BUDGET

2012 REPORT

BASED ON THE CHANCELLOR'S STATEMENT

watson associates

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The 2012 Budget

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Budget Report 21 March 2012

This Report, which was written immediately after the Chancellor of the Exchequer delivered his Budget Speech, is intended to provide an overview of the latest announcements and recent measures most likely to affect you or your business.

Throughout this guide we have included tips and ideas for effective tax and financial planning, but it is important to remember that this planning should be an ongoing, year-round process, not something that is left until the last minute.

We can help you to reassess your plans regularly, and adapt them as your personal and business circumstances change. With our help, you can plan for a rewarding and financially secure future.

How to make the most of our services

- Use page 15 to compile your own summary of the key points arising from this Budget and any actions you wish to consider.
- Keep a copy of the 2012/13 tax calendar on page 16 handy. It details many of the key dates and deadlines for the coming year.
- Contact us as soon as possible to discuss any action you may be considering, and to review your longer term plans. We always welcome the opportunity to help.

Please note: while most taxation changes take effect from the start of the financial year, or tax year, some may not take effect until 2013, or later. Where relevant, details of these changes have been included in this Report. Throughout the Report, 'HMRC' refers to HM Revenue & Customs.

Chancellor cuts 50p rate in a Budget to 'reward work and support growth'

Chancellor George Osborne began his third Budget speech with a pledge to support working families, through 'far-reaching reform' of the UK tax system.

Asserting that Britain will avoid a 'technical recession' and will 'earn its way in the world', the Chancellor announced that the UK's economic growth forecasts remain broadly unchanged from the Autumn Statement, with the growth forecast for 2012 revised upwards slightly to 0.8%.

The Chancellor's statement contained some key announcements on personal and business taxation, including confirmation of a cut in the 50p headline rate of income tax. Confirming recent speculation, the Chancellor emphasised that the rate has 'damaged competitiveness' and raised 'next to nothing', although the reduction of the rate to 45p will not take effect until April 2013.

Budget Highlights

- **50p tax rate cut from 2013**
- **Corporation tax cut doubled**
- **Further rise in income tax threshold**
- **Age-related allowances to be frozen**
- **New 7% Stamp Duty Land Tax**

Meanwhile, personal tax allowances were also a significant focus of the Chancellor's speech. With the income tax personal allowance set to rise to £8,105 next month, the Chancellor confirmed that a further rise in the income tax allowance will take place in 2013, taking the allowance to £9,205. Age-related tax allowances currently stand at £10,500 for those aged up to 74 and £10,660 thereafter. However, these allowances are to be frozen, and will stop for anyone turning 65 after 5 April 2013.

"A further rise in the income tax personal allowance will take place in 2013"

Among the key measures of significance for business was a doubling of the planned reduction in the headline rate of corporation tax, which will see the rate fall from 26% to 24% in April 2012. Individuals and partnerships in business whose turnover is up to £77,000, are also set to benefit from 'radical reform' of the tax administration system.

The tax cuts announced are to be funded by a clampdown on tax avoidance, together with the introduction of a new 7% Stamp Duty Land Tax on residential properties worth over £2 million, and a provision charging a 15% duty on certain high value purchases. A new cap will also be applied to previously uncapped tax reliefs, set at a rate of 25% of total income (or £50,000 if greater) for those claiming relief of more than £50,000 a year.

Controversial plans to withdraw Child Benefit for higher rate taxpayers have also been modified, with the Chancellor announcing that the benefit will be clawed back by 1% for every £100 of earnings in excess of £50,000 a year, with only those earning over £60,000 losing the benefit entirely.

Despite recent campaigns, the Chancellor stated that there would be no change to the Government's plans for fuel duty, meaning that the scheduled 3p rise will take place in August. The price of tobacco, meanwhile, will see an increase of 5% above inflation.

Additional measures announced include the introduction of tax credits for the video games, animation and high-end television production sectors, a new annual statement of Government spending for taxpayers, and a temporary relaxation of Sunday trading laws, to cover eight weekends during the Olympics and Paralympics.

2012 Economic Forecasts

UK economic growth	**0.8%**
Government borrowing	**£126 billion**
Inflation	**2.8%**
Unemployment	**8.7%**

Income tax and personal savings

Income tax rates

	2012/13	2011/12
Basic rate band – income up to	£34,370	£35,000
Starting rate for savings	*10%	*10%
Basic rate	20%	20%
Dividend ordinary rate	10%	10%
Higher rate – income over	£34,370	£35,000
Higher rate	40%	40%
Dividend upper rate	32.5%	32.5%
Additional rate – income over	£150,000	£150,000
Additional rate	50%	50%
Dividend additional rate	42.5%	42.5%

**Starting rate is for savings income up to the starting rate limit of £2,710 (£2,560) within the basic rate band. The rate applies to any balance of the limit remaining after allocating taxable non-savings income.*

Personal allowances (ages are as at the end of the tax year)

		2012/13	2011/12
Personal allowances (PA)	– under 65	£8,105	£7,475
	– 65 to 74	£10,500	£9,940
	– 75 and over	£10,660	£10,090

The PA for those aged under 65 increases from 6 April 2012 to £8,105. The advantage to higher rate payers is countered by a lowering of the higher rate threshold, to £34,370 from 6 April 2012.

Married couple's allowance (MCA)

Either partner born before 6 April 1935 (relief restricted to 10%)	£7,705	£7,295

Age-related allowances are reduced by £1 for every £2 that adjusted net income exceeds £25,400 (£24,000), to a minimum PA of £8,105 (£7,475).

The MCA is reduced by £1 for every £2 by which the income of the spouse or civil partner with the most income exceeds £24,000 (£22,900), subject to a minimum of £2,960 (£2,800).

Where adjusted net income exceeds £100,000, the PA, including the minimum age-related allowances, is reduced by £1 for every £2 that net adjusted income exceeds £100,000 until it is nil.

Individual Savings Accounts (ISAs)

The annual ISA subscription limit for 2012/13 will rise from £10,680 to £11,280, up to £5,640 of which can be invested in a cash-only ISA.

The subscription limit for Junior ISAs, which are available to those aged under 18 who do not have a Child Trust Fund account, will remain unchanged at £3,600.

In 2009/10, over 100 members of staff were entered on PAYE returns as Mr, Ms or Mrs 'Dummy'.

Furnished Holiday Lettings (FHLs)

The rules on FHLs have been subject to a number of changes in recent years, and further changes apply from the 2012/13 tax year.

From April 2012, the following tests must be satisfied in order for a letting to qualify as an FHL:

- the property must be available for commercial letting as holiday accommodation for a minimum of 210 days during the relevant period
- the property must actually be let to the public for a minimum of 105 days during the relevant period
- the accommodation must not be let for periods of longer term occupation (over 31 days) for more than 155 days in the tax year.

Move from RPI to CPI

From April 2012 the default indexation assumption for all direct taxes including income tax, NICs, inheritance tax, capital gains tax and ISAs, will move from the Retail Price Index (RPI) to the Consumer Price Index (CPI).

Child Benefit

A new income tax charge will apply to taxpayers who receive Child Benefit themselves or whose partner receives Child Benefit. The charge will only apply to those whose income is more than £50,000 for the tax year. If both partners have income of more than £50,000 for the tax year, the charge will apply only to the partner with the highest income.

For this purpose, a partnership comprises: a married couple living together; civil partners living together; a man and a woman who are not married to each other but who are living together; or a man living with a man or a woman living with a woman who are living together as if they were civil partners.

For people with income between £50,000 and £60,000, the amount of the charge will be a proportion of the Child Benefit received. For those with income above £60,000, the amount of the charge will equal the amount of Child Benefit received. For example, Child Benefit for two children is £1,752. For someone whose income is £54,000, the charge will be £700.80 – i.e. £17.52 for every £100 earned above £50,000. For one whose income is £62,000, the charge will be £1,752.

The amount of Child Benefit payable will be unaffected by the new tax charge. However, Child Benefit claimants will be able to elect not to receive the benefit if they or their partner do not wish to pay the new charge. That election may subsequently be withdrawn if the circumstances change.

This measure is to come into effect from 7 January 2013. HMRC will contact people earning over £50,000 about the new charge from Autumn 2012.

Personal allowances and tax rates for 2013/14

The basic and higher rates of income tax will remain at 20% and 40%, respectively, while the additional rate will be reduced to 45%. The dividend additional rate will be set at 37.5%, the trust rate will be set at 45% and the dividend trust rate will be set at 37.5%.

For 2013/14 the personal allowance for those born after 5 April 1948 will be set at £9,205 and the basic rate limit at £32,245.

From 2013/14, the age-related personal allowances will not be increased and their availability will be restricted to people born on or before 5 April 1948:

born 6 April 1938 – 5 April 1948	£10,500
born before 6 April 1938	£10,660

Cap on unlimited tax reliefs

Legislation will apply a cap on income tax reliefs claimed by individuals from 6 April 2013 where they are currently unlimited. For anyone seeking to claim more than £50,000 in reliefs, a cap will be set at 25% of income (or £50,000, whichever is greater).

Domicile and residence

From 6 April 2012 the £30,000 annual Remittance Basis Charge (RBC) will be increased to £50,000 for resident, non-domiciled individuals (non-doms) who have been UK resident for at least 12 out of the last 14 years. The £30,000 RBC will continue to apply for those who have been resident for at least 7 out of the last 9 years. However, the remittance basis tax charge will not apply where non-doms remit foreign income or gains to the UK for the purpose of commercial investment in UK businesses, nor (subject to conditions) when certain property is brought to, and sold in, the UK and the proceeds are then taken offshore.

Complex (and generally not beneficial) identification rules apply if a non-dom remits nominated income or gains before remitting all other offshore income and gains of the year. A slight relaxation applies from 6 April 2012, allowing up to £10 of a year's nominated income and gains to be remitted without triggering the identification rules.

Following a Government consultation, the introduction of the statutory residence test has been delayed until April 2013. Any reforms to ordinary residence will be introduced at the same time.

Also proposed for 2013 is legislation to increase the inheritance tax-exempt amount that a UK domiciled individual can transfer to their non-UK domiciled spouse or civil partner. The Government similarly proposes to allow individuals who are domiciled outside the UK and who have a UK domiciled spouse or civil partner to elect to be treated as domiciled in the UK for the purposes of inheritance tax.

Capital taxes

Capital gains tax (CGT)

The annual exempt amount for individuals for 2012/13 is £10,600.

Gains that fall within an individual's otherwise unused basic rate income tax band are taxed at 18%; any remaining gains above the basic rate band limit are taxed at 28%. The rate of CGT for trustees or personal representatives is 28%.

Foreign currency bank accounts

From 6 April 2012, currency gains and losses on the withdrawal of funds from foreign-denominated bank accounts for all individuals, personal representatives and trustees will be exempt from CGT.

Inheritance tax (IHT)

The IHT threshold is frozen at £325,000 until 5 April 2015.

The rate of IHT remains 20% for lifetime transfers and 40% for death estates (including transfers within seven years before death brought back into the estate for the purpose of calculating the tax due at death).

A reduced rate of 36% will apply from April 2012 to death estates, where 10% or more of the net estate is left to charity.

Avoidance using offshore trusts

With effect on and after 21 March 2012, if a person enters into arrangements through which they acquire an interest in excluded property such that the value of their estate is reduced, the reduction will be charged to IHT as if that person had transferred assets of that value directly to a relevant property trust. The assets settled in the offshore trust will cease to be treated as excluded property and will instead become subject to the relevant property regime.

These provisions will also apply to existing schemes or arrangements entered into before 21 March 2012 but only in relation to periodic charges and exit charges that arise on or after that date.

Tax and travel

Car and fuel benefits

The taxable petrol and diesel car benefit is based on the car's CO_2 emissions. It is calculated using the car's UK list price and applying the 'appropriate percentage' as shown in the table below.

The car fuel benefit is calculated by applying the same percentages to the fuel multiplier, which for 2012/13 is £20,200.

For cars which cannot produce CO_2 engine emissions under any circumstances when driven ('zero emission cars', including those powered solely by electricity), the appropriate percentage is reduced to 0%, thereby reducing the car benefit charge to nil.

For cars emitting between 1g/km and 75g/km the appropriate percentage is reduced to 5% (8% for diesel) for five years from 6 April 2010.

take note

Tax-free allowances, such as mileage payments, apply when you drive your own car or van on business journeys. The statutory rates are 45p a mile for the first 10,000 miles and 25p a mile above this. If you use your motorbike the rate is 24p a mile, and you can even claim 20p a mile for using your bicycle!

Changes from 2013/14

The lower threshold will be reduced from 120g/km to 115g/km. The lowest appropriate percentages will remain at 0% and 5%. The 10% rate will apply to cars with CO_2 emissions of 76g/km to 94g/km. The appropriate percentage will increase by 1% for all vehicles with CO_2 emissions between 95g/km and 215g/km, to a maximum of 35%.

VAT on fuel for private use in cars

Where businesses wish to reclaim the input VAT on fuel which has some degree of private use, they must account for output VAT on a scale charge.

The table shows the VAT chargeable for quarters commencing on or after 1 May 2012.

CO_2 emissions	Appropriate percentage		Quarterly VAT	
(g/km)	Petrol %	Diesel %	Fuel scale charge £	VAT on charge £
Zero	0	0	166	27.67
Up to 75	5	8	166	27.67
76 to 99	10	13	166	27.67
100 – 104	11	14	166	27.67
105 – 109	12	15	166	27.67
110 – 114	13	16	166	27.67
115 – 119	14	17	166	27.67
120 – 124	15	18	166	27.67
125 – 129	16	19	250	41.67
130 – 134	17	20	266	44.33
135 – 139	18	21	283	47.17
140 – 144	19	22	300	50.00
145 – 149	20	23	316	52.67
150 – 154	21	24	333	55.50
155 – 159	22	25	350	58.33
160 – 164	23	26	366	61.00
165 – 169	24	27	383	63.83
170 – 174	25	28	400	66.67
175 – 179	26	29	416	69.33
180 – 184	27	30	433	72.17
185 – 189	28	31	450	75.00
190 – 194	29	32	467	77.83
195 – 199	30	33	483	80.50
200 – 204	31	34	500	83.33
205 – 209	32	35	517	86.17
210 - 214	33	35	533	88.83
215 – 219	34	35	550	91.67
220 – 224	35	35	567	94.50
225 and above	35	35	583	97.17

Plug-in Grants

Motorists (private or business) purchasing a new qualifying ultra-low emission car can receive a grant of 25% towards the cost of the vehicle, up to a maximum of £5,000. The scheme has recently been extended to cover new qualifying ultra-low emission vans, where the available grant will be 20% towards the cost of the vehicle, up to a maximum of £8,000.

Vehicles with CO_2 emissions of 75g/km or less, including electric, plug-in hybrid and hydrogen-fuelled cars, are all potentially eligible for the subsidy. There are strict criteria to be met before specific vehicles can be confirmed as eligible under the rules of the scheme.

Mileage rates

Changes to the HMRC business mileage rates are announced from time to time. The rates from 6 April 2012 are as follows:

Vehicle	First 10,000 miles	Thereafter	Car – fuel only advisory rates Engine capacity	Petrol	Diesel	LPG
Car/van	45p	25p	1400cc or less	15p	13p	10p
Motorcycle	24p	24p	1401cc to 1600cc	18p	13p	12p
Bicycle	20p	20p	1601cc to 2000cc	18p	15p	12p
			Over 2000cc	26p	19p	18p

The fuel only advisory rates relate to company cars only. They can be applied as a tax-free maximum rate for employees claiming for petrol used on business journeys and for employees reimbursing their employers with the cost of petrol used for private journeys.

HMRC will consider claims for a higher maximum rate, if it can be demonstrated that it is necessary for an employee to use a car with higher than average fuel costs.

Car costs – Vehicle Excise Duty (VED) rates

VED ('Car Tax') rates also reflect emissions, with lower scale rates for cars using alternative fuels. The following table shows the rates which apply from 1 April 2012 for cars registered on or after 1 March 2001:

VED Band	CO_2 Emissions (g/km)	First Year Rate	Standard Rate	
			Petrol & Diesel	Alternative Fuels
A	Up to 100	£0	£0	£0
B	101 - 110	£0	£20	£10
C	111 - 120	£0	£30	£20
D	121 - 130	£0	£100	£90
E	131 - 140	£120	£120	£110
F	141 - 150	£135	£135	£125
G	151 - 165	£170	£170	£160
H	166 - 175	£275	£195	£185
I	176 - 185	£325	£215	£205
J	186 - 200	£460	£250	£240
K*	201 - 225	£600	£270	£260
L	226 - 255	£815	£460	£450
M	Over 255	£1,030	£475	£465

*includes cars emitting over 225g/km registered before 23 March 2006.

Company vans

The taxable benefit for the unrestricted private use of vans is £3,000. There is a further £550 taxable benefit if the employer provides fuel for private travel.

Van and fuel charge	Van	Fuel	Total
Tax (20% taxpayer)	£600	£110	£710
Tax (40% taxpayer)	£1,200	£220	£1,420
Tax (50% taxpayer)	£1,500	£275	£1,775
Employer's Class 1A NICs	£414	£75.90	£489.90

The flat rate of £3,000 is reduced to nil for vans emitting zero CO_2. There is no fuel benefit for such vans.

Business tax and investment incentives

Corporation tax

Corporation tax rates and bands are as follows:

Financial year to	31 March 2013	31 March 2012
Taxable profits		
First £300,000	20%	20%
Next £1,200,000	25%	27.5%
Over £1,500,000	24%	26%

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

Capital allowances

From April 2012 there will be a reduction in the amount of expenditure on plant and machinery that qualifies for a 100% year one write-off (via the Annual Investment Allowance (AIA)), from £100,000 to just £25,000.

In addition, from 1 April 2012 (for businesses within the charge to corporation tax) and from 6 April 2012 (for businesses within the charge to income tax), the rates of writing down allowances will be reduced from 20% to 18% (main rate pool) and from 10% to 8% (special rate pool). For businesses with years straddling 31 March/5 April, there will be a transitional AIA and writing down allowance.

From April 2012 the availability of capital allowances to a purchaser of fixtures will be conditional on businesses following a new statutory mechanism for fixing a value for fixtures within two years of a sale.

As announced in the Autumn Statement, the Enterprise Zones in assisted areas will qualify for enhanced capital allowances. In these areas, 100% First Year Allowances will be available for expenditure incurred by trading companies on qualifying plant or machinery. The qualifying expenditure must be incurred between 1 April 2012 and 31 March 2017.

Research and development (R&D)

The additional corporation tax deduction given to SMEs for qualifying R&D expenditure rises from 100% to 125%, in respect of expenditure incurred on or after 1 April 2012. The £10,000 minimum expenditure requirement for large companies and SMEs will be abolished. The Government will introduce an 'above the line' R&D tax credit from April 2013 with a minimum rate of 9.1% before tax. Loss making companies will be able to claim a payable credit.

Controlled foreign companies (CFCs)

A new CFC regime will have effect for CFC accounting periods beginning on or after 1 January 2013. The business profits of a foreign subsidiary will be outside the scope of the new CFC regime if they meet the specified conditions set out in a 'gateway'. There will be 'safe harbours' for the gateway conditions covering general commercial business, incidental finance income and some sector specific rules. As an alternative to the gateway there will be exemptions including excluded territory exemption and a low profits exemption. There will also be rules for intra group finance income.

Media

Subject to State Aid approval and following consultation, the Government will introduce new corporation tax reliefs from April 2013 for the video games, animation and high-end television industries.

Enterprise Management Incentives (EMI)

Subject to State Aid approval, the limit on the value of shares over which options may be held by an employee under EMI will be increased, as soon as possible, from £120,000 to £250,000. The Government will make reforms to the EMI in Finance Bill 2013 so that gains made on shares acquired through exercising EMI options on or after 6 April 2012 will be eligible for Entrepreneurs' Relief.

Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs)

Legislation will be included in Finance Bill 2012 to simplify the EIS by relaxing the connected person rules and widening the definition of shares which qualify for relief, and removing the £500 minimum investment limit. The Government will also remove the £1 million limit on investment by a VCT in a single company (except for companies in a partnership or a joint venture).

The employee limit for both EIS and VCT purposes will be increased to fewer than 250 employees, while the gross asset limit will rise to £15 million before the investment and £16 million after, and the maximum annual amount that can be invested in an individual company will increase to £5 million (and not £10 million as had been previously announced). These changes will apply, subject to State Aid approval, to shares in investee companies that are issued on or after 6 April 2012. In addition, the maximum annual amount that an individual can invest under the EIS will rise to £1 million.

From April 2012, a new Seed Enterprise Investment Scheme (SEIS) will:

- apply to smaller companies, those with 25 or fewer employees and assets of up to £200,000, which are carrying on or preparing to carry on a new business
- give income tax relief worth 50% of the amount invested to individual investors with a stake of less than 30% in such companies, including directors who invest in their companies
- apply to an annual amount of investment of £100,000 per investor, with unused annual amounts able to be carried back to the previous year, as under EIS
- provide for relief within an overall tax favoured investment limit of £150,000 for the company
- provide for an exemption from CGT on gains on shares within the scope of the SEIS and on gains realised from disposals of assets in 2012/13, where the gains are reinvested through the new SEIS in the same year.

Patent Box

The Patent Box will, from 1 April 2013, allow companies to elect to apply a 10% rate of corporation tax to all profits attributable to qualifying patents, whether paid separately as royalties or embedded in the sales price of products. The regime will also apply to other qualifying intellectual property rights such as regulatory data protection, supplementary protection certificates and plant variety rights.

Small businesses

From April 2013 a new cash basis for calculating tax for small unincorporated businesses will be introduced. The Government will consult on the details of the scheme including on extending eligibility to businesses with turnover up to the VAT registration threshold of £77,000.

Anti-avoidance

Legislation will be introduced in the Finance Bill to prevent tax avoidance arising from: corporate investors in Authorised Investment Funds; corporate settlor-interested trusts; debt buybacks; plant and machinery leasing; plant and machinery transactions where there is a tax avoidance purpose; post-cessation trade and property reliefs; property losses; sales of lessor companies; and site restoration payments.

'The Chancellor of the Exchequer is a man whose duties make him more or less of a taxing machine. He is trusted with a certain amount of misery which it is his duty to distribute as fairly as he can'. Chancellor Robert Lowe (1868-73 Chancellor)

National Insurance Contributions (NICs)

2012/13		Employer	Employee
Class 1 – not contracted out			
Payable on weekly earnings of			
Below £107 (lower earnings limit)		Nil	Nil
£107 - £144 (employers' earnings threshold)		Nil	Nil
£144.01 - £146 (employees' earnings threshold)		13.8%	Nil
£146.01 - £770 (upper accrual point)		13.8%	12%
£770.01 - £817 (upper earnings limit)		13.8%	12%
over £817		13.8%	2%
Over state retirement age, the employee contribution is generally nil.			
Class 1A	On relevant benefits	13.8%	Nil
Class 2	Self employed		£2.65 per week
	Limit of net earnings for exception		£5,595 per annum
Class 3	Voluntary		£13.25 per week
Class 4*	Self employed on profits		
	£7,605 - £42,475		9%
	Excess over £42,475		2%

*Exemption applies if state retirement age was reached by 6 April 2012.

Value Added Tax (VAT)

From	4 Jan 2011
Standard rate	20%
VAT fraction	1/6
Reduced rate	5%
Current Turnover Limits	
Registration – last 12 months or next 30 days over	£77,000 from 1 April 2012
Deregistration – next 12 months under	£75,000 from 1 April 2012
Annual Accounting Scheme	£1,350,000
Cash Accounting Scheme	£1,350,000
Flat Rate Scheme	£150,000

Jim Callaghan chose not to use the Budget box when he was Chancellor (1965-67); he used a larger brown box for his Budgets.

VAT (continued)

Hot food and premises

The definition of 'hot food' will be clarified to confirm that the sale of all hot food, with the exception of freshly baked bread, is standard-rated. The meaning of 'premises' will be clarified by confirming that the sale of all food sold for consumption in areas adjacent to a retailer (such as a table and chairs outside a café) or in areas that are shared with other retailers (such as food courts in shopping centres) is standard-rated. The measure will have effect on supplies made on or after 1 October 2012.

Approved alterations to listed buildings

Currently the repair and maintenance of a protected building is standard-rated, but the approved alteration of a protected building is zero-rated.

New rules will result in:

- all building materials and construction services supplied in the course of an approved alteration to a protected building becoming subject to VAT at the standard rate
- a narrowing of the circumstances in which the first sale or long lease by a developer of a substantially reconstructed protected building can be zero-rated, so that only buildings reconstructed from a shell continue to benefit from the zero rate.

The measure will have effect on supplies made on or after 1 October 2012. Transitional arrangements will be put in place to protect contracts entered into before 21 March 2012. Anti-forestalling legislation will apply to supplies made on or after 21 March 2012.

VAT standard rate clarifications

It has been clarified that from 1 October 2012 the standard rate of VAT will apply to: self-storage, hairdressers' chair rental, sports nutrition drinks and holiday caravans.

Duties

Stamp Duty Land Tax (SDLT): Residential property over £2 million

SDLT on the purchase of a residential property (freehold, lease premium or assignment) will be charged at 7% of chargeable consideration where this is more than £2 million. The measure will have effect for transactions where the effective date (normally the date of completion) is on or after 22 March 2012.

SDLT: Enveloping of high value residential properties

A 15% rate of SDLT will apply to residential properties over £2 million purchased by certain 'non-natural persons', and will take effect from 21 March 2012.

In addition the Government will consult on the introduction of an annual charge on residential properties valued over £2 million owned by certain non-natural persons, with the intention of introducing legislation next year and the measure coming into effect in April 2013.

Air Passenger Duty

As set out in the 2011 Autumn Statement, Air Passenger Duty (APD) rates will rise from 1 April 2012.

Tobacco products duty

From 21 March 2012 the duty rates for tobacco products are increased by 5% above RPI. This is equivalent to adding:

- 37p to a packet of 20 cigarettes
- 37p to a pouch (25g) of hand-rolling tobacco
- 12p to a packet of 5 small cigars
- 20p to a pouch (25g) of pipe tobacco.

Alcohol duty rates

As previously announced, from 26 March 2012 alcohol duty rates will increase by 2% above RPI. This is equivalent to adding:

- 3p to the price of a pint of beer
- 2p to the price of a litre of cider
- 11p to the price of a bottle of wine
- 41p to the price of a bottle of spirits.

National Minimum Wage (NMW)

The NMW rates are as follows:

Age	21 and over	18-20	16 and 17	Apprentices*
From 1 October 2011	£6.08	£4.98	£3.68	£2.60
From 1 October 2012	£6.19	£4.98	£3.68	£2.65

*Rate applies to apprentices under 19, or those 19 and over in the first year of apprenticeship.

Other measures announced

Income tax avoidance: Life insurance policies

The chargeable event gain regime provides special rules for applying income tax to investment gains from life insurance policies. These rules apply to each individual policy or contract and provide that the amount of a gain that may be liable to income tax is the difference between the value of benefits paid from a policy and the total of premiums paid into the policy plus certain gains arising earlier in the life of a policy.

There is currently no requirement under these rules that the earlier gains must have been included in the total income of a person liable to any tax under the chargeable event gain regime. For relevant policies and contracts made on or after 21 March 2012 (and existing policies and contracts which are assigned in part or whole, or are used as security for a debt, or into which policyholders choose to pay further premiums, on or after 21 March 2012), changes announced will ensure that when calculating the amount of a chargeable event gain under a policy or contract, a deduction for earlier gains will only be allowed to the extent that those earlier gains are attributable to a person chargeable to tax on gains under the chargeable event gain regime.

Further provisions will be included to ensure that interdependent policies (under which the value of benefits paid from one policy is dependent on premiums paid into another policy) will be treated as a single policy with the current rules applying to that single policy as usual.

Personal Tax Statement

From the 2014/15 tax year the Government will introduce a new Personal Tax Statement for around 20 million taxpayers, including Self Assessment taxpayers and those in Pay As You Earn (PAYE) who receive a coding notice.

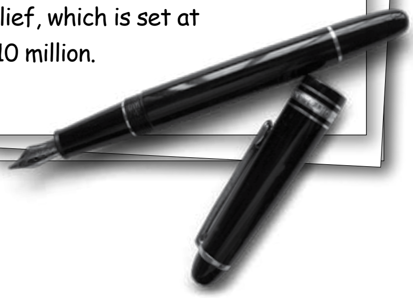
The statement will detail the income tax and National Insurance Contributions (NICs) they have paid and their average tax rates. It will also outline how this contributes to public spending, outlining the proportions used for education, health and welfare.

The aim is to improve the transparency of the tax system.

According to sample Treasury calculations, someone earning just over £25,000 would pay £5,700 in direct taxes. Of that, more than £1,900 would go on welfare and pension payments, nearly £1,000 on health and £750 on education. £360 would also be spent on national debt repayments.

take note

Make sure you qualify for Entrepreneurs' Relief wherever possible. The relief can reduce the rate of capital gains tax from 28% to 10%, meaning that it may be worth up to £1.8 million in tax savings for each individual. Each taxpayer has a lifetime limit on gains which can qualify for the relief, which is set at £10 million.



General Anti-Abuse Rule (GAAR)

A consultation document will be issued in Summer 2012 with a view to bringing forward legislation in Finance Bill 2013.

The Government insists it is 'committed to ensuring that this legislation effectively tackles artificial and abusive tax avoidance schemes and that the supporting guidance is practical both for taxpayers and for HMRC'.

Gift Aid small donations scheme

As announced at Budget 2011, the Government will introduce a new Gift Aid small donations scheme from April 2013 to enable charities to claim a Gift Aid style top-up payment on up to £5,000 of small donations, without the need to collect Gift Aid declarations.

Charities will be able to claim the new payment on donations of £20 or less.

Real Time Information (RTI) and PAYE penalties

Currently, employers and pension providers send information about tax, NICs and other payroll deductions to HMRC after the end of each tax year. The result is that HMRC cannot correct mistakes until the employer sends this information. However, under RTI, employers and pension providers will tell HMRC about tax, NICs and other deductions when or before the payments are made.

The Government will consult before the Summer on a new model for PAYE late payment and late filing penalties.

Bank Levy rate

As announced at Autumn Statement 2011, the full rate of the Bank Levy is set at 0.088% from 1 January 2012. In the Budget it was announced that from 1 January 2013 the full rate of the Bank Levy will be increased to 0.105%.

Derick Heathcote-Amory's 1959 Budget was dubbed the 'Man's Budget' by the *Daily Herald* as it took 2d off beer and reduced purchase tax on cars.

National Loan Guarantee Scheme

Just prior to the Budget the Chancellor launched a new National Loan Guarantee Scheme (NLGS), designed to give smaller businesses greater access to cheaper finance by guaranteeing banks' own borrowing.

Up to £20 billion of Government guarantees will be provided on unsecured borrowing by participating banks, enabling them to borrow at a cheaper rate. They will then pass on the entire benefit to businesses which, when taking out an NLGS loan, will receive a discount of one percentage point compared to the interest rate that they would otherwise have received from that bank outside the scheme.

The loans are available to all UK businesses with a company group annual turnover of less than £50 million. Banks currently participating in the scheme are Barclays, Santander, Lloyds and RBS, with Aldermore having also agreed to join in principle. Around £5 billion in guarantees will be made available in the first tranche.

What they said

Budget 2012 – Reaction to the Chancellor's Speech

This Budget supports working families. It unashamedly backs business. And it is on the side of aspiration.

Chancellor George Osborne

Millions will be paying more so that millionaires can pay less.

Ed Miliband, Labour leader

By putting more money in the pockets of ordinary people, the Chancellor has provided a much-needed confidence boost … if businesses were looking for more, it was in the area of deregulation.

John Cridland, Confederation of British Industry

We asked for a Budget with long-term measures to help to instil confidence, rather than a barrage of micro-measures that have a limited impact on the ground.

John Walker, Federation of Small Businesses

The 50p tax rate controversy

In the months leading up the Budget, no single issue was subject to more media speculation and public debate than the 50p headline rate of income tax.

The 50% additional rate for income in excess of £150,000 was introduced in the 2009 Budget by Labour Chancellor Alistair Darling for the 2010/11 tax year. Despite its general unpopularity amongst traditional Conservative supporters and his continued insistence that it was a 'temporary' measure, George Osborne declined to remove the rate in either of his first two Budgets.

It remained unclear whether the 50p rate had raised much or indeed any extra revenue for the Treasury, and further pressure was put on the Chancellor in March 2012 when a group of more than 500 business owners called for the rate to be scrapped in an open letter published in the *Daily Telegraph*, claiming that 'the 50p tax is set to reduce government income and damage the economy, the public services and charitable giving'.

The general consensus had been that although it might make economic sense to scrap the 50p rate it was politically very difficult for the Tory-led Government to be seen to be offering the richest people in the country a high-profile tax break at a time when ordinary families are under financial pressure.

In the end, the Chancellor announced a cut to 45p, coming into effect in 2013. Referring to research undertaken by HMRC, he claimed that the 50p rate had raised just one-third of the £3 billion initially predicted, and that new tax and anti-avoidance measures would raise 'five times' as much from the wealthiest. He concluded: 'No Chancellor can justify a tax rate that damages our economy and raises next to nothing'.

As well as being an influential Chancellor of the Exchequer, Hubert Walter (d.1205) also enjoyed the positions of Archbishop of Canterbury and 'Chief Justiciar of England' (a sort of medieval equivalent of the Prime Minister).

My key Budget points

Use this page to record any key points arising from the Budget which you think might affect you or your business. Once you have completed your summary, contact us to discuss the issues and for advice on any appropriate action to take.

Key point or question	**To follow up** ✓	**Action agreed** ✓

This Budget Report was prepared immediately after the Chancellor's Budget Statement based on official press releases and supporting documentation. The Budget proposals are subject to amendment before the Finance Act receives Royal Assent. This Report is for guidance only, and professional advice should be obtained before acting on any information contained herein. No responsibility can be accepted by the publishers or the distributors for loss occasioned to any person as a result of action taken or refrained from in consequence of the contents of this publication.

2012/13 Tax Calendar

April 2012

M	Tu	W	Th	F	Sa	Su
30						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

May 2012

M	Tu	W	Th	F	Sa	Su
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

June 2012

M	Tu	W	Th	F	Sa	Su
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

July 2012

M	Tu	W	Th	F	Sa	Su
30	31					1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

August 2012

M	Tu	W	Th	F	Sa	Su
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

September 2012

M	Tu	W	Th	F	Sa	Su
					1	2
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10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

October 2012

M	Tu	W	Th	F	Sa	Su
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

November 2012

M	Tu	W	Th	F	Sa	Su
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

December 2012

M	Tu	W	Th	F	Sa	Su
31					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

January 2013

M	Tu	W	Th	F	Sa	Su
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February 2013

M	Tu	W	Th	F	Sa	Su
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

March 2013

M	Tu	W	Th	F	Sa	Su
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

April 2012

5 Last day of 2011/12 tax year.

Deadline for 2011/12 ISA investments.

Last day to make disposals using the 2011/12 CGT exemption.

Last date for contracting back into the State Second Pension for 2011/12.

14 Due date for income tax for the CT61 period to 31 March 2012.

19/20 Quarter 4 2011/12 PAYE remittance due.

20 Interest will begin to accrue on unpaid PAYE/NI for 2011/12.

30 Normal annual adjustment for VAT partial exemption calculations (monthly returns).

May 2012

1 Start of daily penalties for 2011 online Tax Return not yet filed. Additional penalties may apply for further delay.

3 Submission date of P46 (Car) for quarter to 5 April.

19 Last day for filing forms P14, P35, P38, and P38A – 2011/12 PAYE returns – without incurring penalties.

31 Last day to issue 2011/12 P60s to employees.

June 2012

30 End of CT61 quarterly period.

Annual adjustment for VAT partial exemption calculations (March VAT year end).

July 2012

6 Deadline for submission of Form 42 (transactions in shares and securities).

Deadline for submission of EMI40 (EMI Annual Return).

File Taxed Award Scheme Returns, file P11Ds, P11D(b)s and P9Ds. Issue copies of P11Ds or P9Ds to employees.

14 Due date for income tax for the CT61 period to 30 June 2012.

19/20 Quarter 1 2012/13 PAYE remittance due.

Final date for payment of 2011/12 Class 1A NICs.

Second payment due date for 2011/12 Class 2 NICs.

31 Second Self Assessment payment on account for 2011/12.

Annual adjustment for VAT partial exemption calculations (April VAT year end).

Liability to 5% penalty on any tax unpaid for 2010/11.

Deadline for tax credit Annual Declaration (if estimated, final figures required by 31/01/13).

August 2012

2 Submission date of P46 (Car) for quarter to 5 July.

31 Annual adjustment for VAT partial exemption calculations (May VAT year end).

September 2012

30 End of CT61 quarterly period.

Last day for UK businesses to reclaim EC VAT chargeable in 2011.

October 2012

1 Due date for payment of Corporation Tax for period ended 31 December 2011.

5 Individuals/trustees must notify HMRC of new sources of income/ chargeability in 2011/12 if a Tax Return has not been received.

14 Due date for income tax for the CT61 quarter to 30 September 2012.

19/22 Quarter 2 2012/13 PAYE remittance due.

31 Deadline for paper submission of 2012 Tax Return without incurring penalties.

November 2012

1 Please ensure you are retaining your documents for the 2013 Tax Return. £100 penalty if 2012 paper Tax Return not yet filed. Additional penalties may apply for further delay.

2 Submission date of P46 (Car) for quarter to 5 October.

December 2012

30 Last day for online submission of 2012 Tax Return for HMRC to collect tax through clients' PAYE code, where they owe less than £3,000.

31 Last day for non-EU traders to reclaim recoverable UK VAT suffered in the year to 30 June 2012.

End of relevant year for taxable distance supplies to UK for VAT registration purposes.

End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for period ended 31 December 2011.

January 2013

1 Due date for payment of Corporation Tax for period ended 31 March 2012.

14 Due date for income tax for the CT61 quarter to 31 December 2012.

18/22 Quarter 3 2012/13 PAYE remittance due.

31 First self assessment payment on account for 2012/13.

Capital gains tax payment for 2011/12.

Balancing payment – 2011/12 income tax/Class 4 NICs.

Last day to renew 2012/13 tax credits.

First payment due date for 2012/13 Class 2 NICs.

Deadline for amending 2010/11 Tax Return.

Last day to file the 2012 Tax Return online without incurring penalties.

February 2013

1 £100 penalty if 2012 Tax Return not yet filed online. Additional penalties may apply for further delay. Interest starts to accrue on 2011/12 tax not yet paid.

2 Submission date of P46 (Car) for quarter to 5 January.

14 Last date (for practical purposes) to request NIC deferment for 2012/13.

March 2013

2 Last day to pay any balance of 2011/12 tax and Class 4 NICs to avoid an automatic 5% late payment penalty.

31 End of Corporation Tax financial year.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for the period ended 31 March 2012.

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