

2012 Autumn Statement

On Wednesday 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 £8,105 to £9,440, for those aged under 65. This is greater than the previously announced increase, and is reflective of the Coalition Government's stated aim to raise this allowance to £10,000.

Personal allowances will continue to be reduced for those with an adjusted net income of over £100,000. Where net adjusted income exceeds £116,210 (2012/13), no allowance will be available.

Tax Bands & Rates (2012/13)

Income tax bands remain at 20% and 40%. The threshold where 40% applies has fallen from £42,475 to £41,450, effective from 2013/14 onwards.

Where taxable income exceeds £150,000, the 50% band currently applicable will fall to 45% next year.

Dividend income, (where taxable income is greater than £150,000), will be taxed at 42.5% this year and 37.5% next year. 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 2013, the overall ISA savings limit will be £11,520.

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

We understand that legislation will be introduced in the Finance Bill 2013 to implement these changes.

Child Benefit

A new tax charge, introduced from 7th January 2013, will apply to taxpayers with an 'adjusted net income' in excess of £50,000, irrespective of whether they are in receipt of the child benefit or their partner. In effect, the charge will claw back some of the child benefit paid. However those with an 'adjusted net income' of £60,000 or more will suffer a tax charge equal to the amount of child benefit received.

Restrictions on specific income tax reliefs

As announced in the 2012 Budget, the income tax relief available from specific schemes (e.g. EIS) will be restricted from April 2013 onwards.

Individuals will be able to claim income tax relief worth up to £50,000, or 25% of their income, whichever is greater.

Business Tax

Corporation Tax Rates

The main rate of corporation tax, currently 24%, is due to be reduced to 23% from 1st April 2013. In a welcome announcement, the Chancellor confirmed that from 1st April 2014, the main rate will be further reduced to 21%.

Annual Investment Allowance (AIA)

Further good news for businesses came in the guise of the Annual Investment Allowance. The AIA provides a 100% deduction for the cost of plant and machinery in the year of purchase, up to a current limit of £25,000. This will be raised to £250,000 for a period of 2 years effective from 1st January 2013. This represents a significant increase and will be hugely beneficial to those companies investing in plant and machinery going forward.

Business Tax (contd.)

Capital Allowances and Cars

A 100% 1st year allowance is available on new low emission cars purchased by a business. This is currently available on cars with an emissions figure not greater than 110gm/km. This allowance is set to continue for a further 2 years, but only for vehicles with emissions not exceeding 95gm/km.

This seemingly minor adjustment greatly reduces the number of models available from c. 150 to less than 30 models.

Creative Sector

Companies involved in the production of animated films, video games and high end television programmes will be allowed to claim an additional 100% of certain specified expenditure, applicable from 1st April 2013. Alternatively, the company will be able to claim a payable tax credit (25% of qualifying losses surrendered).

Employment Tax

Real Time Information

Significant changes are planned to take effect in April 2013. Each time employers pay their employees, they will be obliged to send information to HM Revenue & Customs. This represents a major overhaul in the PAYE system. If you would like further information on this please contact us for our client briefing.

Employer provided cars (Benefit in Kind)

Effective from 6th April 2013, the Benefit in Kind charges will be increased by effectively 1%, subject to a maximum charge of 35% of the list price of the car.

Capital Taxes

CGT Rates

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

Similarly, the CGT annual exemption was left unchanged for 2013/14 but will rise to £11,000 (2014/15) and remain for following tax year (2015/16).

Inheritance Tax (IHT) Nil Rate Band

The IHT nil rate band will remain at £325,000 until 5th April 2015. For the tax year thereafter (2015/16), this threshold will be raised to £329,000.

Stamp Duty Land Tax (SDLT) Disadvantaged Areas Relief

Residential Properties, situated within designated disadvantaged areas and sold for up to £150,000 were exempt from SDLT. This exemption will be generally withdrawn, effective from 6th April 2013.

Capital Taxes (contd.)

Commercial Property

The Small Business Rate Relief scheme will be further extended for 12 months from 1st April 2013.

Newly built commercial property completed between 1st October 2013 and 30th September 2016 will be able to avail of an exemption from empty property rates, for the first 18 months. However this is subject to further consultation and State Aid limits.

Contact us

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

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