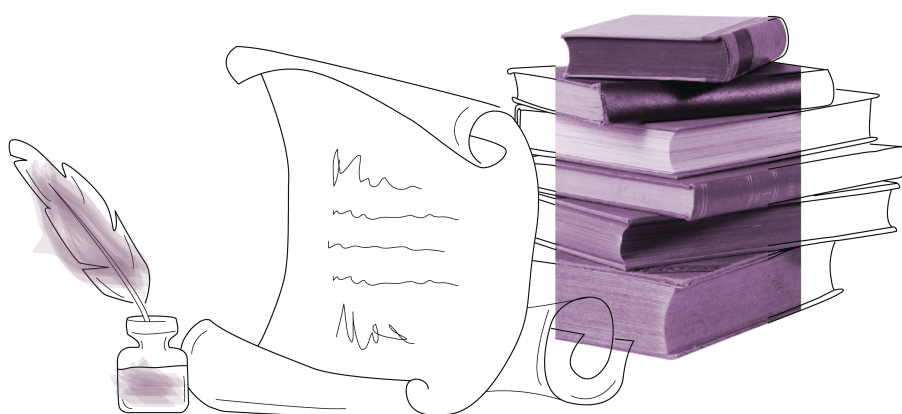


Budget Summary 2013



Personal



- **Home-buyers - equity loan**

The scheme will run for three years, starting 1 April 2013, applying to new builds with a purchase cost of £600,000 or less. The equity loan is available to **all buyers** (not just first time buyers) with a minimum deposit of 5%. The Government will then lend up to 20% of the value, with the loan being repaid at any time. The loan is interest free for the first five years, with a 1.75% annual fee, increasing annually by 1% above inflation after year five.

- **Home-buyers - mortgage guarantee**

The scheme will run for three years, starting 1 January 2014, encouraging better access to low deposit mortgages. The mortgage guarantee applies to all properties, not just new builds, with a purchase cost of £600,000 or less. A minimum deposit of 5% is required and the guarantee is available to all buyers.

- **Personal allowance**

The personal allowance for those born after 5 April 1948 will be increasing to £9,440 for 2013-14, and to £10,000 for 2014-15. The basic rate limit will be reduced to £32,010 for 2013-14 and £31,865 for 2014-15.

- **Pension contributions**

From April 2014, the lifetime pensions savings allowance will be reduced from £1.5m to £1.25m and the annual contributions limit will be reduced from £50,000 to £40,000.

- **Inheritance tax - nil rate band**

The nil rate band will be frozen at £325,000 until 2017-18, contrary to manifesto promises.

- **Inheritance tax - limiting the deduction for liabilities**

As part of the governments anti-avoidance proposals, a limit on the deduction for liabilities that can be can reduce the IHT payable on an estate is to be introduced. The new measure will be put in place when the Finance Bill 2013 receives Royal Assent. IHT is normally charged on the net value of an estate, after taking into account liabilities that remain outstanding at the date of death, as well as any other IHT reliefs. Currently, a deduction is allowed in full for the liability, irrespective of the amount of debt that is actually repaid to the creditors. However, there will now be certain conditions and restrictions on

the relief given for debts against the value of the estate, such as; a deduction for liabilities will only be allowed to the extent that is repaid to the creditor. Further details are awaited and as no consultation has taken place thus far, STEP are making representations to HMRC

- **Childcare schemes**

A new childcare scheme is going to be phased in from Autumn 2015. The scheme will provide support of 20% of childcare costs, up to £6,000 cost per year. All children under the age of 5 will be eligible in the first year, with the scheme increasing over time to children under 12, as currently drafted, the scheme is only available to families where both spouses are working.

- **Petrol**

The proposed 3p increase in petrol duty for September 2013 has been scrapped.

- **Taxation of high value properties**

Non-natural persons (NNPs), who own UK properties worth over £2m, will be affected by two additional charges. An annual tax on enveloped dwellings (ATED) will be calculated using a banding system based on the value of the property. For the first year, returns will be due from 1 October 2013 and payment will be due by 31 October 2013. Capital Gains Tax (CGT) will be charged at 28% on any gain made on disposal. ATED measures will take effect from 1 April 2013 and CGT implications from 6 April 2013.

Business



- **Seed Enterprise Investment Scheme (SEIS)**
The present CGT relief for reinvesting gains in SEIS shares has been extended to 2013-14.
- **Employee shareholder status**
On 8 October 2012, the government announced its proposals for the employee shareholder status. The employee shareholder status allows employee shareholders to be exempt from CGT on up to £50,000 of gains. Under the original proposals, the award of shares would have been subject to income tax and NIC, however, the new legislation announced will exempt the first £2,000 of shares awarded from income tax and NIC, providing the employee has paid £2,000 for their shares.
- **Employment related loans**
Employees who take out loans from their employer in excess of £5,000 have previously been required to disclose the benefit on a P11D. This limit is now to be raised to £10,000 from 6 April 2014, reducing the tax charge to employees.
- **Company car tax rates**
To promote the manufacture of low-emission cars, a number of changes to company car tax rates have been included in the budget. From 2015-16, two new percentage bands for company cars emitting 0-50g CO₂ per km and 51-75g CO₂ per km, are being introduced. As announced in the 2012 Budget, the remaining percentages are being increased by two percentage points for cars emitting more than 75g CO₂ per km, to 37%.
- **Corporation Tax**
The current CT rate for small companies is 20%, with the main rate reducing to 23% from 1 April 2013 and 21% from 1 April 2014. It was also announced that from 1 April 2015, the main rate and the small company rate will be 20%.
- **Research & Development relief**
The 'above the line' tax credit is being increased to 10%, this has been increased in an attempt to make the UK look attractive for investors.
- **Simplified accounting for smaller businesses**
With effect for the tax year 2013-14, new legislation will be introduced that will mean small businesses will have the option to be taxed on a 'simpler basis'. Businesses can elect to be taxed on a cash receipts basis from 1 April, rather than on an accruals basis.
- **The General Anti-abuse Rule (GAAR)**
The Chancellor confirmed the Government's intention to introduce a General Anti-abuse Rule. The GAAR will apply to income tax, corporation tax, CGT, inheritance tax, SDLT, the annual tax on enveloped dwellings and PRT, with separate legislation being released later in 2013 to apply to NIC. The intention is that the legislation will help HMRC tackle abusive tax planning and combat tax avoidance schemes. Please see our earlier website post from 31 October 2012 for further information on the GAAR.
- **Real Time Information (RTI)**
New filing obligations mean employers are required to submit a return when payments are made to employees, rather than at the end of the tax year. For some further information on RTI, please see our website posts on 12 October 2012 and 26 March 2013.
- **National Insurance**
In an attempt to encourage the creation of more employment, businesses will be given a £2,000 allowance per year, to offset against their employer Class 1 secondary NIC, from April 2014.
- **VAT**
The limit for VAT registration has increased from £77,000 to £79,000 for 2013/14 and the de-registration limit has increased from £75,000 to £77,000, in line with inflation.
- **Partnerships**
As another part of the Government's anti-avoidance strategy, they have announced two new measures designed to tackle the misuse of partnership tax rules. They are removing the presumption of self-employment for LLP partners, which is designed to tackle the disguising of employment relationships. They are also countering the artificial allocation of profits/losses to partners, including a company, trust or similar vehicle.
- **High-risk promoters**
The government has announced its new proposals to target the promoters of high-risk, avoidance schemes. As part of the clampdown, consultation will be given on new powers to