

BUDGET SUMMARY 23rd MARCH 2011

Business Tax

From 1st April 2011 the small companies' rate of corporation tax will be reduced to 20% and the main corporation tax rate will be reduced to 26%, falling to 23% by 2014.

The Annual Investment Allowance will be reduced to £25,000 for small companies, giving 100% relief for expenditure on plant and machinery. The decrease will take effect from 1st April 2011 for companies and 6th April 2011 for unincorporated businesses.

From April 2013 the company car tax percentages will reduce by 1%, although zero emission cars will remain at 0% and ultra low emission cars, with emissions up to 75g/km will remain at 5%.

From 6th April 2011 tax free mileage payments will increase from 40p to 45p for the first 10,000 miles. The rate for subsequent miles will remain at 25p.

From 1st April 2011 Research and Development (R&D) tax relief will increase to 200%, and to 225% from 1st April 2012, for small and medium companies. From 1st April 2012 the rule limiting the repayable R&D credit to the amount of PAYE paid will be abolished, as will the £10,000 minimum expenditure condition.

Profits of foreign branches of UK resident companies will be exempt from UK corporation tax, removing the need for double taxation relief. This will be effective for accounting periods commencing after Royal Assent has been received for the Finance Bill 2011.

VAT

From 1st April 2011, the VAT registration and deregistration thresholds will be increased by £3,000 to £73,000 and £61,000 respectively.

The threshold for the Low Value Consignment Relief, where goods can be imported from outside the EU VAT-free, will be lowered from £18 to £15 from 1st November 2011.

From 1st April 2012 all VAT returns will need to be submitted online and the payment made electronically.

National Insurance

From 6th April 2011 the employee's National Insurance rate will increase by 1% to 12%, on earnings between £7,225 and £42,475, and the rate will be 2% on earnings above £42,475.

The employer's rate will increase by 1% to 13.8% on all earnings above £7,072.

Self employed rates will increase by 1% to 9% on earnings between £7,225 and £42,475, and will be 2% on earnings above £42,475. Class 2 contributions will increase to £2.50 per week.

Income Tax

Tax bands for 2011/2012 are:

- 0% up to £7,475 (£9,940 and £10,090 for those over 65 and 75 respectively).
- 20% on first £35,000 of taxable income
- 40% from £35,000 to £150,000 of taxable income
- 50% on excess taxable income

The personal allowance will increase to £8,105 from April 2012 and the basic rate limit will be reduced to £34,370.

From 6th April 2011 higher rate tax relief will be restricted for employees who commence employer supported childcare.

The tax rules for Furnished Holiday Lettings will be extended by the 2011 Finance Bill, to the European Economic Area. From April 2012 a property must be available to be let for 210 days, and actually let for 105 days, in order to qualify.

From April 2012 the non-domiciled annual charge, for using the remittance basis, will increase from £30,000 to £50,000, for those who have been UK resident for 12 or more years.

The Self Assessment Donate Scheme, whereby you can donate your tax refund to charity will be withdrawn for 2011/2012 tax returns and subsequent years or for prior years where the refund is paid after 6th April 2012.

There will be a consultation process looking to integrate income tax and National Insurance.

Capital Gains Tax

The capital gains tax exemption threshold will increase to £10,600 for 2011/2012

From 6th April 2011 the limit for capital gains qualifying for entrepreneurs' relief will increase to £10 million.

Stamp Duty

From 6th April 2011 purchases of residential property over £1 million will attract stamp duty of 5%.

Purchasers of multiple residential properties will pay stamp duty based on thresholds for each property rather than the purchase prices being aggregated. This will be effective from the date the 2011 Finance Bill receives Royal Assent.

Other

The main fuel duty rates decreased by 1p per litre from 23rd March 2011. The planned April 2011 increase will be deferred until 1st January 2012, when the main fuel duty will increase by just over 3p per litre.

Alcohol duty will be increased from 23rd March 2011, resulting in a 54p rise on a bottle of spirits, a 4p rise on a pint of beer and a 15p rise on a bottle of wine. From 1st October 2011 there will be an increased level of duty on strong beers and a reduced level of duty on weak beers. Cigarettes will rise by approximately 50p per packet from 23rd March 2011.

The Inheritance Tax threshold will be frozen at £325,000 for individuals and £650,000 for married couples and civil partners, until April 2015. From 6th April 2012 there will be a 10% reduction in inheritance tax when at least 10% of the net estate is donated to charity.

The maximum benefit permitted for donations of more than £10,000 under gift aid, will be raised from £500 to £2,500 from 1st April 2011 and 6th April 2011 for individuals and corporate donors respectively.

From 1st April 2013 a Carbon Price Floor will be introduced directly affecting electricity generating companies and indirectly affecting consumers.

Pensions

From 6th April 2011 the annual investment permitted will be reduced from £255,000 to £50,000. From 6th April 2012 the lifetime allowance will be reduced from £1.8 million to £1.5 million.

From 6th April 2011 tax relief on pension contributions will be restricted to the basic rate of tax for individuals with taxable incomes above £150,000, although this will be tapered for annual incomes between £150,000 and £180,000.

Proposals will be announced shortly to simplify the state pension.

Savings

From 6th April 2011 the annual Individual Savings Account (ISA) investment limit will increase to £10,680. Juniors ISAs will be available from autumn 2011 for any UK resident child who does not currently hold a Child Trust Fund.

The rate of tax relief for Enterprise Investment Scheme (EIS) investments will increase from 20% to 30% from 6th April 2011. From 6th April 2012 the annual amount an individual can invest through the EIS will be increased to £1 million, and the annual amount that a company can take through EIS and Venture Capital Trust Scheme will be increased to £10 million.

Produced by:

Alexandra Anthony Ltd. Chartered Certified Accountants.
47 Church Street, Great Baddow, Chelmsford, Essex, CM2 7JA.
Telephone: 01245 475360 Fax: 01245 475366 E-mail: info@alexandraanthony.co.uk
Web site: www.alexandraanthony.co.uk