

2013 Autumn Statement

On Thursday 5 December the Office for Budget Responsibility (OBR) published its updated forecast for the UK economy.

Chancellor Osborne responded to that forecast in a statement to the House of Commons later that day. In this briefing, we look at the major announcements.

Our summary is split into the following categories:

- Personal tax
- Corporate tax
- Capital allowances
- Pension changes

Personal Tax

The personal allowance will be increased from £9,440 to £10,000 for those born after 5th April 1948 – a key election pledge of the Liberal Democrats.

Personal allowances will continue to be reduced for those with an adjusted net income of over £100,000. Where net adjusted income exceeds £118,880, no allowance will be available (£120,000 in 2014/15).

Tax Bands & Rates (2014/15)

Income tax bands remain at 20% and 40%. The threshold where 40% applies will rise from £41,150 to £41,865 effective from 2014/15 onwards.

Where taxable income exceeds £150,000, the 45% band remains intact.

Dividend income, (where taxable income is greater than £150,000), will be taxed at 37.5%. No changes were announced to the tax rates applicable to dividend income which falls into the basic rate band (10%) or the high rate band (32.5%).

Individual Savings Accounts (ISAs)

Effective from April 2014, the overall ISA savings limit will be increased to £11,880 - £5,940 can be invested in Cash ISAs. Shares listed in the Alternative Investment Market (AIM) qualify for ISA investments, and often benefit from attractive IHT relief (Business Property Relief).

The annual subscription limit for Junior ISA and Child Trust Fund accounts is set to increase from £3,720 to £3,840.

Personal Tax (contd.)

Pensions

The following changes were announced effective for the tax year 2014/15:

- The annual allowance for pension tax relief savings will be reduced from £50,000 to £40,000
- The standard life-time allowance for pension tax relief savings will be reduced from £1.5 million to £1.25 million

Transferable Tax Allowance

Effective from April 2015, this measure applies to married couples and civil partners and has caught the headlines as a key change. Spouses / civil partners will be able to transfer a set amount of their personal allowance (£1,000) to their partner, provided neither pay tax at the high or additional rate. In effect, the transferee will be able to earn £1,000 more before they start paying high rate tax.

The claim will for this transfer will be made online from 2015/16 onwards.

Business Tax

Corporation Tax Rates

The main rate of corporation tax, currently 23%, is due to be reduced to 21% from 1st April 2014. The main rate will be unified with the small profits rate (20%) from 1 April 2015. In the interim, the small profits rate remains at 20%.

Corporate donations to Community Amateur Sports Clubs (CASC)

Individuals can claim gift aid relief on qualifying donations to charities and CASC. The Government announced that from 1st April 2014, Companies will be able to claim a corporate tax deduction for donations to CASC.

Employment Tax

Real Time Information

A new penalty regime will apply from 6th April 2014, and will depend on the number of employees within the business. Monthly penalties will range from £100 to £400.

New employers will not be fined provided the first RTI return is filed within 30 days of making the first payment to an employee.

Employer provided cars (Benefit in Kind)

Effective from 6th April 2014, the Benefit in Kind charges will be increased by 1%, subject to a maximum charge of 35% of the list price of the car. From 6th April 2015, the bands will increase by 2%, and the long standing maximum charge will rise to 37%.

Car fuel benefits charge multiplier will be increased from £21,100 to £21,700, effective from 6th April 2014.

Employment Tax (contd.)

National Insurance - £2,000 employment allowance

From April 2014, the Government will introduce an allowance of up to £2,000 to be used to offset Employer Class 1 National Insurance Contributions (NIC). This will be restricted to the actual Class 1 NIC liability if it is less than £2,000.

Employer NIC for under 21s

Employer NIC for employees under 21 will no longer apply, effective from April 2015. However, for those earning more than £42,285 (2015/16), employer NIC will apply as normal beyond this threshold.

Tax exemptions for medical treatments

Medical treatments costing up to £500 will be a tax free benefit, if the employer pays this on behalf of an employee.

Capital Taxes

CGT Rates

The current rates of Capital Gains Tax (CGT) were left unchanged by the Chancellor – 18% (rising to 28% if a high rate taxpayer).

The CGT annual exemption for 2013/14 (£10,900) rises to £11,000 in 2014/15. For most trustees, the corresponding figures will be £5,000 rising to £5,500.

Inheritance Tax (IHT) Nil Rate Band

The IHT nil rate band will remain at £325,000 until 5th April 2018.

CGT – private residence relief

In general terms, an individual's Principal Private Residence (PPR) is exempt from CGT – i.e. their main residence / home. Provisions exist to maintain this exemption, even if an individual is no longer resident in the property. A final period of exemption keeps this valuable exemption in place for 36 months prior to disposal. From 6th April 2014, this will be reduced to 18 months.

CGT – UK residential property and non-residents

A CGT charge, based on future gains made by non-residents disposing of UK residential property is due to be implemented in April 2015, with a consultation process due to start early next year.

Contact us

If you would like to discuss the contents of our Autumn Statement briefing, please contact Nigel Morrow.

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