

Budget 2011 Opportunities to save tax

In this Budget release, we give you a few thoughts on some opportunities to save tax following the Budget statement on 23 March 2011.

Entrepreneurs' Relief could now save you £1.8 million

From 6 April 2011 the Entrepreneurs' Relief lifetime limit is increasing from £5 million to £10 million. This enables business owners to pay a reduced rate of 10% capital gains tax on the first £10 million of gains.

Opportunity

With another rise in the tax savings you can obtain from this relief it is becoming increasingly important to ensure your shareholdings and business assets qualify for the relief. It is also vital for family businesses to ensure that as many family members as possible qualify for the relief. There are simple steps you can take to maximise the relief, speak to us to find out more.

Extension to research and development tax relief

From 1 April 2011 small and medium sized companies (SMEs) can claim an additional 100% tax deduction for the costs of carrying out qualifying R&D (up from 75%). A further increase to 125% will be introduced from 1 April 2012.

In addition, it has been announced that further changes will be made from 1 April 2012 including:

- Abolishing the cap on the payable tax credit (currently limited to the amount of PAYE & NI paid in the period);
- Removing the £10,000 de minimis limit in relation to qualifying expenditure; and

- Amending the relief available to SMEs that carry out subcontracted R&D activities on behalf of large companies.

Opportunity

If your company is developing new products or technologies speak to Sara Crowther on 01452 634800 to see how much money you can save with R&D tax credits.

Improvements to Enterprise Investment Schemes and Venture Capital Trusts

From 6 April 2011 investors under the Enterprise Investment Scheme (EIS) are entitled to initial income tax relief of up to 30% of the amount invested (previously 20%). The amount an individual can invest is doubling to £1 million from 6 April 2012. At the moment, for investors to qualify for EIS or Venture Capital Trust (VCT) relief, a company must have fewer than 50 employees and gross assets of £7 million or less immediately before, or £8 million immediately after the investment. From 6 April 2012 the requirement will be to have fewer than 250 employees and gross assets of no more than £15 million immediately before the investment.

The amount companies are able to raise in any 12 month period under the EIS or from VCTs is being increased on 6 April 2012 from £2 million to £10 million.

Continued overleaf...

Opportunity

If your company is raising finance, consider whether your company qualifies to enhance the benefits received by investors. If you are looking to invest, ensure the company qualifies to maximise your tax relief.

The 50% income tax rate is staying - for now

The Chancellor was keen to stress that the 50% tax rate for incomes over £150,000 is still intended to be temporary. However he was unable to suggest when it will be removed.

Opportunities

With the 28% capital gains tax rate for higher and additional rate taxpayers it is worth reviewing your investments to maximise capital growth to be taxed at this lower rate.

There are plenty of other ways to legitimately reduce your taxable income, for more ideas speak to us.

Non-domicileds' tax charge set to rise

From April 2012 the £30,000 annual charge for non-domiciled individuals claiming the remittance basis will increase to £50,000 if the individual has been resident for 12 years or more;

- offshore funds invested in a UK business will not be taxed as remittances to the UK; and
- the administrative burdens on non-domiciled individuals are to be cut

Opportunities

If you are a non-domiciled individual and will have been in the UK for at least 12 years by April 2012 you should consider how the increased remittance basis charge affects you. There may be planning opportunities to reduce the cost to you.

If you are a non-domiciled individual and are considering investing in a UK business consider the timing of any investment to make the most of the changes.

Short life assets can now last eight years

From April 2011 a short life asset will be one with an expected useful life of eight years (rather than the current four years).

Opportunity

With the reduction in the main pool rate from 20% to 18% from 6 April 2012, the benefit of identifying assets for short life asset pools will become even more important. If you are planning to imminently invest in plant and machinery with an expected useful life of between four and eight years and you always spend more than your Annual Investment Allowance, consider delaying until April.

Fuel benefit increases again

From 6 April 2011 the fuel benefit for individuals with company cars will be based on £18,800 (currently £18,000).

Opportunity

If you have not recently reviewed your company car and fuel policy you should do so because the tax inefficiency 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

www.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