



ACCOUNTANTS & BUSINESS ADVISORS
MAKING BUSINESS MAKE SENSE

Budget Report March 2013



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John Richards
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The Tax Landscape



Evasion

Vs



Avoidance



The Tax Landscape

Offshore Evasion

- International Action
- Disclosure Facilities

Tax Avoidance

- Publicity
- GAAR

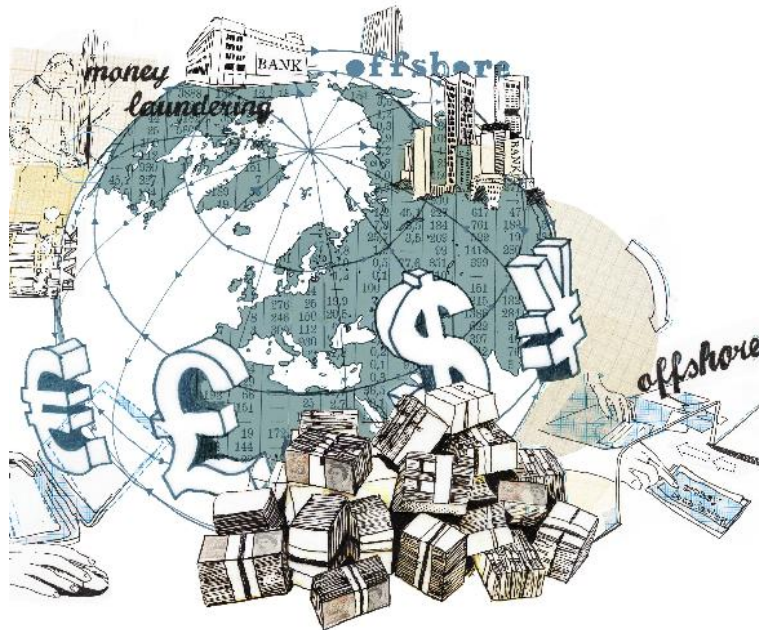


The Tax Landscape



No safe havens

Our offshore evasion strategy 2013 and beyond



The Tax Landscape

Offshore Evasion

- International Action
- Disclosure Facilities

Tax Avoidance

- Publicity
- GAAR



The Tax Landscape



Levelling the tax playing field

Compliance progress report – March 2013



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The Tax Landscape

Offshore Evasion

- International Action
- Disclosure Facilities

Tax Avoidance

- Publicity
- GAAR



General Anti Abuse Rule

Effective from Royal Assent

Target Abusive Tax
Arrangements

Cannot be Reasonably
Regarded as a Reasonable
Course of Action

Advisory Panel



Statutory Residence Test

Automatic Tests

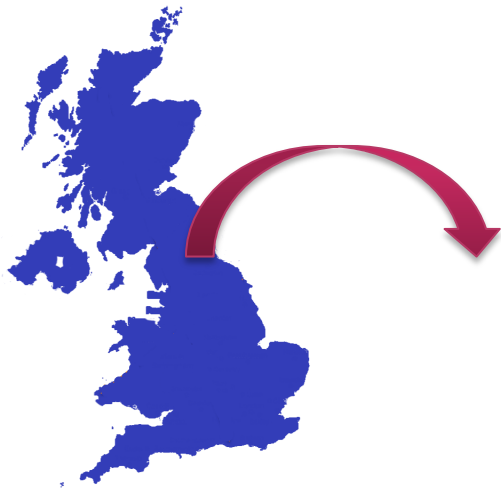


Sufficient Ties Test



Statutory Residence Test

Overseas Test



Resident in UK 1 or more of previous 3 Tax Years and Spend < 16 Days in UK

Not resident in any of previous 3 Tax Years & Spends <46 Days in UK in the Current Tax Year

Full Time Work Overseas but <90 Days in the UK & <30 Days Work in UK



Statutory Residence Test

UK Test



>183 Days in UK

Main Home in UK used > 30 Days

Works Full Time in UK for 365 Days



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Statutory Residence Test

UK Test



Family Ties

Work Tie

Accommodation Tie

90 Day Tie

Country Tie



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Income Tax Rates & Allowances

	2012/13	2013/14	2014/15
Psnl All (basic)	£8105	£9440	£10000
10% Rate - Savings	£2710	£2790	
20%	£0 / £34370	£0 / £32010	£0 / £31865
40%	>£34370	>£32010	>£31865
45%		>£150000	>£150000
50%	>£150000		



Personal Allowance

2012/13

>£100000

>£116210

2013/14

>£100000

>£118880

Abatement
£1 for £2

NIL



Effective Rate of Tax on Dividends

	2012/13	2013/14
Basic Rate	Nil	Nil
Higher Rate	25%	25%
Additional Rate	36.11%	30.6%



National Insurance

2012/13

2013/14

LEL – Class 1

£107 pw

£109 pw

UEL – Class 1

£817 pw

£797 pw

Primary/ Secondary
Threshold

£146/ 144 pw

£149/£148 pw

PT – UEL: Class 1

12%

12%

UEL: Class 1

2%

2%

Ers ST: Class 1

13.8%

13.8%

National Insurance

2012/13

2013/14

Class 2

£2.65 pw

£2.70 pw

Class 3

£13.25 pw

£13.55 pw

Class 4

9% - 2%

9% - 2%

Class 4: LPL
- UPL

£7605 -
£42475

£7755 -
£41455



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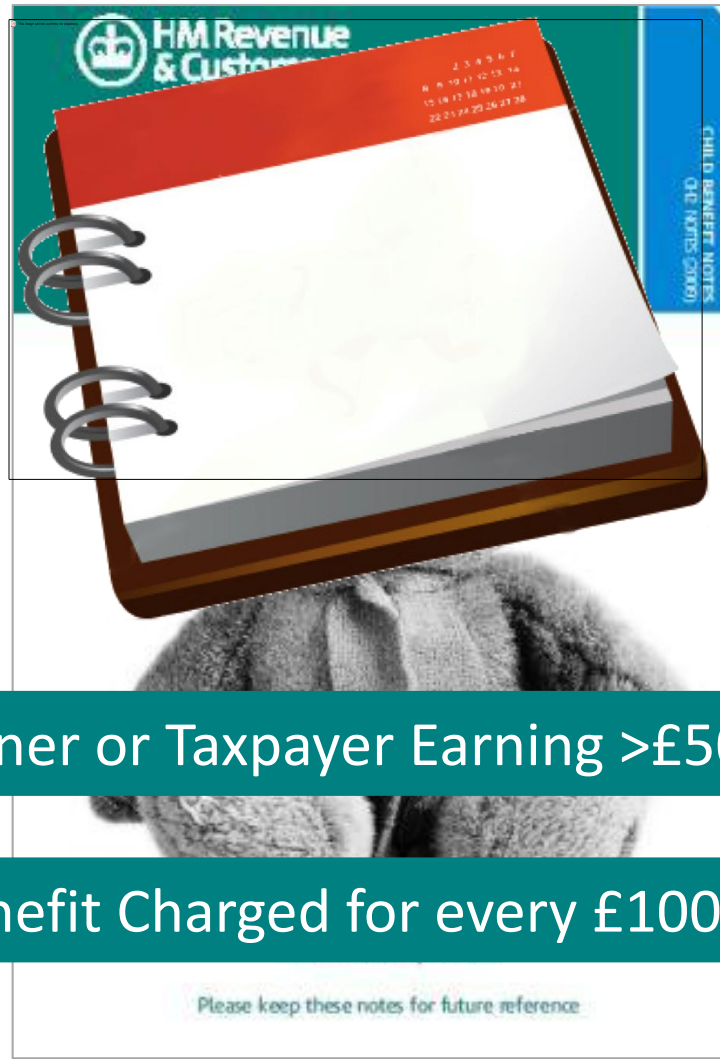
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Income Tax and National Insurance Impact

Gross Income	2012/13	2013/14	2014/15
£20k	£3870	£3580	£3,450
£50k	£14,220	£14,040	£13,860
£120k	£46,870	£47,210	£47,260
£200k	£85,470	£83,310	£83,360



Child Benefit Charge



Partner or Taxpayer Earning $>£50,000$

1% of Benefit Charged for every $£100 > £50,000$

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Child Benefit Charge

Partner

Married Couple Living Together

Civil Partners Living Together

Couples of Either Sex Living Together

Income

Total Income Less

Losses

Pension Contributions

Gift Aid



Child Benefit Charge

Example



Income

£54,000

Charge

£17.52 x 40

=£700.80

Income over £60,000 = Charge of £1752.00



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Corporation Tax

	2012/13	2013/14	2014/15	2015/16
First £300k	20%	20%	20%	20%
Next £1.2mil	25%	23.75%	TBC	20%
Over £1.5mil	24%	23%	21%	20%



Associated company



£150k

Company

Company



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Example

Single Company Taxable Profit £500k

2012/13

2013/14

First £300k

20%

£60000

20%

£60000

Balance

25%

£50000

23.75%

£47500

TAX

£110000

£107500

Saving £2500 on 2012/13

2015/16 Saving £7500 on
2013/14



Profit Extraction

Dividend 2013/14

Salary 2013/14



Profit Extraction

Dividend 2015/16

Salary 2015/16



Profit Extraction

High Rate Tax Payer

2013/14

2015/16

Dividend

42.8%

40%

Salary

49%

49%

Additional Rate Tax Payer

Dividend

47.1%

44.5%

Salary

53%

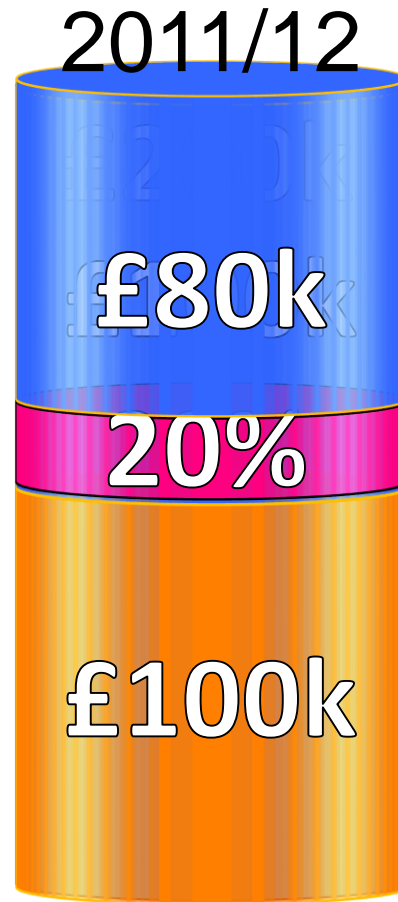
53%



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Capital Allowances

Plant & Machinery



£120k Allowance

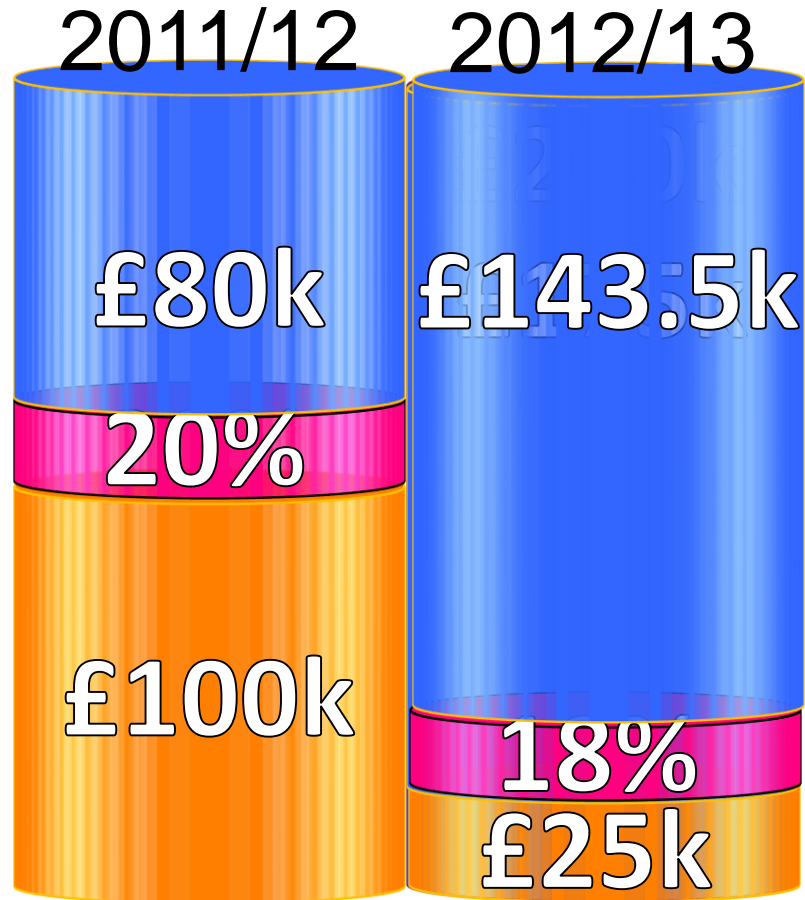


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Capital Allowances

Plant & Machinery



£120k Allowance

£25k Allowance

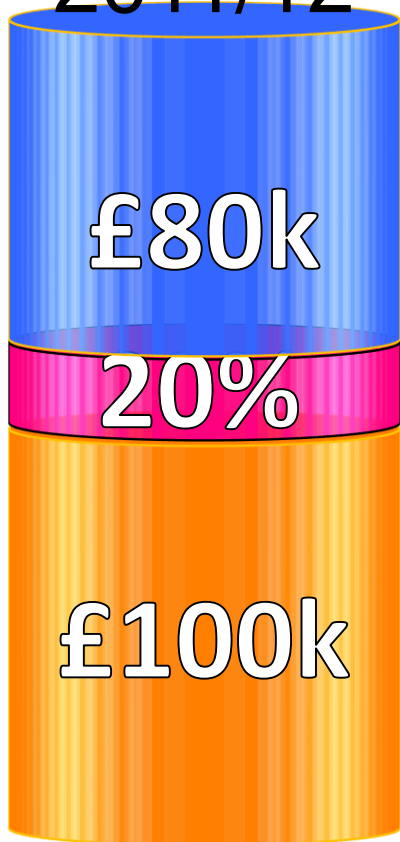


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Capital Allowances

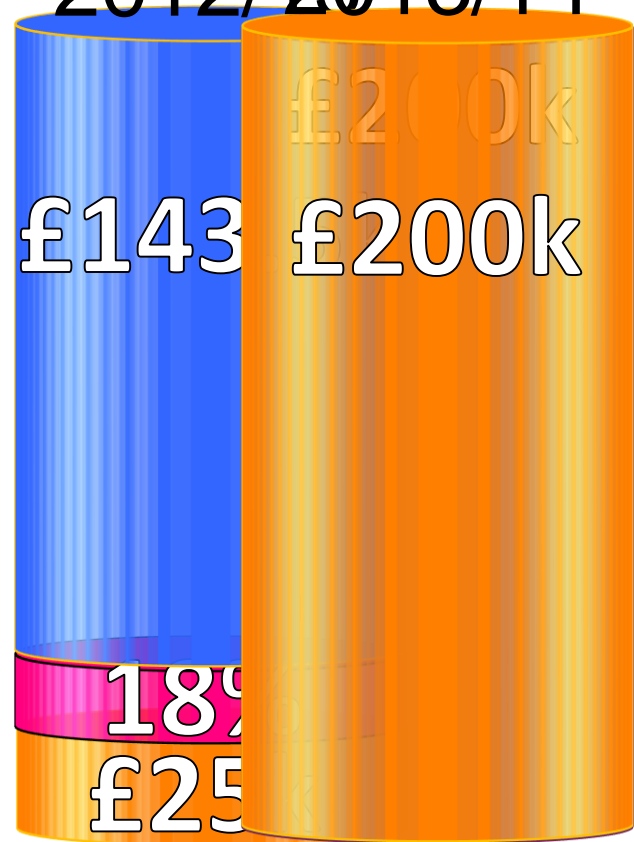
Plant & Machinery

2011/12



£120k Allowance

2012/13



£56.5k

£200k Allowance



Seed Enterprise Investment Scheme

Income Tax Relief @ 50%

Extension of Capital Gains Tax Exemption
on Gains Made in 2013/14 when Reinvested

Disposal of SEIS Shares
Exempt from CGT

£100k pa Investor Limit

Company Investment Limit of
£150k in Total



Enterprise Investment Scheme

Rate of relief 30%

Individual maximum £1M

< 250 employees

Gross assets before
investment £15M

Maximum investment in 12 months
£5m



SEIS / EIS Comparison

SEIS

EIS

Investor Limit

£100k pa

£1m pa

Company Limit

£150k Total

£5m pa

Qualifying Company

New Company
Assets <£200k

Assets
<£15m

<25 Employees

<250 Employees

Trading

Spend 75%

4 Months



Enterprise Management Incentive Scheme

Limit on Unexercised Options to increased
from
£120k to £250k

Entrepreneurs Relief



5% Shareholding
Requirement

12 Month Holding
Requirement





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Employee Shareholder Status



Reduction of Income Tax on Acquisition of Shares by £2000

Deem Base Cost £2000

Exempt up to £50000 Capital Gains on Sale of Shares



Employment Allowance



£2000 Allowance against
Employers Class 1 NIC



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Inheritance tax

Nil rate band £325,000

Frozen until 5/4/18

Tax Rate on Excess 40% (36%)



Inheritance tax



No Limit

Changes to Rules on Allowable Deductions





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Employee Related Loans

Currently No Tax Charge on
Loans of Less than £5000
made to Employees



Increase to £10000



Capital Allowances - Cars

Current

Emission Threshold 160 g/km

If exceeded 8% writing down allowance

If lower 18% writing down allowance



Capital Allowances - Cars

From April 2013

Emission Threshold 130 g/km

With Same Writing Down Allowance

New Reduced Threshold also Applies to
Leased Cars

100% FYA Extended on Low Emission
Cars Under 95 g/km to 31/3/18



Car Benefits



From
2015

0% Company Car Benefit on
Electric Cars withdrawn

0-50 g/km 5%

51-75 g/km 9%

Upto 94 g/km 13%

All other bands increase by
2%, Capped at 37%



Car Benefits



From
2016

3% Diesel Supplement
abolished

All other bands increase by
2%, Capped at 37%



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Approved Mileage Allowance Payments

0 – 10,000

45p per mile

10,000 miles +

25p per mile

Passengers

5p per mile

If company only reimburses part,
tax relief can be claimed on
balance

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Research & Development Tax



225% for SME's

Removal of PAYE/NIC
Liability Cap

£10k minimum Expenditure
Requirement Abolished



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Research & Development Tax



Introduction of an 'Above the Line' R&D Tax Credit for Large Companies

10% Credit
Taxable/ Repayable



Patent Box



Elect to Apply 10% Tax Rate (phased in over 5 Years) to Profits Arising from Qualifying Patents on Worldwide Income

Includes Items Incorporating a Qualifying Item

Restriction to only UK & European Patents

Incorporation?

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Capital Gains Tax

	2012-2013	2013-14
Non Business Assets	18%	18%
Business Assets	28%	28%
Lifetime Allowance	£10m	£10m
Trustees	28%	28%
Annual Exemption	£10,600	£10,900



Disincorporation Relief

Continue to Trade but NOT as a Company



Qualifying Business Transfer

Qualifying Assets



Disincorporation Relief

Qualifying Business Transfer

Goodwill

Interest in Land

Market Value of Qualifying Assets <£100k

Transfer to Individuals or Partnership (Not LLP)

Shares Held for >12 Months

Qualifying Assets



VAT

From April
2012

From April
2013

Annual Turnover Limit

£77000

£79000

Deregistration Limit

£75000

£77000

Fuel Scale Charges Increased
From 1 May 2013



Capping of Tax Reliefs



Maximum £50k or 25% of
Income

Only Reliefs NOT Already
Capped (EIS/VCT)

Charities Exempt

Overlap Relief Exempt



2013 UK Budget & Market Outlook

Barney Hawkins, Divisional Director 22nd March 2013



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Last Year - Pasty Tax Debacle



This Year - Positive Measures

- Corporation Tax Reduced to 20% in 2015
- Housing Market Boost
- Funding for Infrastructure Projects
- Inflation Target Tweak



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Housing Market Boost



Help to Buy Scheme



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Funding For Infrastructure Projects



£3 Billion per annum for 5 years



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Inflation Target Tweak



Mark Carney – New Governor of the Bank of England

A close-up portrait of a middle-aged man with a full, grey beard and mustache. He has short, dark hair and is looking directly at the camera with a neutral expression. He is wearing a dark suit jacket over a white collared shirt. The background is dark and textured, resembling marbled paper or stone.

“the Federal Reserve will provide additional policy accommodation as needed...””

**“The ECB is ready to
do whatever it
takes to preserve the
euro...and believe me,
it will be enough”**





**“The time has come
for a general
mobilisation of all
policy measures to
get rid of deflation”**

Beware Record Low Bond Yields...

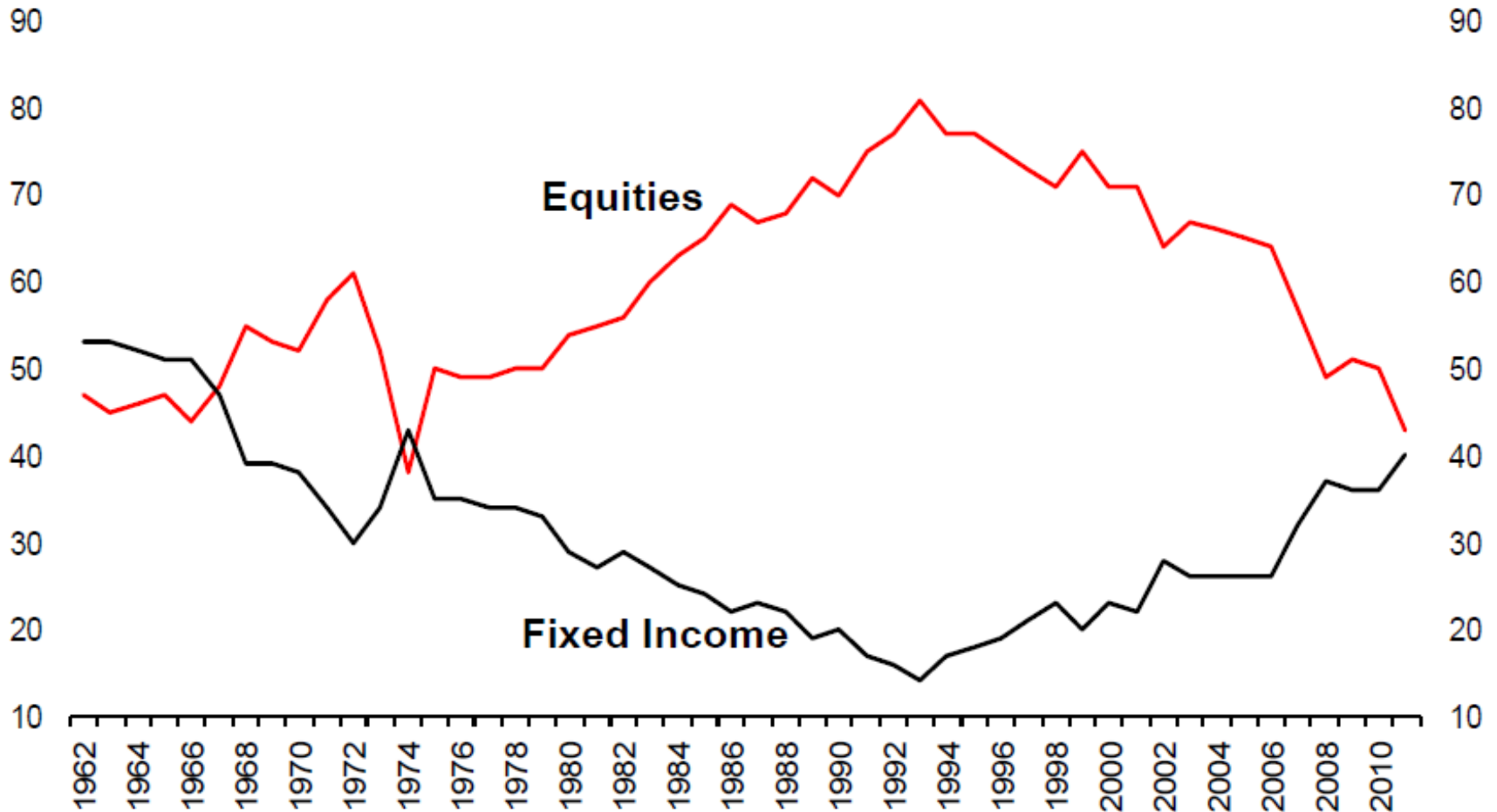


Source: Montanaro, Bloomberg

**Past performance is not a guide to future performance
The value of investments can fall and you may get back less than you invested**

“Great” Rotation from Bonds to Equities?

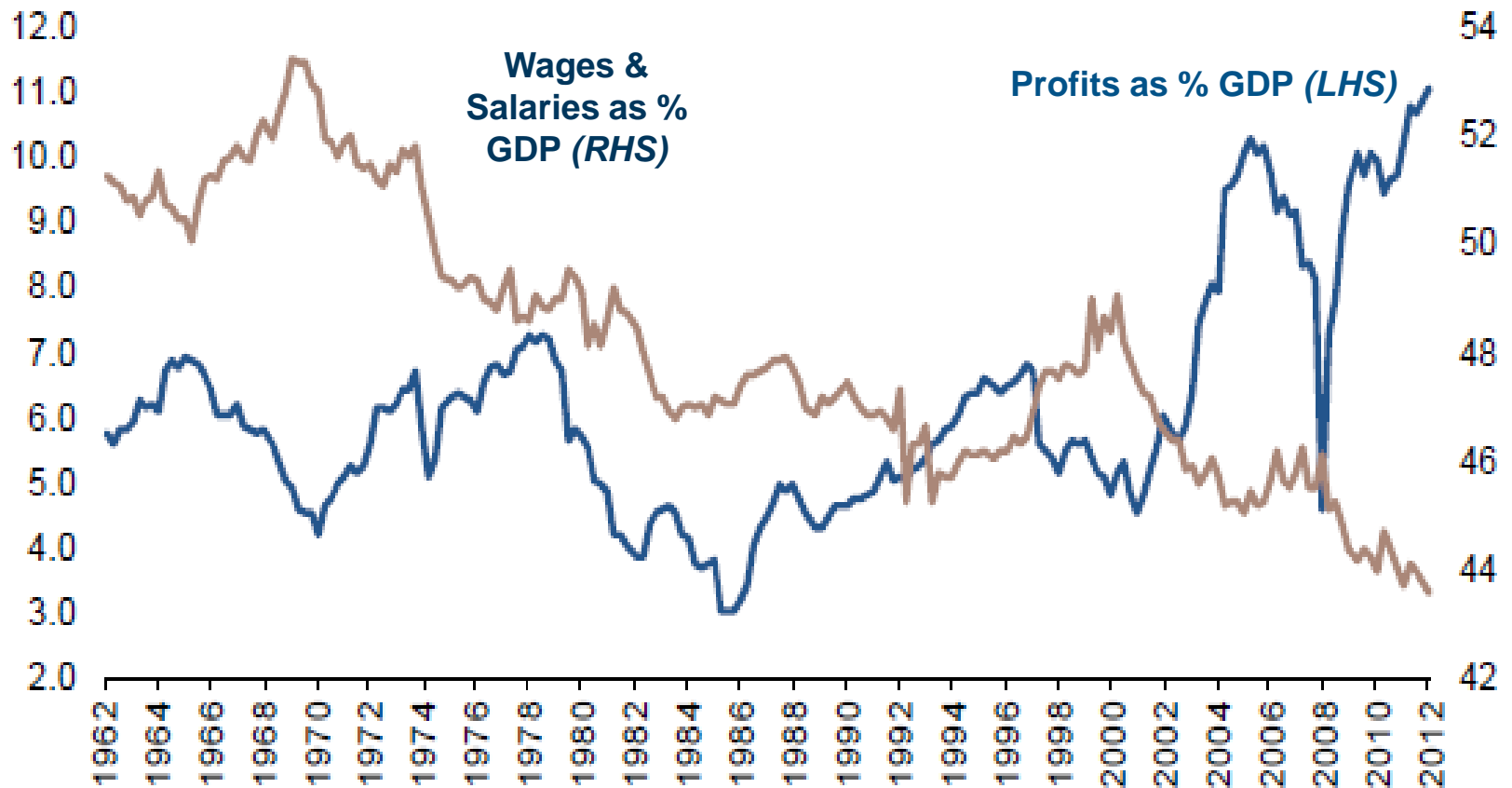
UK pension funds allocation over time



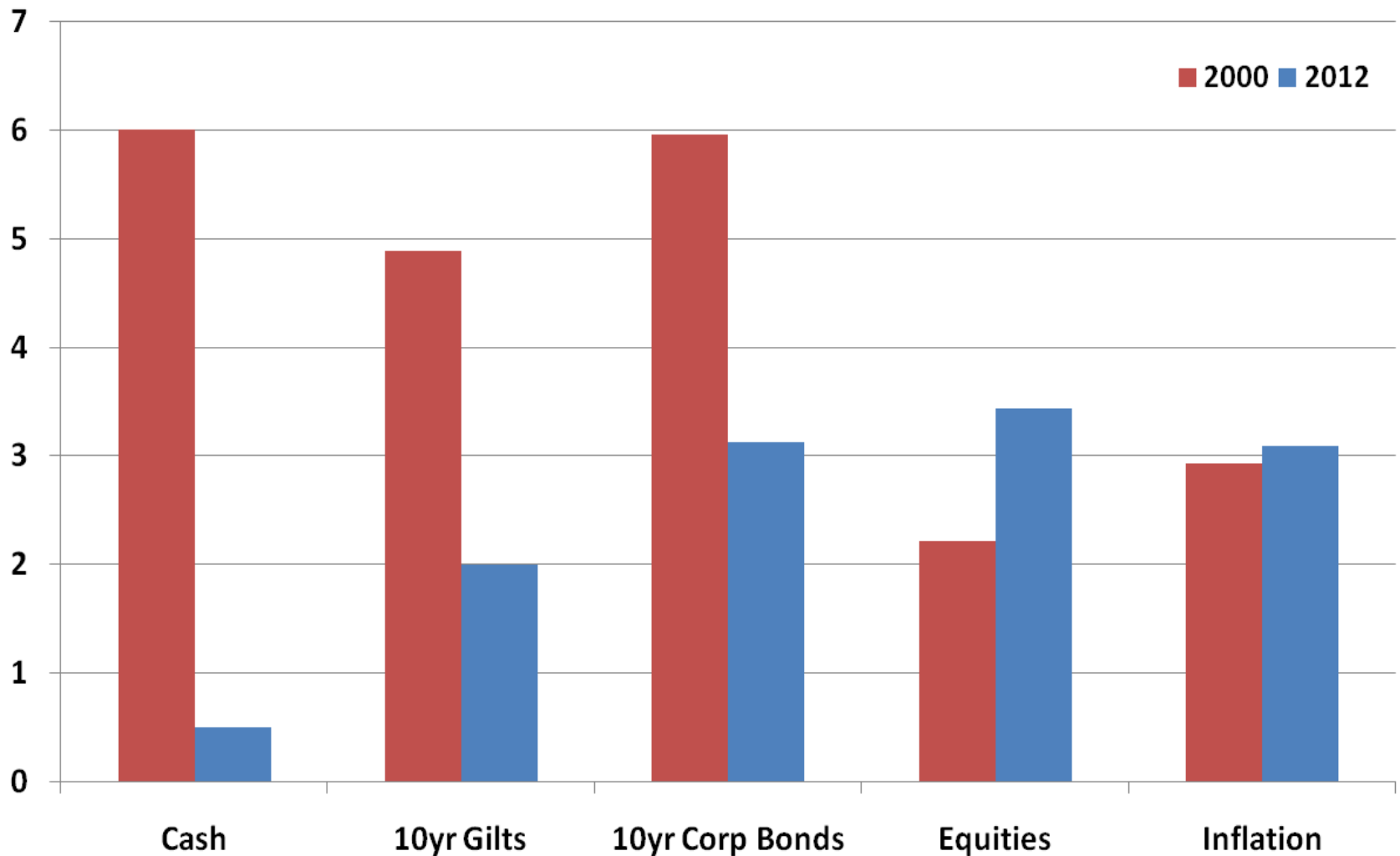
Source: Societe Generale

Past performance is not a guide to future performance
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UK Corporate Sector is in Good Shape



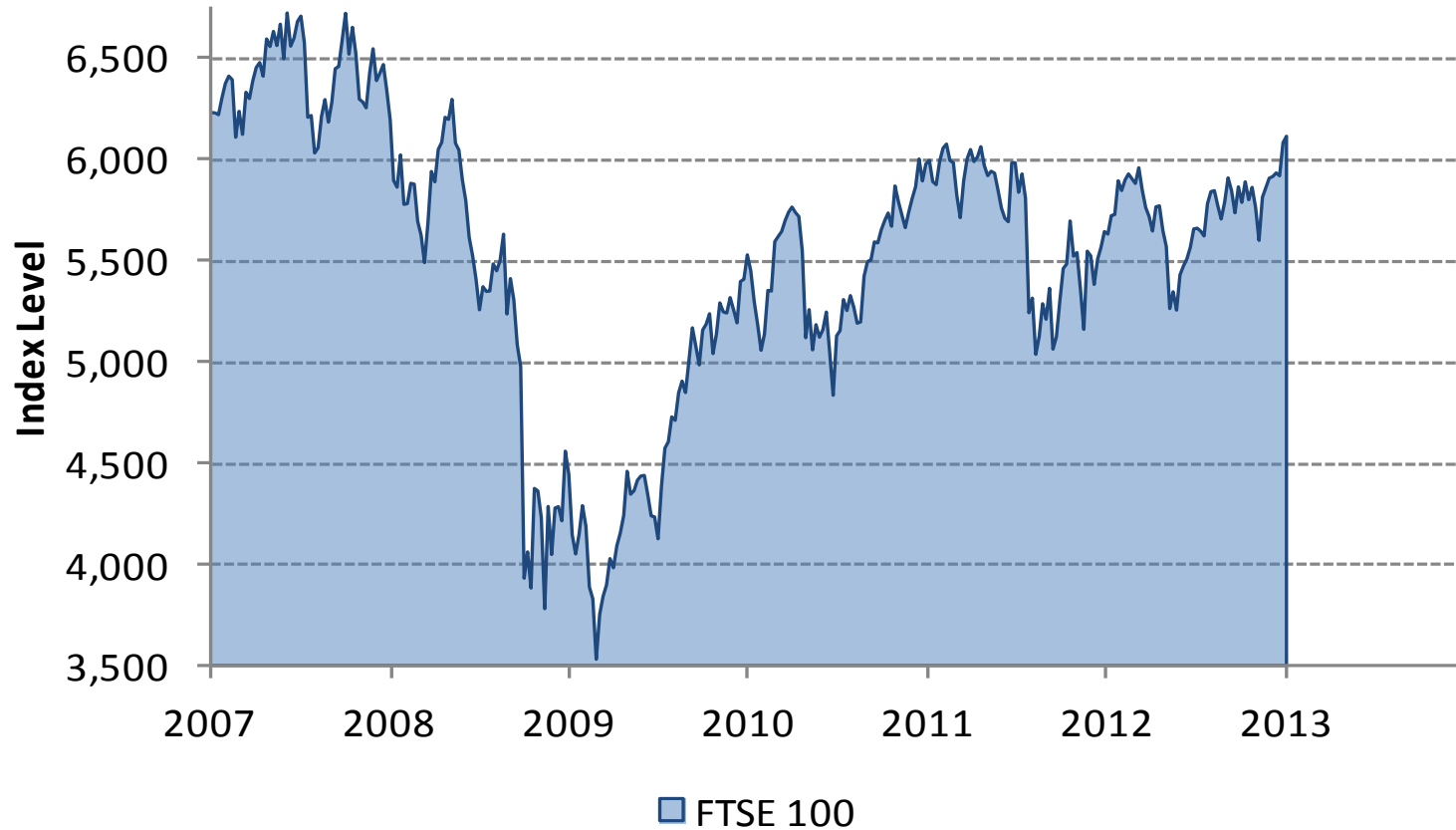
Yield Hierarchy



Past performance is not a guide to future performance
The value of investments can fall and you may get back less than you invested

Source: Datastream

A Positive View for Shares



**Past performance is not a guide to future performance
The value of investments can fall and you may get back less than you invested**

Source: Datastream/Brewin Dolphin

Thank you

*"Bull-markets are born on
pessimism, grow on
scepticism, mature on
optimism and die on
euphoria."*

Sir John Templeton

2013 UK Budget

George Slack, Financial Planner, 22nd March 2013



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Typical Pension Savings Plan

Contributions



*Employee
Employer
Tax Relief*

Accumulation



*Tax free growth
on
Pension Savings*

Withdrawal



*25% Tax Free
Cash
Income
for Life*

Important note

- Past performance is not a guide to future performance. The value of investments can fall and you may get back less than you invested.
- Any tax allowances or thresholds mentioned are based on personal circumstances and current legislation which is subject to change.
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