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AUTUMN STATEMENT HIGHLIGHTS

The Chancellor delivered his Autumn Statement yesterday (5th December 2012).

This was a Budget rather than an Autumn Statement and overall it was better than expected. The cut in corporation tax was a pleasant surprise for businesses and the Chancellor emphasised his commitment to making the UK a very attractive large economy. By and large the Chancellor stuck to his "open for business" agenda. The news for individuals was less positive.

The focus was on reducing the deficit, restoring stability, rebalancing the economy and equipping the UK to compete in the global race. Tax measures many of which had already been announced included the following:-

Key measures

- **Corporation tax** - a further 1% cut in the main rate from April 2014, to 21% (23% from April 2013).
- **Restricting pensions tax relief** – from 2014/15 a further reduction in the lifetime allowance for pension savings from £1.5m to £1.25m and the annual allowance cut from £50k to £40k. The Government confirmed that the changes to the life time allowance would not have retrospective effect.
- **Small business rate relief** – the Government will extend the temporary doubling of the small business rate relief for a further 12 months to 1 April 2014.
- **Empty property rates** – subject to consultation, the Government will exempt all newly built commercial property completed between 1 October 2013 and 30 September 2016 from empty property rates for the first 18 months, up to the state aid limits.
- **Fuel duty** - cancelling the 3.02 pence per litre increase that was planned for 1 January 2013 (the 2013/14 increase will be deferred to 1 September 2013). This means fuel duty will have been frozen for nearly two and a half years.
- **Employee shareholder status** – the Government will introduce a new employee shareholder status. Employee shareholders will have reduced employee rights and can receive a minimum of £2k of shares. The Government will introduce legislation to exempt capital gains of up to £50k on disposals from April 2013. We welcome the commitment to consider options to exempt the issue of the shares from income tax and national insurance.

Other measures

- **Non-doms** - the government intends to introduce legislation in the Finance Bill 2013 to simplify some of the complicated rules that apply to the remittance basis although the impact is likely to be limited.
- **High value residential property** - it was announced that no further property taxes would be introduced however the proposed changes to the taxation of residential properties worth over £2m held by 'non-natural' persons, still look set to be included in the draft Finance Bill. However it is worth noting that the documents published today did not include any reference to the proposed extension to CGT. Could this indicate a change of heart? We will find out more detail next week.

Changing rates, allowances or thresholds

- **Capital allowances - annual investment allowance** – the Government will increase the limit from £25k to £250k for two years for all qualifying investments in plant and machinery made from 1 January 2013. A great opportunity for business.
- **Income tax** - the basic rate limit for income tax will be adjusted such that the higher rate threshold above which individuals pay income tax at 40% increases by 1% in 2014/15 and 2015/16. The upper earnings limit and upper profits limit for NICs will increase to stay in line with the higher rate threshold. The tax-free personal allowance also rises. The rise is welcome but it is below the rate of inflation.
- **Cap on unlimited income tax relief** - the cap is set to be introduced from April 2013 and as expected is the greater of £50,000 or 25% of an individual's income. It is good news that charitable reliefs will be exempt from this cap.
- **Capital gains tax** – the annual increase in the annual exempt amount will be 1% for 2014/15 and 2015/16.
- **Inheritance tax** – the nil rate band will rise by 1% in 2015/16. This is worth £1,600. The current £325,000 exemption has been frozen since 2009.
- **Bank levy** – the Government will set the full rate of the Bank Levy at 0.130% from 1 January 2013.

Perceived tax avoidance

- **Closure of certain tax loopholes** - from today four 'schemes' (not disclosed in detail at the time of writing this email) which involve derivatives and loan relationships in corporate entities are closed.
- **Tackling offshore tax evasion and avoidance** - this remains on the Chancellor's radar and he announced greater investment in HMRC and additional agreements with other countries to share information. He also promises to tackle perceived avoidance using offshore intermediaries as part of measures to be announced in Budget 2013.
- **General anti-abuse rule** - the draft revised legislation is expected next Tuesday and we will look at the specifics then. The start date seems to be transactions entered into after Royal Assent (next July) not April as previously thought.

You will see from the above that announcements were limited in scope and the coalition continues to support growth and stability whilst at the same time seeking to levy the tax burden on individuals and high earners

Contact us on (0191) 491 0019 or info@rwco.net for further advice