

Veterinary Matters

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Budget 2013

The Chancellor, George Osborne, has dusted off his red briefcase and delivered his 2013 Budget.

Whilst once again perhaps not the most thrilling of announcements, there continue to be opportunities and there are certainly a few areas worth highlighting. So why not celebrate and take advantage of the (generous!) 1p reduction in duty on beer!

Key points summary

- Annual Investment Allowance, which increased from £25,000 to £250,000 on 1 January 2013 is still set to stay at this higher level for a period of two years.
- Main rate of corporation tax to reduce to 21% from April 2014 and a further reduction to 20% from April 2015 (see table below).
- Allowance of £2,000 towards the cost of employer's National Insurance from April 2014.
- Small businesses (employers with fewer than 50 employees) given a temporary relaxation from payroll Real Time Information (RTI) requirements.
- Increase in the personal allowance to £9,440 from April 2013 and up to £10,000 from April 2014.
- Basic rate tax band shrinking by the same amount of the personal allowance increase between April 2013 and April 2014.
- Pension changes:
 - Annual allowance down in April 2014 from £50,000 to £40,000.
 - Lifetime limit down in April 2014 from £1.5m to £1.25m.
- Crack down on avoidance.

Corporation tax, standalone company	Taxable profits < £300K	Taxable profits £300K - £1.5m	Taxable profits above £1.5m
Current	20%	25%	24%
From April 2013	20%	23.75%	23%
From April 2014	20%	21.25%	21%
From April 2015	20%	20%	20%

Particular points of interest for you and your practice

Annual Investment Allowance

The Annual Investment Allowance (AIA) which increased from £25,000 to £250,000 on 1 January 2013 it still set to continue at this higher level until

January 2015. It is worth recapping briefly on this as it is clearly good news for practices.

The AIA provides 100% tax relief on expenditure on what is called plant/machinery (typically equipment, excludes most cars) and fixtures/fittings.

The AIA is available for outright purchases (i.e. in cash or with a loan) and where it is acquired on hire purchase. Care should be taken if other arrangements are used, for example finance or operating leases as whilst tax relief may be available, the AIA will not be.

Please see our "New Year Tax Opportunities" Veterinary Matters for further details on the AIA, including how it works depending on your year end. If you would like a copy please let us know.

Corporation tax to reduce to 21% from April 2014 and 20% from April 2015

With a view to making the UK a more attractive location for companies, the Chancellor has announced a further reduction in the main rate of corporation tax. He had already announced in his Autumn Statement the reduction to 21% from April 2014 and the further reduction to 20% is a welcome additional boost.

This means that from April 2015, the main rate of corporation tax and the

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small companies rate of corporation tax will be unified at 20%.

For a standalone company with taxable profits up to £300,000 per annum, the rate of corporation tax is set to continue at the small companies rate of 20%.

The reduction in the main rate applies to standalone companies with taxable profits above £1.5m.

That is not however, the end of the story. If a standalone company's profits sit in the "marginal" band (between £300,000 and £1.5m) the effective rate of tax is also reducing.

Please see the table in the "Key Points Summary" overleaf.

Allowance of £2,000 towards the cost of employer's National Insurance from April 2014

A further welcome announcement for practices is that from April 2014, the government is intending to provide an allowance of £2,000 to help with the cost of employer's National Insurance. There is relatively little "meat on the bones" to this announcement at present as to how the allowance will be provided and we await further details.

Temporary relaxation of RTI requirements for small businesses

From 6 April 2013, all employers operating PAYE schemes are required to make Real Time Information (RTI) returns to HMRC each time they make payments to their employees. HMRC have announced that small businesses have been given a temporary relaxation from certain RTI requirements.

Until 5 October 2013, employers with fewer than 50 employees can send information to HMRC no later than the end of the tax month, rather than on the payment date. This will help employers paying weekly to adapt to the reporting arrangements.

HMRC have advised it will continue to work with employers during the summer to assess and understand the impact of RTI on businesses.

Increase in the personal allowance and change in the basic rate tax band

The personal allowance (tax free band for income tax) will align with the Government's much publicised goal of £10,000 from April 2014.

This is a year earlier than previously announced and reflects an increase of £560 from the £9,440 tax free amount effective from April 2013, itself increased from £8,105.

However, for higher rate tax payers, what the Chancellor has given in one hand in the form of the increased personal allowance, he takes away with the other, as the basic rate band is reducing by a corresponding £560.

What this means is that all other matters being the same, whilst basic rate tax payers will be better off, higher rate tax payers will be no better off.

Pension changes

The announcements made in the Autumn Statement are still due to come into force:

- Every individual is currently entitled to an annual allowance for pension contributions of £50,000 per tax year, whether made personally and/or by a company. An individual's annual allowance is increased by the amount of any unused allowance in the previous three tax years.
- The annual allowance is set up to reduce to £40,000 from April 2014.
- The maximum pension contributions that can be made over an individual's lifetime into their pension fund, whilst avoiding potential tax charges upon retirement is due to reduce from £1.5m to £1.25m from April 2014.
- If you are considering making significant pension contributions in the next year or so, take advice so you make the contributions in the most tax efficient way.

Crack down on avoidance

Anti-avoidance cropped up, as you might expect in the current environment, with announcements that are set to bring

in an additional £3bn per year to the Government's coffers. These include a General Anti Abuse Rule from April 2013 – this centres around the concept of fairness. The implementation of the Rule will be the interesting part because it revolves around whether arrangements are "abusive" in the eyes of HMRC.

As ever it remains to be seen how this will be enforced in practice. At this stage it remains one of "watch this space" and we will provide more detail when it is available.



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