

THE BUDGET 19 MARCH 2014

PERSONAL TAX

	2014-15	Value of restricted Allowance	2013-14	Value of restricted Allowance
	£	£	£	£
PERSONAL ALLOWANCES				
Personal allowance	10,000		9,440	
Blind person	2,230		2,160	
Upper income limit	100,000		100,000	
AGE ALLOWANCES: 65 to 74				
Personal allowance	10,500		10,500	
Upper income limit	27,000		26,100	
AGE ALLOWANCES: 75 and over				
Personal allowance	10,660		10,660	
Married couple	8,165	816.50	7,915	791.50
Upper income limit	27,000		26,100	
INCOME TAX RATES				
20%		0 - 31,865		0 - 32,010
40%		31,866 - 150,000		32,011 - 150,000
45%		Over 150,000		Over 150,000

The previous 10% savings rate band has been abolished with a new 0% band for savings income falling in the first £5,000 of taxable income. This is only available if your only source of taxable income is from savings income. Dividends will continue to be taxed at 10% up to the basic rate tax band and 32.5% of the gross dividend thereafter. Any taxable dividend income above £150,000 will be charged at the 37.5% tax rate. Higher rate tax (40%) will be payable on income over £41,865 (£31,865 plus personal allowance of £10,000).

The personal allowance will be increased to £10,500 from April 2015.

The personal allowance will be reduced £1 for every £2 of income over £100,000 up to a maximum of the full personal allowance. This means that no personal allowance will be given to those earning over £120,000.

SAVERS

From January 2015 those over 65 will have a choice of market leading bonds with National Savings and Investments (NS&I). These are forecast to be as follows: a one year bond will pay 2.8% gross and a 3 year bond 4% gross with an investment limit of £10,000 per bond. Premium bond limits will rise from £30,000 to £40,000 in June 2014 and a further increase to £50,000 in 2015-16.

ISA's are to be reformed to remove the distinction between cash and stocks. A New Isa (NISA) comes in from July 2014 with the limit increasing from £11,520 to £15,000 with flexibility on whether this is in cash or stocks and shares. Junior ISA allowance has increased from £3,720 to £4,000.

No tax is payable on any interest, dividends or capital gains in ISA investments.

NATIONAL MINIMUM WAGE

The current rate is £6.31 an hour for workers aged 21 and over, increasing to £6.50, effective from 1 October 2014.

For 18 to 20 year old workers the rate is £5.03 an hour, previously £4.98, effective from 1 October 2013.

For 16 to 17 year old workers the rate is £3.72 an hour, previously £3.68, effective from 1 October 2013.

Apprentices are entitled to minimum wage of £2.68 an hour, previously £2.65, effective from 1 October 2013 for apprentices under 19 or over 19 and in the first year of their apprenticeship.

There will be a 2% increase in youth and apprentice rates from October 2014.



SOCIAL SECURITY BENEFITS

		2014-15	2013-14
		£ per week	£ per week
Pension	Single 2.68% increase (2.5%)	113.10	110.15
	Married	180.90	176.15
Jobseekers allowance	over 25's	72.40	71.70
Child benefit	first child	20.50	20.30
	subsequent	13.55	13.40
Incapacity benefit	Long-term	104.10	101.35

People eligible to draw their state pension after 5th April 2016 will receive flat rate of £144 per week (£7,488 pa). The £144 is based on 2013-14 levels and will be indexed. (approximately £151 on 2014-15 levels).

NATIONAL INSURANCE**CLASS 1 2014-15**

Employee - contracted in		Employer - contracted in	
Up to £153 p.w. (£7,956 pa)	Nil	Up to £153 p.w.	Nil
£153.01 to £805.00 p.w.	12%		
Above £805 p.w. (£41,860 pa)	2%	Above £153 p.w.	13.8%

For 2014-15, the monthly earnings before national insurance is due is £663 per month (£7,956 pa). In 2014-15 employment allowances of £2,000 will be offset against any employer's Class 1 NIC.

CLASS 2 Self employed

	2014-15	2013-14
	£ per week	£ per week
On earnings over £5,885 (£5,725)	2.75	2.70

CLASS 3 Voluntary - flat rate

13.90	13.55
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CLASS 4 Self employed

2014-15	9% of profits between £7,956 and £41,865
	2% of profits above £41,865

From April 2016 the way self employed people pay their class 2 national insurance contributions will change to being collected through self assessment.

STATUTORY SICK PAY (SSP)

	2014-15	2013-14
	£ per week	£ per week
Flat rate	87.55	86.70

STATUTORY MATERNITY PAY (SMP)

First 6 weeks (% of average weekly earnings)	90%	90%
Remaining weeks - max 33	138.18	136.78
Rate is lower of 90% of average weekly earnings or £138.18 (min £98.10)		

STATUTORY PATERNITY PAY (SPP)

Two weeks (as 33 weeks SMP payments)	138.18	136.78
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STATUTORY REDUNDANCY PAY

The current statutory redundancy pay amount is the lower of either the actual weekly wage or £464 per week (previously £450).

INHERITANCE TAX

There have been no changes to the Inheritance tax bands with the nil rate band remaining at £325,000 with amounts £325,000 being taxed at 40%. The nil rate band will be frozen until 5th April 2018.

Surviving partners or spouses unused nil rate bands can be transferred on death, giving a maximum combined nil rate band for 2013-14 of £650,000. You can make gifts amounting to £3,000 in any tax year, which can be carried forward to the following tax year if previously unused, giving a maximum allowance of £6,000. The 40% rate reduces to 36% for estates leaving 10% or more to charity.

CORPORATION TAX	2014-15 Profit	2014-15	2013-14 Profit	2013-14
	£000's		£000's	
Small profits' rate	0 - 300	20%	0 - 300	20%
Upper marginal rate	300-1,500	23.75%	300-1,500	23.75%
Standard rate	over 1,500	21%	over 1,500	23%

The standard rate will fall by 1% to 20% in 2015-16 to unify the main and small company rate at 20%.

CAPITAL ALLOWANCES

From April 2014 until 31 December 2015, the Annual Investment Allowance (AIA) will increase giving 100% relief for the first £500,000 (previously £250,000) of expenditure on plant and machinery. Writing Down Allowances (WDA) will remain at 18% for 2014-15. Capital allowances on cars with CO2 emissions over 130g/km will be eligible for a restricted WDA of 8% with those under 130g/km eligible for the standard 18% WDA. Cars with less than 95g/km of CO2 emissions attract a 100% allowance.

VALUE ADDED TAX	New	Previous
Annual net turnover (effective 1 April 2014) registration limit	£81,000	£79,000
Annual net turnover (effective 1 April 2014) deregistration limit	£79,000	£77,000
Flat rate registration limit	£150,000	£150,000
Flat rate deregistration limit	£230,000	£230,000
Cash and annual accounting registration limit	£1,350,000	£1,350,000
Cash and annual accounting deregistration limit	£1,600,000	£1,600,000

Prior period VAT errors can be adjusted for on the next VAT return up to a limit of £10,000 but must be disclosed to HM Revenue & Customs (HMRC) in writing. Any errors above this limit will need to be separately notified to HMRC. The standard rate of VAT will remain at 20%.

CASH ACCOUNTING BASIS

Small unincorporated businesses are now able to prepare accounts on a cash basis. Effective from year ends after 5th April 2014 for businesses operating below the VAT threshold.

RESEARCH AND DEVELOPMENT

Research and Development credit payable to loss making small and medium sized companies will increase from 11% to 14.5% effective from April 2014.

VAT FUEL SCALE RATES FOR PRIVATE MOTORING ON PETROL AND DIESEL VEHICLES

(VAT quarters effective from 1 May 2014) Please refer to our website www.cehill.co.uk for full details.

CAPITAL GAINS TAX	2014-15	2013-14
Personal annual exemption (trustees)	£11,000 (5,500)	£10,900 (5,450)

Basic rate tax payers pay Capital Gains tax at 18%, and higher rate tax payers at 28%

Entrepreneurs relief is available for the disposal of a trading business or shares in a trading company, providing the seller is an officer or employee of the company and has a minimum of 5% stake in the business. The entrepreneurs relief will reduce the effective rate to 10% on the first £10 million gains made over a lifetime.

The deemed occupation associated with Private Residence Relief giving you relief on the sale of property you own and have lived in to be reduced from the last 3 years to the last 18 months of ownership, effective from 6 April 2014.

HM REVENUE & CUSTOMS DEBT RECOVERY

HMRC are to be given new powers to recover tax debts directly from taxpayers bank and building society accounts. This will focus on debts of over £1,000 and where HMRC have requested payment multiple times.

ENTERPRISE INVESTMENT SCHEME (EIS) AND VENTURE CAPITAL TRUSTS (VCT)

EIS and VCT investors allowed to invest up to £1 million. VCTs allowed to invest up to £1 million per company. EIS investors can make loans and invest in shares with non-cumulative dividend rights.

SEED ENTERPRISE INVESTMENT SCHEME (SEIS) AND ENTERPRISE MANAGEMENT INCENTIVES (EMI)

Seed EIS has been made permanent allowing investors to commit up to £150,000 in a single company but only 50% of the amount invested in qualifying businesses can be set off gains.

EMI schemes allows employees to hold options worth up to £250,000. Gains are charged at the 10% entrepreneurial relief rate.

STAMP DUTY AND LEASES

Property	Residential	Non Residential	
	Up to £125,000	Up to £150,000	Nil
	£125,001 - £250,000	£150,001 - £250,000	1%
	£250,001 - £500,000	£250,001 - £500,000	3%
	£500,001 - £1,000,000	£500,000 +	4%
	£1,000,001 - £2,000,000	N/A	5%
Shares	£2,000,000+	N/A	7% (15% in an off-shore Co)
		0.5% (No duty on amounts <£1,000)	
		0.0% (On shares traded on growth markets such as AIM and ISDX)	

A new 15% stamp duty tax is applicable on residential properties worth over £500,000 that are purchased through companies.

The government equity loan scheme for new builds will be extended to March 2020 with the mortgage guarantee scheme ending on 31 December 2016.

EXCISE DUTY CHANGES

Alcohol and tobacco

Cigarettes (pack of 20)	24p increase
Beer (per pint)	1p decrease
Wine (per 75cl bottle)	6p increase
Spirits (37.5% abv)	no change

Vehicles and fuel

Main fuel	no change
Road fuel gases	no change
Rebated gas oil (red diesel)	no change
Heavy fuel oil	no change

Road Fund Licence

	Standard	Showroom		Standard	Showroom
(VED Band) - Change	Petrol & Diesel (£)		(VED Band) - Change	Petrol & Diesel (£)	
CO2 Band			CO2 Band		
(A) - <100g (no change)	0	0	(G) - 151-165g +£5	180	180
(B) - 101-110g (no change)	20	0	(H) - 166-175g +£5 (+£5)	205	290
(C) - 111-120g (no change)	30	0	(I) - 176-185g +£5 (+£10)	225	345
(D) - 121-130g +£5	110	0	(J) - 186-200g +£5 (+£10)	265	485
(E) - 131-140g +£5	130	130	(K) - 201-225g +£5 (+£15)	285	635
(F) - 141-150g +£5	145	145	(L) - 226-255g +£10 (+20)	485	860
			(M) - 255g+ +£10 (+25)	500	1,090

PENSION SCHEME

From April 2015 instead of buying an annuity there is an option for those with defined contribution pensions to draw-down income from their funds, paying tax on this income at marginal rate of tax rather than the current 55%. The size of a single pension pot that can be taken as a lump sum is increasing from £2,000 to £10,000, with the number of pension pots of below £10,000 to be taken as a lump sum increasing from 2 to 3. The limit on the overall size of such small pension pots that can be taken as a lump sum has increased from £18,000 to £30,000 (3 x £10,000).

TAX CREDITS & CHILD BENEFITS

For those entitled to working tax credit you can claim the full amount up to annual earnings of £6,420 with the claim reduced by 41p for every £1 you earn over this figure. For child tax credit the income limit is now £16,010 with the same 41p deduction for every £1 over this limit.

Child benefit is reduced when one parent earns more than £50,000 and is tapered to nil at £60,000. The benefit will not reduce but will be clawed back via PAYE or on your tax return. You can opt to not receive the child benefit by making an election to HM Revenue & Customs. Please be in touch for details of how to do this.

From Autumn 2015 the childcare cost cap on which the government provides 20% relief will increase to £10,000 meaning that relief of up to £2,000 per child can be claimed.

BENEFICIAL LOANS TO EMPLOYEES

The taxable threshold for cheap or interest free loans to employees has increased from £5,000 to £10,000. Employers will not have to report details of small loans where the outstanding balance is £10,000 or less in a tax year.

COMPANY CAR & VAN BENEFITS

The taxable benefit in respect of a car provided by an employer is calculated by reference to the car's carbon dioxide emission rating, with a scale charge varying between 5% (below 75g/km) and 35% (over 195g/km) of the list price. There will be a supplementary charge for diesel cars of 3% (except those which meet the EU standard for cleaner cars registered before 1 January 2006). For more information on your specific car benefit visit www.hmrc.gov.uk/calcs/cars.htm

Taxable benefits for a van will increase to £3,090, (previously £3,000), from 6 April 2014. There will be an additional charge of £581 if fuel is provided for private use by the employer.

CAR FUEL BENEFIT

The additional scale charge for the provision of private fuel increases to £21,700, previously £21,100, from 6 April 2014. The figure is multiplied by the appropriate car tax percentage to determine the taxable benefit. This is calculated by reference to the car's carbon dioxide emission rating and varies between 5% and 35% of £21,700.

APPROVED MILEAGE RATES 2014-15

	Up to 10,000 miles	Over 10,000 miles
All cars and vans	45p	25p
Passenger payment (carrying fellow employees) per employee	5p	5p
Motorbike / bicycles	24p / 20p	24p / 20p

KEY DATES IN TAX CALENDER

31 May 2014	Forms P60 to be given to employees by employers
6 July 2014	Forms P9D/P11D to be given to employees and to HM Revenue & Customs. Class 1A NIC payable by 19 July.
31 July 2014	Second interim payment of tax due for 2013-14
31 Oct 2014	Deadline for paper submission of tax return if self assessed
31 Dec 2014	Deadline for submission of tax return if you wish the tax to be collected in your tax code.
31 Jan 2015	Final deadline for electronic submission of tax return if self assessed Final payment of tax due for 2013-14. First interim payment of tax due for 2014-15