January 2011, or before 1st September 2002 who missed out on the Children's Trust Fund (CTF). However, unlike the CTF there is no government contribution. If your child has a CTF the 2013 budget announced the paving of the way for the savings held in CTFs to be smoothly transferred into Junior ISAs. This is unlikely to be until 2014 though as legislation will be required which will probably not be passed until the 2014 Finance Act.

For the future:

If you or your child has a CTF we will keep you up to date of the progress of this legislation.

The main rate of Corporation Tax (CT) will fall to 20% on 1 April 2015

The process unifies the small profits rate and the main rate so there is a single rate of corporation tax.

Employee Shareholder Contracts

A radical new style of employment contract comes into force on 1st September 2013.

If taken up, new employees will forfeit their rights to redundancy, unfair dismissal, time off for training, the right to flexible working patterns and the return from maternity leave

will need to be notified 16 weeks in advance and not 8 as is usual practice.

In exchange for this loss of rights, the employee will be issued with shares in the company worth between £2,000 and £50,000. Should the employee leave or be dismissed, the company will be able to buy back the shares and the employee will not have to pay Capital Gains Tax (CGT) on any increase in value.

Despite the shares being issued because of employment the first £2,000 of share value that an employee receives under the new status will be free from Income Tax and NICs which will be of particular benefit to anyone receiving the minimum amount of shares who would save between **£640** and **£940** depending on the rate of tax and NIC they are due to pay.

Extension of the Capital Gains Tax holiday on Seed Enterprise Investments

The Seed Enterprise Investment Scheme (SEIS) was launched in 2012 and gives a 50% income tax relief on investments made into small, start up and fledgling (Seed) companies. The budget announced a limited extension of the Capital Gains Tax (CGT) holiday to continue to encourage investors to take up the new scheme. Any investors making capital gains in 2013-14 will receive a 50% CGT relief when they reinvest those gains into Seed companies in either 2013-14 or 2014-15.

We can help:

If you are planning on disposing of any asset it is essential that the charge to CGT is considered before disposal as we can often structure the disposal so that the minimum amount of tax is payable. Please speak to a member of the team.

Inheritance Tax (IHT): nil-rate band

The IHT nil-rate band has been frozen at £325,000 until 2017-18.

Stamp duty abolished for shares listed on the growth stock markets

From April 2014, Stamp Duty has been abolished for the shares of companies listed on growth markets including the Alternative Investment Market (AIM) and the ISDX Growth Market. This will directly benefit hundreds of smaller quoted UK firms, lowering their cost of capital investment. It is hoped to encourage more equity investment in small companies.

A little help provides property confidence!

With a substantial boost for new home builders with the "Help to Buy" scheme, all our clients in the house building and associated trades will no doubt feel a little more confident of the support for their industry and if you are looking to move home there will be substantially more help with the deposit loan initiative.

The Government will provide an equity loan worth up to 20% of the value of a new build home, repayable once the home is sold, and will significantly widen the eligibility criteria to ensure as many people as possible are able to benefit, including increasing the maximum home value to £600,000 and removing the income cap constraint.

Employer provided benefits in kind: Beneficial loans

Many directors and some employees have loans from their company. Currently balances in excess of £5,000 have to be reported to HM Revenue and Customs (HMRC) on a form P11D each year and tax has to be paid at the highest rate on the benefit to the director or employee. But from 6th April 2014 the exempt threshold for the small loans exemption limit will be increased to £10,000. 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.

For those affected it will mean a tax saving and a potentially interest free loan from your company of up to £10,000. If there are no other benefits in kind to be reported then the administration burden on the company will be substantially reduced.

Small Businesses and Cash Accounting

From the current tax year onwards eligible small businesses which are generally those with receipts not exceeding the VAT registration threshold, will be able to use a simple method to work out their taxable profits. The simple method is based on money-in money-out recording (the 'cash basis'), rather than accounts prepared on an accruals basis. Businesses using the simple method will not have to make year-end accounting adjustments.

Unincorporated businesses will also be able to use simplified flat rates to calculate certain business expenses.

We can help:

If you would like to discuss the possibilities and potential pitfalls of using this method of accounting please do not hesitate to discuss it with your client manager.

The Scottish Rate of Income Tax

Scottish and UK ministers have agreed the final text of the Scotland Act 2012 giving the Scottish Parliament the power to set a Scottish Rate of Income Tax (SRIT) to be charged on Scottish taxpayers for the first time in over 300 years.

The Scottish rate is expected to commence in April 2016. It will be administered by HM Revenue & Customs (HMRC) as part of the UK-wide income tax system and applied to non-savings income. The Scottish Parliament will be able to set a rate of SRIT from zero to any number of pence or half-pence in the pound. This rate will be added to each of the main UK rate bands after ten pence in the pound has been deducted from each rate.

Theoretically, this will allow Scotland to offer income tax rates as low as 10% (as opposed to the rest of the UK's basic rate of 20%), 30% (where the higher rate of tax in the rest of the UK is 40%), and 35% (down from the 45% additional rate for the rest of the UKs tax payers).

Pension income will be treated the same way as income from employment, but savings income and dividend income received by Scottish taxpayers will continue to be taxed at the appropriate UK rate.

In general, individuals predominantly residing in Scotland will be deemed to be Scottish taxpayers after the change. In addition, if the person has one place of residence and this is in Scotland, the individual will be deemed to be a Scottish taxpayer.

Individuals who have more than one place of residence in the UK must determine which of these has been their main place of residence for the longest period in a tax year - if this is in Scotland, they are a Scottish taxpayer. Individuals who cannot identify a main place of residence will need to count the days they spend in Scotland and elsewhere in the UK to identify their main place of residence.

But without passport control to record an individual's actual movements, how will the individual demonstrate residence and more importantly, where would the line be to make a property investment in Scotland worthwhile in tax savings? Is it unreasonable to anticipate a 2016 property boom in Scotland or a dramatic increase in the Scottish population? Who would have thought that the Gorbals would become a new tax haven?

We can help:

Residence is a complex subject and needs careful planning. No matter what the circumstances, always speak to your client manager before making any property investment or residence decisions.

We are here to help

We can help you by ensuring that you're aware of the changes that will affect you, your family and your business. To find out more about the ways that we can help you, do not hesitate to contact us.

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