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Your guide to the Budget Report 2012

Budget 2012

This Report, written immediately after the Chancellor of the Exchequer delivered his Budget Speech, provides an overview of the announcements most likely to affect you and your business.

This Budget was heralded as a Budget for economic stability, tax simplification and growth, but was set against a relatively benign economy that is endeavouring to break out of the constraints of reductions in public expenditure coupled with lower household disposable income and growing job insecurity. With little room for manoeuvre the Chancellor's aim was to balance the books while making strategic advance toward promoting business growth and the ongoing reduction of the public purse.

The last year has provided yet further evidence of our interdependence on the global economy and the impact of events beyond our shores continue to provide a challenge to business confidence.

The politics of the coalition Government continue to influence policy decisions and the need to satisfy the constituents in the two political parties are evident in some of today's announcements.

The Budget announces the Government's budgetary plans and this serves as a reminder to us all that we should ensure that our personal and business budgets and plans reflect the reality of our available income and necessary expenditure. Debt remains embedded in our economy and the obligation to repay must be balanced with the need to save and invest.

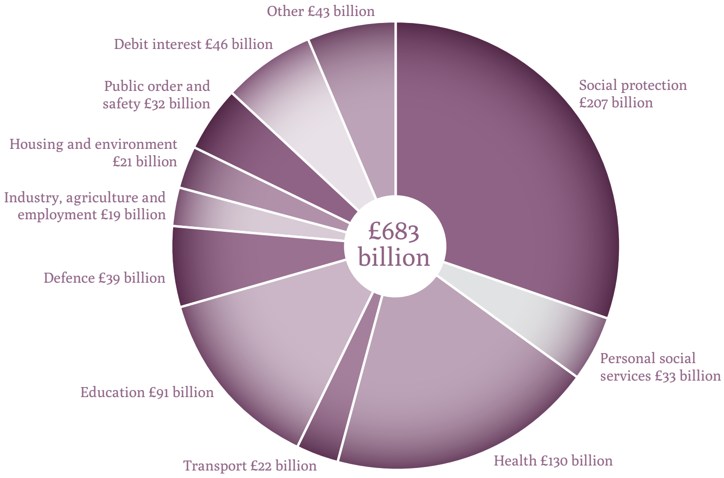
We can help you review your plans; adapting them as necessary to take into account the ongoing challenging economic environment and your own personal circumstances, plans and objectives.

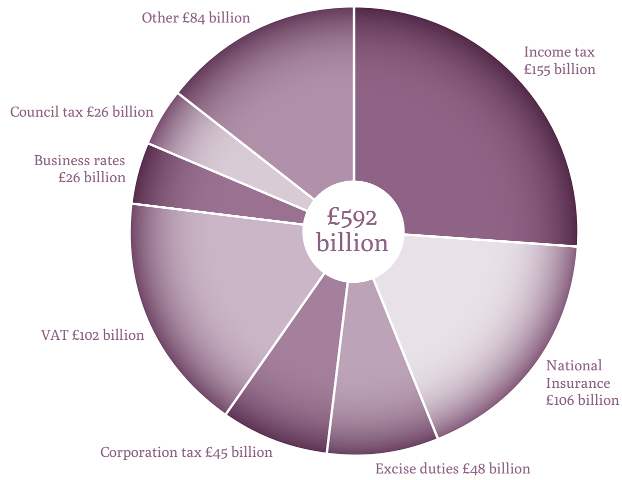
HOW TO MAKE THE MOST OF OUR SERVICES

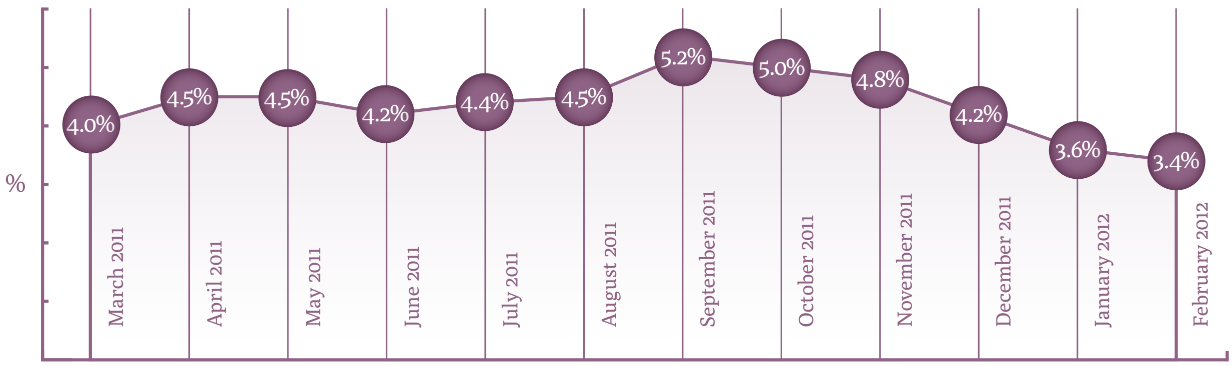
* Please read the Report as soon as possible
* Contact us to discuss any action you may be considering, and to review your longer term plans. We always welcome the opportunity to advise.

The Report is generally based on Press Releases and Reports issued immediately after the Budget on 21 March 2012. These proposals may be amended. Professional advice should be obtained before acting on any information contained herein. No responsibility can be accepted as a result of action taken or refrained from in consequence of the contents of this Report.

Economic and fiscal update







Annual inflation over a year

The economic backdrop to this year's Budget is more important than ever. It serves as a reminder to us all of the importance of prudent planning and strategy, particularly when it comes to tax and business issues.

The UK economy is far from out of the woods; in fact, GDP was at -0.2 in the last quarter of 2011, and two quarters of negative growth will make the rumours of a double dip recession a harsh reality. But the latest economic and fiscal update from the Office for Budget Responsibility (OBR) suggests that the UK has managed to pull back from this negative growth, as the GDP forecast for 2012 was increased to 0.8%.

Nevertheless, the Chancellor highlighted the 'major risks' posed to the UK's economy by the sovereign debt crisis in the European economy, and volatile oil prices. But on a positive note the OBR reported that net borrowing is falling in line with the Government's targets, and is set to come in at £126 billion this year, £1 billion less than forecast in the Autumn Statement.

Another key economic indicator, inflation, continued its downward trend in February falling to 3.4%, but remains 1.4% above the Bank of England's target of 2%, while the UK's AAA rating from Fitch is on negative watch. This year's fiscally neutral Budget proves that the Chancellor is sticking to his austerity plans; all of which leads to the conclusion that the UK economy still has a long and arduous recovery ahead.

This Budget report is designed to highlight the issues that you may wish to consider. Please contact us if you think that we can help you to prepare and plan as the economy continues its recovery.

FOR BUSINESS

Introduction and highlights

INTRODUCTION

Budget 2012 was designed to prove that the UK 'unashamedly backs businesses' according to Chancellor George Osborne. Business confidence was the order of the day, as the Chancellor revealed his intentions for British businesses to have the self-confidence to: invest, expand, hire, innovate and be the best.

We will earn our way out of the deficit the Chancellor said, by providing businesses with modern infrastructure, growth-friendly planning rules, and employment laws. We are here to make sure that your business can grow and prosper and make the most of all measures that are available to you – please contact us for our advice.

HIGHLIGHTS

- ✓ Main rate of corporation tax to reduce to 24% from 1 April 2012
- ✓ Tax simplification for small businesses
- ✓ Enterprise zones to claim 100% capital allowances
- ✓ Greater flexibility for EIS investments

Business taxes

CORPORATION TAX RATES

The Chancellor announced that the main rate of corporation tax will be reduced to 24% from April 2012, rather than 25% as had been announced at Budget 2011. The rate will then be reduced by a further 1% in each of the following two years, and as a result will be 22% from April 2014. This will give the UK one of the lowest corporate tax rates in comparison to other major G20 economies. There are no changes to the small profits rate which will remain at 20%.

Financial year to	31 March 2013		31 March 2012	
Taxable profits				
First	£300,000	20%	£300,000	20%
Next	£1,200,000	25%	£1,200,000	27.50%
On profit over	£1,500,000	24%	£1,500,000	26%
Tax credit on dividends	10%		10%	
Marginal relief fraction	1/100		3/200	

The small profits rate remains at 20% - could your tax bill be minimised?

Business taxes

%

SMALL BUSINESS TAX CASH BASIS AND SIMPLIFICATION OF ALLOWABLE EXPENSES

Following the Office of Tax Simplification review of small business tax, the Chancellor has announced the introduction of a new cash basis for calculating tax for small unincorporated businesses. A consultation will be held on the details of the scheme, including eligibility of businesses with turnover up to the VAT registration threshold of £77,000. The new basis will be introduced in April 2013.

A further consultation will be held on standardising business expenses, allowing a fixed amount to be claimed rather than recording actual amounts.

INTELLECTUAL PROPERTY: ‘PATENT BOX’

As previously announced in November 2010, the Government will introduce a reduced 10% rate of corporation tax for profits attributed to patents and certain other similar types of intellectual property. This will be introduced over the five years from 1 April 2013 and forms part of the Government’s ‘growth agenda’. In the first year this proportion will be 60% and increase annually to 100% from April 2017.

ENHANCED CAPITAL ALLOWANCES: ENERGY-SAVING AND WATER-EFFICIENT TECHNOLOGIES

The list of designated energy-saving and water-efficient technologies qualifying for enhanced capital allowances will be updated during summer 2012, subject to State aid approval. The scheme allows a 100% deduction of the qualifying assets against taxable profits.

CAPITAL ALLOWANCES: BUSINESS CARS FIRST-YEAR ALLOWANCES (FYAs)

From April 2013 the 100% FYA for businesses purchasing low emissions cars will be extended for a further two years to 31 March 2015. The carbon dioxide emissions threshold below which cars are eligible for the FYA will also be reduced from 110 g/km to 95 g/km.

CAPITAL ALLOWANCES: BUSINESS CARS MAIN RATE

From April 2013, the carbon dioxide emissions threshold for the main rate of capital allowances of 18% for business cars will reduce from 160 g/km to 130 g/km. This will also be the new threshold above which the lease rental restriction applies.

ENHANCED CAPITAL ALLOWANCES (ECAs) IN ENTERPRISE ZONES

100% capital allowances will be available on plant and machinery investment made in designated areas of the London Royal Docks Enterprise Zone, three Scottish Enterprise Zones in Irvine, Nigg and Dundee, and Deeside in North Wales. This follows announcements regarding ECA’s in English Enterprise Zones in 2011, and the additional zone in Humber announced in February 2012. These allowances will be available from 1 April 2012.

CAPITAL ALLOWANCES ON GAS REFUELLING EQUIPMENT

The 100% first-year capital allowance for gas refuelling equipment will be extended from April 2013 for two further years to 31 March 2015.

RESEARCH AND DEVELOPMENT (R&D) TAX CREDITS

The Chancellor has announced an ‘above the line’ credit for R&D, with a minimum rate of 9.1% before tax. Loss-making companies will be able to claim a cash refund. A consultation on the detailed design of the credit will take place shortly and final details will be decided following consultation. The credit will be introduced from April 2013.

Could you benefit from the changes in tax credits for R&D?

Business taxes

%

CORPORATION TAX RELIEFS FOR THE CREATIVE SECTOR

The Chancellor drew on the success of the film sector and following industry consultations will introduce corporation tax reliefs for the video games, animation and high-end television industries from April 2013, subject to State aid approval.

GROUPING RULES: CHANGE TO EQUITY RULES

Legislation will be introduced in Finance Bill 2012 to ensure that the group status of a company will be unaffected where it issues loan notes carrying a right to conversion into shares or securities of quoted unconnected companies. This follows a number of clearance applications received by HMRC where companies sought confirmation that they would not lose eligibility for group relief as a result of issuing loan notes with conversion rights. This measure will have effect for transactions entered into on or after 21 March 2012.

CONTROLLED FOREIGN COMPANY (CFC) RULES

As announced in November 2010 new CFC rules are to be introduced which reflect the global nature of business activities. The new rules include a finance company partial exemption that in broad terms will result in an effective UK tax rate of one quarter of the main rate on profits derived from overseas group financing arrangements. The rules will be effective for CFCs with accounting periods beginning on or after 1 January 2013.

COMPANY DISTRIBUTIONS

As announced on 6 December 2011 certain transactions involving transfers of assets or liabilities between UK resident companies are not excluded from being treated as distributions for the purposes of corporation tax. It will also clarify the interface between two overlapping provisions in the distributions rules. These measures will be included in the 2012 Finance Act.

BANK LEVY

As previously announced the full rate of the bank levy will be set at 0.088% from 1 January 2012. But the Chancellor has now announced that from 1 January 2013 the full rate of the bank levy will be set at 0.105%. The bank levy legislation will also be amended to ensure that the liabilities of joint ventures are correctly aggregated into a foreign banking group or a relevant non-banking group's chargeable equity and liabilities.

ENTERPRISE MANAGEMENT INCENTIVE SCHEME

The current £120,000 limit for options held by an employee under an Enterprise Management Incentive Scheme will be increased to £250,000. The measure is subject to State aid approval but will be introduced as soon as possible. The aim is to help small and medium sized businesses retain and recruit high calibre employees.

ENTERPRISE INCENTIVE SCHEMES

The following changes were confirmed today:

The limits which currently apply to Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCTs) will be increased as follows:

- The employee limit will rise from 50 to 250
- The gross assets limit of £7m before investment and £8m after will increase to £15m before and £16m after
- The maximum annual amount that can be invested in both schemes will increase from £2m to £5m.

The rules for EIS and VCTs will be simplified so that:

- There will be a relaxation in the rules defining when a person is connected to a company
- The definition of qualifying shares will be widened
- The £500 minimum investment threshold will be removed
- The £1 million investment limit by a VCT in a single company will be removed

The changes to EIS will be effective on or after 6 April 2012 and the VCT changes on or after 1 April 2012.

Other announcements

REPEAL OF RELIEF FOR BLACK BEER

The Government announced that it is the intention to repeal legislation that is no longer deemed relevant. It seems that one such instance concerns the production of black beer which is produced by only one producer in Yorkshire. Black beer has an original gravity of 1200 degrees or more and is a concentrated beverage made from malt and used as a mixer with lemonade, milk or in cooking. In its concentrated form, it has an alcoholic strength of 8.5% by volume. This product has previously enjoyed exemption from excise duty and that exemption is now withdrawn from 1 April 2013.

CARBON PRICE FLOOR

A raft of changes covering five pages was announced that affect UK generators, including combined heat and power and auto-generators, of fossil-fuel based electricity; and those supplying such generators. The measures are all introduced from 1 April 2013. Budget 2011 announced that a carbon price floor would be introduced from 1 April 2013 and today's announcements introduce further changes and announcements of rates and indicative rates through to 2016/17.

GIFT AID - COMMUNITY AMATEUR SPORTS CLUBS (CASCs) AND GIFT AID REGISTRATION

Legislation is to be introduced to ensure CASCs do not need to amend their constitutions to retain their status, to reflect new management and location conditions and to allow CASCs to make claims for repayment of tax under Gift Aid.

This is amending legislation to ensure that the CASC and Gift Aid legislation works as originally intended.

GIFT AID – CHARITABLE COMPANIES AND CASCs

Again, amending legislation is to be introduced to put onto a statutory basis an extra statutory concession operated by HMRC to make provision for charitable companies and CASCs to make in-year claims for repayments of Gift Aid.

ANTI-AVOIDANCE

In common with all recent Budgets the 2012 Budget saw its fair share of anti-avoidance provisions which included the announcement of General Anti-avoidance Rules but also anti avoidance measures to counteract the following abuses:

- Plant and machinery leasing arrangements where businesses are seeking to artificially reduce the disposal value for capital allowance computations
- Purchases of plant and machinery from 1 April 2012 for companies and 6 April 2012 for unincorporated businesses for which there is a tax avoidance purpose
- Sales of lessor companies where a legitimate short term tax timing benefit is converted into a permanent benefit. A new rule effective for transactions on or after 21 March 2012 will create a new 'trigger' event which will bring deferred tax profits into charge immediately before a lessor company comes within the charge to tonnage tax.

FIELD ALLOWANCES

Changes have been announced that impact oil and gas companies regarding the new category qualifying oil field for a field allowance. Please consult with us if you are in this industry.

FOR YOUR FINANCES

Introduction and highlights

INTRODUCTION

In a fiscally neutral Budget, lower income earners were some of the primary beneficiaries, as the Chancellor sought to increase the amount that they retain from their earnings.

On the other end of the spectrum, those earning the highest rate of tax will also see a reduction in tax from 2013, while an adjustment to the removal of Child Benefit for higher earners has been made.

Whatever your circumstances, we are here to ensure that you make the most of your money, please contact us to find out how we can help.

HIGHLIGHTS

- ✓ 50% additional rate to reduce to 45%
- ✓ Personal allowance increasing to £9,205 in April 2013
- ✓ Age related personal allowance to be frozen
- ✓ Changes that will benefit higher rate taxpayers
- ✓ Capital taxes – no significant changes
- ✓ Minimal changes to savings regime

Could you minimise your income tax as the basic rate band is continuing to fall?

Personal taxes

INCOME TAX PERSONAL ALLOWANCES

The Government has announced a long term commitment to increase the basic personal allowance for individuals aged under 65 to £10,000. It is being increased from £7,475 to £8,105 with effect from 6 April 2012, and being further increased to £9,205 from 6 April 2013.

The enabling legislation will be contained in Finance Bill 2012 and the basic rate limit will be reduced from £35,000 to £34,370. For 2013/14, the basic rate limit will be further reduced by £2,125 to £32,245. This means that overall most higher rate taxpayers will receive one quarter of the benefit that accrues to basic rate taxpayers.

AGE RELATED PERSONAL ALLOWANCE

From 2013/14 the availability of the age related personal allowance will be restricted – the allowance of £10,500 for 2012/13, available for those aged 65 to 74 will be restricted to individuals born after 5 April 1938 but before 6 April 1948.

The age related personal allowance of £10,660 for 2012/13, available to people aged 75 and over will be restricted to those born before 6 April 1938. The allowance of £10,660 will not be increased in 2013/14.

INCOME TAX RATES

The 50% additional rate of tax will be reduced to 45% from 6 April 2013. The dividend additional rate will be set at 37.5%, the trust rate will be 45% and the dividend trust rate will be 37.5%. The Government believes that the existing high top rate of tax risks damaging the UK's economy in the longer-term.

Income tax rates and allowances	2012/13	2011/12
Savings rate band	£2,710	£2,560
Savings tax rate	10%	10%
Basic rate band	£34,370	£35,000
Basic tax rate	20%	20%
Dividend ordinary tax rate	10%	10%
Higher rate band	£34,371 - £150,000	£35,001 - £150,000
Higher tax rate	40%	40%
Dividend higher tax rate	32.50%	32.50%
Additional rate band	Over £150,000	Over £150,000
Additional tax rate	50%	50%
Dividend additional tax rate	42.50%	42.50%

Allowances that reduce taxable income		2012/13	2011/12
Personal allowances	Under 65	£8,105	£7,475
	65-74	£10,500	£9,940
	75 and over	£10,660	£10,090
Blind person's allowance		£2,100	£1,980

Age related allowances are reduced by £1 for every £2 of income above £25,400 (2011/12 £24,000) until the personal allowance of £8,105 (2011/12 £7,475) is reached.

The personal allowance is reduced by £1 for each £2 of income from £100,000 (2011/12 £100,000) to £116,210 (2011/12 £114,950).

Allowances that reduce tax	2012/13	2011/12
Married couple's allowance (MCA) 78 and over	£7,705	£7,295
Tax reduction at 10%	£770.50	£729.50

The age for MCA is of the elder spouse or civil partner.

The loss of tax reduction is 10p for each £2 of income above £25,400 (2011/12 £24,000) until the minimum of £296 (2011/12 £280) is reached.

All the above ages are as at 5 April 2013.

Personal taxes

CAP ON UNLIMITED RELIEFS

From April 2013, a new limit on all uncapped income tax reliefs will be introduced in order to ensure that those with the highest incomes pay their 'fair share'. Relief will be restricted to the greater of £50,000 or 25% of income.

CHILD BENEFIT – INCOME TAX CHARGE FOR THOSE ON HIGHER INCOMES

A new income tax charge is being introduced from 7 January 2013 on taxpayers who are both in receipt of child benefit and whose annual income exceeds £50,000. This charge also applies if it is the partner of the taxpayer earning £50,000 in a tax year who is in receipt of the child benefit. In a case where both partners earn over £50,000 in a tax year, the income tax charge will only apply to the partner with the higher income.

For taxpayers with income in a tax year of above £60,000, the tax charge will equate to the amount of the child benefit. For those taxpayers with an income of between £50,000 and £60,000, the income tax charge will be 1% of the amount of child benefit for every £100 of income above £50,000.

Child benefit is a tax free receipt and the amount that may be claimed is not amended by the income tax charge.

REFORM OF ORDINARY RESIDENCE

The Government will abolish ordinary residence for tax purposes from 6 April 2013, although it will retain overseas workday relief and put it on a statutory footing.

TAXATION OF NON-RESIDENT SPORTS PEOPLE

The tax treatment of worldwide endorsement income for non-resident sports people will be revised to take training days into account when calculating the proportion liable to UK income tax.

CAPITAL TAXES: CAPITAL GAINS TAX (CGT) ANNUAL EXEMPTIONS

The Government announced in 2011 that the CGT annual exemption would increase in line with rises in the CPI rather than in the RPI. Parliament is entitled to override automatic indexation and set a different figure.

However, the Budget Day press releases confirm that the CGT annual exemption will remain at £10,600 with effect from 6 April 2012. The CGT annual exemption for trustees and personal representatives remains at £5,300.

The entrepreneurs' relief lifetime limit of gains remains at £10 million. Qualifying gains are taxed at a 10% rate of capital gains tax rather than at 18% or 28%. Entrepreneurs' relief was introduced in April 2008. It is available for an individual or a trustee who disposes of either the whole or part of a trading business or shares in a trading company.

Capital gains tax		2012/13	2011/12
Capital gains tax rate	Lower rate	18%	18%
	Higher rate	28%	28%
Entrepreneurs' relief	Applicable rate	10%	10%
	Lifetime limit	£10m.	£10m.
Annual exemption	Individual	£10,600	£10,600
	Settlement(s)	£5,300	£5,300

CGT REGIME AND NON-RESIDENTS

The CGT regime will be extended to gains on disposals by non-resident non-natural persons of UK residential property and shares or interests in such property, commencing from April 2013.

INHERITANCE TAX

The nil rate band remains at £325,000 for the year ended 5 April 2013 and the inheritance tax rate remains at 40%

The Government announced in 2011 that a reduced rate of inheritance tax would apply where 10% or more of a deceased person's net estate (after deducting IHT exemptions, reliefs and the nil rate band) is left to charity. The tax rate of 40% will be reduced to 36% where death occurs on or after 6 April 2012.

INHERITANCE TAX: AVOIDANCE USING OFFSHORE TRUSTS

The inheritance tax legislation is being amended from 21 March 2012 to curtail a number of avoidance schemes that have attempted to circumvent the excluded property and settled property rules. The schemes worked by permitting a UK-domiciled individual to acquire an interest in settled property in an offshore trust thereby reducing the value of the individual's estate that was subject to inheritance tax. Assets which would have been subject to inheritance tax were converted by a series of transactions into excluded property, which is outside the scope of inheritance tax.

Inheritance tax	2012/13	2011/12
Nil rate band	£325,000	£325,000
Chargeable rate on lifetime transfers	20%	20%
Rate on transfers on or within seven years of death	40%	40%
Reduced rate	36%	N/A

NATIONAL INSURANCE CONTRIBUTION RATES

The Chancellor has announced that he is considering the integration of the income tax and national insurance systems in order to make the system more user friendly – a consultation document was published in July 2011. The Government has previously announced that:

- the contributory principle will be maintained
- national insurance contributions will not be extended to pensioners or to pensions income, savings income or dividends.

TAX AVOIDANCE: CORPORATE SETTLOR INTERESTED TRUSTS

A number of avoidance schemes have been promoted to enable an individual to gain a tax advantage by a diversion of income to another person who is liable at a lower rate of tax. The schemes generally involve the use of an 'interest in possession' settlement and a corporate settlor in order to divert the income tax liability away from the beneficial owners of the income.

The schemes have been curtailed with effect from 21 March 2012 by amending the settlements legislation so that any income which arises under a settlement, and originates from any settlor who is not an individual, is not treated as that of the settlor. The effect of the changes will be that the settlements legislation will not apply where the settlor is not an individual. Where the settlements legislation no longer applies, the income arising under the settlement will be taxed on the beneficiaries of the interest in possession trust as it would be in a non-settlor interested case.

Pensions and investments

LIFE INSURANCE POLICIES

This change affects those who own life assurance policies, capital redemption policies and life annuity contracts. The rules for calculating the amount of gains from the relevant policies and contracts are amended. The changes apply where there have been gains earlier in the life of the policy or contract but the gains were not chargeable to tax under the income tax rules. The changes clarify the rules for calculating the amount of gains liable to income tax.

ISA ANNUAL ALLOWANCE

The cash value of the ISA limit has increased from £10,680 in 2011/12 to £11,280 in 2012/13. Up to half of the allowance may be saved in cash.

ENTERPRISE INCENTIVE SCHEMES

The following changes for Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCTs) were confirmed today:

- The employee limit will rise from 50 to 250
- The gross assets limit of £7m before investment and £8m after will increase to £15m before and £16m after
- The maximum annual amount that can be invested in both schemes will increase from £2m to £5m.

The rules for EIS and VCTs will be simplified so that:

- There will be a relaxation in the rules defining when a person is connected to a company
- The definition of qualifying shares will be widened
- The £500 minimum investment threshold will be removed
- The £1m investment limit by a VCT in a single company will be removed.

The changes to EIS will be effective on or after 6 April 2012 and the VCT changes on or after 1 April 2012.

Pension contributions

Maximum annual tax-efficient gross contributions to age	74
Individuals	£3,600 or 100% of net relevant earnings to £50,000
Employers	£50,000 less employee contributions
Minimum age for taking benefits	55
Lifetime allowance charge	
Lump sum paid	55%
Monies retained	25%
On cumulative benefits exceeding	£1,500,000*
Maximum tax-free lump sum	25%

*Subject to transitional protection for excess amount.

ISAs

Overall investment limit	£11,280
Including cash maximum	£5,640
Junior ISA overall annual limit from 1.11.2011	£3,600

STATE PENSION

The state pension will be reformed into a single tier pension. This will not take effect until after 2015.

STATE PENSION AGE

Consideration will be given to introducing a new mechanism for increasing the pension age in line with growing longevity.

SEED ENTERPRISE INVESTMENT SCHEME

The Seed Enterprise Investment Scheme (SEIS) is introduced from April 2012, as previously announced. This provides 50% tax relief and a capital gains tax holiday for investments in qualifying new companies.

Other announcements

CLAIMS EQUALISATION RESERVES (CERs) AND GENERAL INSURANCE COMPANIES

This measure, first announced in the Budget 2011, relates to corporate and partnership members of Lloyd's and general insurance companies who maintain equivalent reserves. This measure will introduce a rule to tax built up CERs in equal amounts over a six year period commencing from the date of the Solvency 11 Directive solvency requirements come into force. Alternatively, in any year during the transitional period, an election may be made to tax the remaining balance of the built-up reserve that has not yet been subject to tax.

And finally...

RESETTLEMENT PAYMENTS MADE TO MPs

Unusual as it is for HMRC to include announcements regarding MPs, from 1 April 2012 the MP's Expenses Scheme administered by the Independent Parliamentary Standards Authority will include a provision for a resettlement payment to any MP who involuntarily leaves office on or after that date. The measure introduces an income tax exemption for such payments, subject to a £30,000 limit.

VAT and indirect taxes

VAT	from 01/04/2012	from 01/04/2011
Standard rate	20%	20%
VAT fraction	1/6	1/6
Reduced rate	5%	5%
Taxable turnover limits		
Registration - last 12 months or next 30 days over	£77,000	£73,000
Deregistration - next 12 months under	£75,000	£71,000

CHANGES TO REGISTRATION AND DEREGISTRATION THRESHOLDS

From 1 April 2012, the taxable turnover threshold, which requires a person to register for VAT, will be increased from £73,000 to £77,000 per annum; the threshold below which a VAT-registered person may apply to deregister will be increased from £71,000 to £75,000 per annum, and the relevant registration and deregistration threshold for Intra-Community acquisitions will also be increased from £73,000 to £77,000 per annum.

The simplified reporting requirement for the income tax Self Assessment return will continue to be aligned with the VAT registration threshold.

VAT ONLINE REGISTRATION

The online VAT registration system will be introduced with effect from 31 October 2012. Consequently, certain VAT forms will be removed from VAT law on the same date. From 1 December 2012, the VAT threshold for businesses not established in the UK will be removed.

VAT RELIEF FOR EUROPEAN RESEARCH INFRASTRUCTURE CONSORTIA (ERICs)

VAT relief will become available for European Research Infrastructure Consortia through Secondary legislation to be introduced in the autumn of 2012.

INSTALLATION OF ENERGY-SAVING MATERIALS IN CHARITABLE BUILDINGS

Legislation will be introduced in Finance Bill 2013 to reduce the scope of the reduced rate applicable to the installation of energy-saving materials. It will no longer apply to installations in buildings for a relevant charitable purpose, but remain for residential buildings, including those operated by charities.

VAT and indirect taxes

ZERO RATE FOR ADAPTED MOTOR VEHICLES AND BOATS FOR WHEELCHAIR USERS

The Government has announced it plans to introduce a voluntary disclosure scheme in order to gather information about the use of this relief, which is often abused because of different interpretations and its difficulty to administer.

INVOICING RULES

As a result of the EU Invoicing Directive, the UK Government will introduce secondary legislation effective from 1 January 2013, simplifying the rules for VAT invoices.

UNIVERSAL CREDIT CONSEQUENTIAL CHANGES

Changes will be introduced by statutory instrument from 1 April 2013 to ensure that all universal credit claimants can obtain the same reliefs as were available to claimants of the benefits it replaces. The changes will apply to certain zero and reduced rate provisions.

CONSULTATION ON EXEMPTION FOR SUPPLIES OF EDUCATION

The Government is planning a consultation on the VAT exemption for providers of education with a view to ensuring commercial universities are treated fairly.

FREIGHT TRANSPORT SERVICES

There are currently temporary provisions in place to ensure transport and related services performed wholly outside the EU are not liable to UK VAT where the recipient is a UK business or charity. In the autumn of 2012, the Government will introduce secondary legislation to formalise these arrangements.

TREATMENT OF SMALL CABLE-BASED TRANSPORT

Such services are currently subject to the standard rate of VAT, but will become subject to the reduced rate in 2013. The change will apply to vehicles that carry fewer than 10 people and will be evaluated after three years. A consultation will precede the changes, in the summer of 2012.

TOBACCO DUTY

With effect from 6pm on 21 March 2012 the rate of duty increases on all tobacco products imported into, or manufactured in, the UK by 5% above retail price inflation. This will have the effect of increasing costs at the point of sale as follows:

- 37p to a packet of cigarettes and a 25g of hand-rolling tobacco
- 20p to a 25g packet of pipe tobacco, and
- 12p to a packet of 5 small cigars

MACHINE GAMES DUTY (MGD)

The taxation of gaming machines is to be reformed in order to put tax revenues from gaming machines on a more sustainable footing. MGD will be charged on the net takings from playing dutiable machine games. These are games played on a machine where customers hope to win a cash prize greater than their stake. The changes are introduced on 1 February 2013.

These changes are introduced after the issue of two consultation documents in 2009 and 2011. Where MGD is payable, it will replace both Amusement Machine Licence Duty and VAT. There will be two rates of MGD. The lower 5% rate will apply to machines with maximum stakes of 10p and maximum cash prizes of £8, and the standard 20% rate will apply to all other dutiable machine games.

AGGREGATES LEVY

The planned increase in the aggregates levy rate from £2.00 to £2.10 per tonne has been delayed until 1 April 2013.

LANDFILL TAX

The standard rate from 1 April 2012 is £64 per tonne and from 1 April 2013 this increases to £72 per tonne. The lower rate remains at £2.50 per tonne.

STAMP DUTY LAND TAX (SDLT): SDLT AVOIDANCE

The SDLT legislation is to be amended for transactions on or after 21 March 2012 to ensure that an SDLT avoidance scheme, involving the sub-sales rules and an option to purchase land is ineffective. The grant or assignment of an option will not be able to satisfy the requirements of the sub-sale rules.

SDLT RATE IN RESPECT OF RESIDENTIAL PROPERTY OF OVER £2 MILLION

The rate of SDLT charged on the purchase of a residential property for more than £1 million is currently 5%. For properties where the purchase price exceeds £2 million, a new SDLT rate of 7% will be charged where the effective date of the transaction is on or after 22 March 2012. Transitional provisions will ensure that the old 5% rate applies for contracts entered into before 22 March 2012 but completed on or after that date.

SDLT RATE: TAXATION OF HIGH VALUE RESIDENTIAL PROPERTIES

A number of high value properties have been purchased in the UK using complicated ownership structures involving companies and/or trusts.

In cases where a UK residential property is purchased for more than £2 million on or after 21 March 2012 and the purchaser is a 'non-natural person', the rate of SDLT will be 15%. A 'non-natural person' is defined as including companies, collective investment schemes (including unit trusts) and partnerships in which a 'non-natural person' is a partner.

The intention is to stop or reduce the number of high value property transactions that are undertaken using such structures. In addition, it is proposed to introduce an annual charge in 2013 on such a property that is owned by a 'non-natural person'.

Stamp duty land tax

On the transfer of residential property	rate payable
£0 - £125,000*	nil
£125,001 - £250,000	1%
£250,001 - £500,000	3%
£500,001 - £1,000,000	4%
£1,000,001 - £2,000,000	5%
£2,000,001 and over	7%

* £150,000 in disadvantaged areas until 5 April 2013

This Report, written immediately after the Chancellor of the Exchequer delivered his Budget Speech, provides an overview of the announcements.

Vehicle taxation

COMPANY CARS

An employee is liable to pay income tax on the benefit-in-kind of being provided with a car for personal use. The value of the benefit is determined by multiplying the list price by a percentage. The list price includes the cost of most accessories. The percentage is taken from the table below according to the car's carbon dioxide emissions. The same benefit figure is used to determine the employer's class 1A national insurance liability.

2012/13 company car taxable benefits table

CO_2 emissions (g/km)*	Petrol	Diesel	CO_2 emissions (g/km)*	Petrol	Diesel
1 to 75	5%	8%	160 to 164	23%	26%
76 to 99	10%	13%	165 to 169	24%	27%
100 to 104	11%	14%	170 to 174	25%	28%
105 to 109	12%	15%	175 to 179	26%	29%
110 to 114	13%	16%	180 to 184	27%	30%
115 to 119	14%	17%	185 to 189	28%	31%
120 to 124	15%	18%	190 to 194	29%	32%
125 to 129	16%	19%	195 to 199	30%	33%
130 to 134	17%	20%	200 to 204	31%	34%
135 to 139	18%	21%	205 to 209	32%	35%
140 to 144	19%	22%	210 to 214	33%	35%
145 to 149	20%	23%	215 to 219	34%	35%
150 to 154	21%	24%	220 and over	35%	35%
155 to 159	22%	25%			

*The exact CO_2 figure is rounded down to the nearest 5g/km.
Cars that cannot emit CO_2 by being driven have a benefit of 0%.

COMPANY CAR BENEFIT

Legislation will be introduced in Finance Bill 2012 to increase by one percentage point the level of the relevant percentage of the list price for company cars that is subject to tax. The tax charge applies to cars emitting more than 75 g/km up to a maximum of 35% in 2014/15.

In both 2015/16 and 2016/17, the appropriate percentages of the list price subject to tax will increase by 2% to a maximum of 37%.

There is currently a diesel supplement but this will be removed in April 2016, as diesel cars will be required to have the same air emissions quality as petrol cars from September 2015.

COMPANY CAR FUEL BENEFIT

If an employer provides fuel for any private travel, the taxable benefit is calculated by multiplying £20,200 (2011/12 £18,800) by the percentage used to calculate the benefit on the car. The employer pays class 1A NICs on the same amount at 13.8 per cent.

Current advisory fuel only mileage rates (for a company car)

	Rates per mile	Rates per mile	Rates per mile
Engine capacity	Petrol	Diesel	LPG
Up to 1400cc*	15p	13p	10p
1401cc** - 2000cc	18p	15p	12p
2001cc and over	26p	19p	18p

*1600cc for diesel cars
**1601cc for diesel cars

These rates are normally reviewed quarterly depending on changes in the price of fuel, and changes (if any) take effect on 1 March, 1 June, 1 September and 1 December each year, so the next change in rates will be due on 1 June 2012.

If the employee uses a privately owned car for business journeys, the employer may reimburse the costs at the following standard rates without the employee incurring a tax or NIC charge.

Vehicle	First 10,000 miles	Thereafter
Car/van	45p	25p
Motorcycle	24p	24p
Bicycle	20p	20p

If the employer reimburses at a lower rate per mile, the employee is permitted to claim tax relief on the shortfall.

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