

Budget 2012

Can you benefit from these tax saving opportunities?

Reduction in the additional rate of income tax

From 6 April 2013 the additional rate of income tax, for individuals with income of over £150,000, is due to fall from 50% to 45%.

Opportunities

If you are likely to pay income tax at the 50% rate for the next tax year (the year ended 5 April 2013) you should consider ways to defer income to the following year so that you are taxed at the lower 45% rate. Possible ideas are to:

- defer the payment of dividends until after 5 April 2013;
- take money out of a company via a loan during 2012/13, rather than receiving a salary. The loan could be repaid after 6 April 2013 out of a taxed bonus (consideration needs to be given to benefit-in-kind and company tax implications); and
- accelerate capital expenditure, so that profits are lower in the year ended 5 April 2013.

You should consider maximising your pension contributions during the year ended 5 April 2013 so that you obtain relief at 50% i.e. before the relief falls to 45%.

Increase in the personal allowance

From 6 April 2013 the personal allowance will increase to £9,205. This is increasing at a rate faster than anticipated and closing in on the £10,000 personal allowance target by the end of the parliament in 2015.

Opportunity

Married couples and civil partners should make sure that both of them are taking full advantage of this tax free allowance. Clearly there are other issues to consider, not least anti-avoidance legislation, but this type of planning is perfectly legitimate and over several years can save couples a significant amount of tax.

Reduction in the main rate of Corporation Tax

From 1 April 2012 the main rate of Corporation Tax will fall from 26% to 24%. Although a 1% fall had already been announced the doubling of the reduction is

very welcome. Two further reductions in the main rate of Corporation Tax of 1% have been announced from 1 April 2013 and from 1 April 2014 when the rate will be 22%.

Opportunity

If your company has profits of more than £300,000 per year you should consider deferring income or accelerating expenditure around your year end. This will ensure your company's profits are taxed at the lowest possible rate.

Withdrawal of Child Benefit

From 7 January 2013 Child Benefit will be cut for families where one parent earns more than £50,000. The benefit will be completely eliminated where one parent earns more than £60,000.

Although the threshold for losing the allowance has been increased from that which was originally announced, it will still seem unfair to many. For example where both spouses each earn £49,000 and have a joint income of £98,000 they will retain their full Child Benefit. If one spouse, however, earns £60,000 and the other spouse has no earnings they will not be entitled to any Child Benefit.

The administration of the withdrawal of the Child Benefit also looks likely to be complicated. The benefit will continue to be paid to all and then clawed back, either through PAYE or Self Assessment.

Opportunity

This is yet another reason why couples should look at equalising income where possible.

Continued overleaf...



Help for exporters

The Chancellor announced that measures would be put in place with the aim of doubling the UK's annual exports to £1 trillion by 2020.

The measures include:

- expanding the overseas role of UK Export Finance. This should create finance packages that could help UK exporters to secure opportunities through the UK Trade and Investment's (UKTI) High Value Opportunities programme;
- helping new UK exporters in high growth countries secure temporary office space where it can be difficult to obtain;
- continuing to increase UK Export Finance's regional presence in the UK. This is aimed at helping small and medium sized businesses.

Opportunity

If you want to start exporting or wish to expand your exporting business there is a lot of help available.

In Gloucestershire this includes local initiatives such as the Gloucestershire Export Programme 2012, run by Gloucestershire's Local Enterprise Partnership/GFirst. The UKTI is also very active in our county.

Simplification of the rules for Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT)

The measures announced aim to simplify the rules of the schemes making them easier for companies, VCTs and investors to use.

Proposed amendments:

For EIS:

- a relaxation of the rules defining when a person is connected to a company through an interest in its capital by disregarding loan capital;
- widening the definition of shares which qualify for relief, which includes shares to carry a preferential right to a dividend; and
- removal of the £500 minimum investment limit;

These changes will apply to shares issued on or after 6 April 2012.

For VCT:

- removal of the £1 million limit for VCT investment by companies not in partnership.

This change will apply to shares issued on or after 1 April 2012.

Increase to EIS thresholds

Proposed amendments to increase:

- employee limit to fewer than 250 employees (currently 50 employees);
- the size threshold to gross assets of no more than £15 million before investment and £16 million after (currently £7 million and £8 million respectively); and
- the maximum amount that can be invested in an individual company, to £5 million (currently £1 million).

Subject to EU approval, these changes will apply to shares in investee companies that are issued on or after 6 April 2012.

Legislation will also increase the annual amount that an individual can invest under the EIS to £1 million and will apply from the 2012-13 tax year.

Introduction of the Seed Enterprise Investment Scheme

The proposed Seed Enterprise Investment Scheme (SEIS) will provide tax relief of up to 78% for individuals who invest in shares in smaller start-up companies. The relief is due to be introduced for shares issued on or after 6 April 2012. It applies to companies with 25 or fewer employees (including proportions of full-time equivalents) which have gross assets of no more than £200,000 at the point of investment.

Opportunity

If you are looking at investing in EIS or VCT investments the changes in the rules may benefit you, so you should consider their impact. For smaller companies you should see if the SEIS is applicable.

Many of these changes rely on State Aid approval from Europe which has not yet been received.

Fuel benefit increases again

From 6 April 2012 the fuel benefit for individuals with company cars will be based on £20,200 (currently £18,800).

Opportunity

If you have not reviewed your company car and fuel policies recently you should do so because the tax cost of such benefits is continually increasing.

Hazlewoods Tax Team

Gloucester Office:

Windsor House
Barnett Way, Barnwood,
Gloucester, GL4 3RT
Tel: 01452 634800
Fax: 01452 371900

Cheltenham Office:

Windsor House
Bayshill Road,
Cheltenham, GL50 3AT
Tel: 01242 237661
Fax: 01242 584263

Staverton Office:

Staverton Court
Staverton,
Cheltenham, GL51 0UX
Tel: 01242 680000
Fax: 01242 680857

hazlewoods.co.uk

This release has been prepared as a guide to topics of current financial business interests. We strongly recommend you take professional advice before making decisions on matters discussed here. No responsibility for any loss to any person acting as a result of the material can be accepted by us.

Hazlewoods LLP is a Limited Liability Partnership registered in England & Wales with number OC311817.

Registered Office: Staverton Court, Staverton, Cheltenham, Glos. GL51 0UX

A list of LLP partners is available from each office.

Registered as auditors by the Institute of Chartered Accountants in England & Wales.

Hazlewoods LLP is authorised & regulated by the Financial Services Authority.

HAZLEWOODS

DRIVING LIFELONG PROSPERITY