



NEWSLETTER SPRING 2012

Welcome to the Newsletter which mainly highlights significant points from the Budget of the 21st March 2012

Personal Tax

	2012/13	2013/14
Personal Allowance (Aged under 65)	8,105	9,205
20% Basic Rate Limit	34,370	32,245

- The concept of withdrawing the Personal Allowance for those with adjusted net income over £100,000 will continue for 2012/2013.
- The 50% additional rate will continue for 2012/2013 and applies to taxable income above £150,000. From 2013/2014 this rate will fall to 45%.

Pensioners

There is a rebalancing of personal allowances away from increased rates for those over 65. These will be frozen at 2012/2013 levels for those who currently receive them and abolished for those not yet entitled to them.

The position is as follows:	2012/13	2013/14
Age under 65	8,105	9,205
Age related allowance (65-74) Born after 5 April 1948	10,500	9,205
Born after 5 April 1938 but before 6 April 1948		*10,500
Age related allowance 75+ Born before 6 April 1938	10,660	*10,660

- * The rates will be frozen until such time as the personal allowance catches up, so that at some future date all taxpayers will have the same allowance.

Capital Taxes

- The annual exempt amount for Capital Gains Tax is frozen at £10,600 from 6th April 2012.
- The Inheritance Tax (IHT) nil rate band is frozen at £325,000 until 2015. For deaths on or after 6 April 2012 a lower rate of IHT of 36% will be introduced where 10% or more of the net estate is left to charity.

Child Benefit for Higher Earners

The Chancellor has at long last explained how child benefit will in effect be means tested.

Child benefit will continue to be paid as a universal benefit and will not itself be taxable. However there will be a tax charge which has the effect of tapering away the benefit for those with income over £50,000, until it is completely cancelled out once income reaches £60,000.

The new charge applies where a taxpayer has 'adjusted net income' over £50,000 in a tax year and either they or their partner has received child benefit for that year. If both partners have adjusted net income over £50,000, the partner with the higher income is liable for the charge. The income tax charge will apply at a rate of 1% of the full child benefit award for each £100 of income between £50,000 and £60,000.

Adjusted net income is a person's total taxable income after adjusting for items such as trading losses, pension contributions and payments under Gift Aid. A partnership for this purpose is similar to the tax credits definition of a couple, i.e. it includes married couples and civil partners and also those living together as though they were married or civil partners.

Child benefit claimants will be able to decide not to receive the benefit if they or their partner do not wish to pay the new charge.

This measure comes into effect on 7 January 2013. For the tax year 2012/13, the first year of the charge, the amount of income taken into account will be the full amount of income for 2012/13 and the amount of child benefit will be that paid in the period from 7 January 2013 to the end of the tax year.

It is intended that the charge will be collected via PAYE or self-assessment.

State Pension Changes

The state pension will rise to £107.45 for 2012/2013.

Payroll – Real Time Information (RTI)

HMRC intend introducing RTI from April 2013. There will be a phasing in period from April 2013 to October 2013 with all employers using the system by October 2013.

Under RTI employers and pension providers will provide HMRC with monthly details of PAYE tax, national insurance and other deductions rather than reporting them at the end of the tax year via the Employers Annual Return (Form P35). These monthly reports will be made online and will include employees paid below the national insurance earnings limit.

HMRC believe that this system will be less burdensome for employers by removing the need to submit end of year returns and will also simplify the employee starting and leaving process. The new system should also ensure that employees have the correct deductions made from their pay.

In the meantime employers should therefore ensure that they have full details of **all their employees** (including casuals) in readiness for the new system. HMRC need names, addresses (including post code), dates of birth, national insurance numbers in order for the transmissions to be made.

Full details of the above changes can be found on the Revenue website under www.hmrc.gov.uk/rti/employerfaqs.htm

Corporation Tax (CT)

- The main rate of CT is to be reduced from 26% for the year ended 31 March 2012 to 24% for the Financial Year commencing 1 April 2012 and then by another 1% for each of the next two tax years.
- The small profits rate of CT remains at 20%. For a stand alone company the small profits rate applies for profits up to £300,000. The new marginal rate, for profits between £300,000 and £1.5m, will be 25%. These profit limits are reduced if associated companies exist.

VAT

- The annual turnover threshold for VAT registration will go up from £73,000 to £77,000 from April 2012. The deregistration turnover limit will go up from £71,000 to £75,000.
- The sale of hot food, with the exception of freshly baked bread, will be subject to VAT at the standard rate.
- Sales of holiday and leisure caravans will be subject to VAT at the standard rate, while preserving the zero rate for the sale of residential caravans. Touring caravans that are less than seven metres long are already standard-rated. Only caravans that are designed and constructed for continuous year-round occupation will be zero-rated.

Please refer to our website to download leaflets on Tax Tables 2012/13, VAT Registration and On-Line Filing, PAYE Guide, Tax Credits, Parental Leave, Construction Industry Scheme and Company Vans.

In addition the following leaflets are available from our Offices: Care Fees, Company Cars, Education Maintenance Allowance, IHT & Lifetime Gifts, Living Abroad, Trading as a Limited Company & Tax Savings together with the new Seed Enterprise Investment Scheme.

Please contact us if we can help you with these or any other tax matters.

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