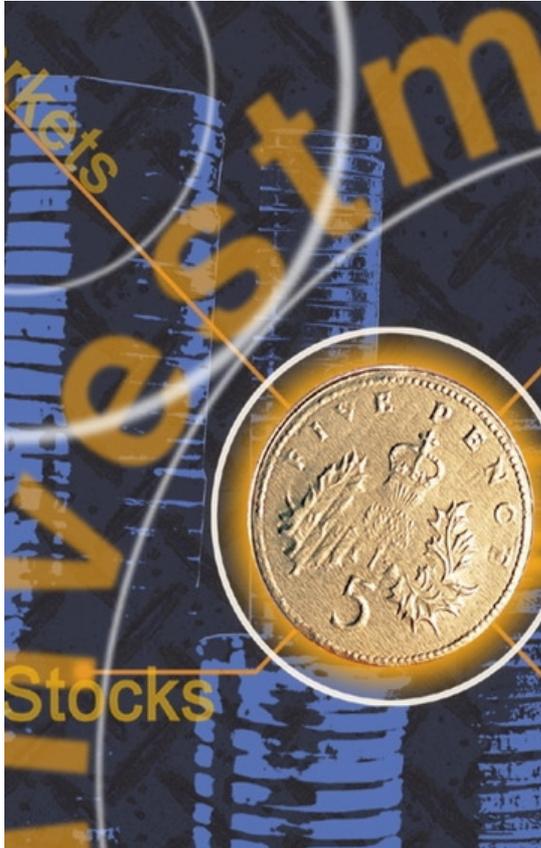


BARR ETTE

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Autumn 2012 Newsletter *December 2012*



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Welcome to Barrette edition of autumn 2012 newsletter. The aim of this issue of newsletter is to support you and your business by bringing to you up-to-date tax and financial news and deadlines, and outlining some tax planning ideas that help to save your tax bills.

Here are the topics that will be covered in this newsletter:

Important Information:

- The Autumn Statement 2012 announced by the Chancellor on 5 December 2012
- Advisory fuel rates for company cars from 1 December 2012
- Changes to VAT online services

News and Important Dates:

- Self-Assessment deadline
- Tax credit deadline
- VAT – overseas trader
- Business record checks
- Real Time Information for payroll
- Auto-enrolment
- Higher income child benefit charge

Power Tax Tip:

- Reducing your Self-Assessment payment

Important Information

2012 Autumn Statement

The Autumn Statement made by the Chancellor George Osborne on 5 December 2012 is effectively a mini Budget. We summarize below the key tax changes that may affect you and your business:

Personal tax

Personal allowance

The personal allowance will rise to £9,440 in 2013-14, which is £235 higher than previously announced.

However, the basic rate band will be further reduced by £235 to £32,010 in 2013-14.

Higher rate threshold

The threshold for the 40% higher rate will increase by 1% to £41,865 in April 2014, and then another by 1% in April 2015 to £42,285.

National Insurance

From April 2013, the starting point for employers' NIC will be £148 per week (or £7,700 per year) and £149 for employees' NIC (or £7,755 per year)

Capital gains tax

Annual exemption

The annual exempt amount of capital gains tax will also increase by 1% in April 2014, and then another 1% in April 2015. This means that the exempt amount will rise to £11,000 by 2015-16.

Employee shareholders

A new capital gains tax-free scheme is to be introduced from April 2013. It

is proposed that companies can offer between £2,000 and £50,000 worth of company shares, in exchange for the employee giving up certain employment rights. The employee will not pay any capital gains tax on the sale of the shares.

Inheritance tax

The nil-rate band for inheritance tax will rise from £325,000 to £329,000 in 2015-16.

Corporation and business tax

Corporation tax rate

The main rate of corporation tax, which is currently at 24%, will be cut to 21% with effect from April 2014.

Annual investment allowance

The annual investment allowance for qualifying plant and machinery will increase from the current £25,000 to £250,000 for two years starting from 1 January 2013.

Cash basis for calculating tax

The new cash basis to calculate tax for small, unincorporated business will start from 2013.

Businesses with receipts up to £77,000 will be eligible to use the cash basis until their receipts reach £154,000. Under the cash basis, there will be no need to distinguish between capital and revenue expenditure.

Simplified expenses

All unincorporated businesses using the cash basis will also be able to deduct expenses on a flat rate basis rather than having to calculate their actual expenditure.

Small business rate relief

The temporary doubling of the small business rate relief will be extended for a further 12 months from 1 April 2013.

Pensions

From April 2014, the annual allowance eligible for tax relief will fall

from £50,000 per year to £40,000 per year. Also from 2014, the lifetime allowance for tax-free pension saving will fall from £1.5m to £1.25m, with savings above these limits to be taxed.

ISAs

The investment limit for ISAs will rise to £11,520 in 2013-14, with the cash ISA limit increase correspondingly to £5,760.

There will be consultations on expanding the list of qualifying investments for stock and share ISAs to include shares listed on the AIM.

Benefits

Many of the working age benefits will rise by 1% only from April 2013. This is a cut in real term, as it is below the current rate of inflation of 2.7% (under the CPI measure).

Many benefits such as income support, jobseeker's allowance, employment and support allowance, statutory sick pay, as well as statutory maternity, paternity and adoption pay will rise by 1% only in the next three years.

Child benefit will also rise by 1% from April 2014, while it remains frozen until then.

Basic state pension

The basic state pension will increase by 2.5% from April 2013, taking it to £110.25 per week.

Fuel duty

The planned 3p per litre fuel duty rise due to come into force next month has been cancelled by the Government.

Tax avoidance and evasion

In order to combat tax avoidance and evasion, HMRC has recently announced a raft of new measures. The Chancellor announced that HMRC will receive an extra funding of £77bn to expand its anti-avoidance and evasion activity. This includes increasing the number of tax inspectors by around 2,500 going after evaders and avoiders.

A number of anti-avoidance measures were also announced, such as measures to tackle offshore tax evasion and avoidance. These include setting up a centre of excellence to increase HMRC's offshore capability and identifying tax evasion.

Comment: The 2012 Autumn Statement announced a number of important tax changes. Overall, there will be a reduction in the amount of taxes payable by businesses. So it would be fair to say that the Chancellor's statement is not anti-business.

Advisory fuel rates for company cars from 1 December 2012

Engine size	Petrol	LPG
1400cc or less	15p	11p
1401cc - 2000cc	18p	13p
Over 2000cc	26p	18p

Engine size	Diesel
1600cc or less	12p
1601cc - 2000cc	15p
Over 2000cc	18p

Please note that not all of the rates have been increased, so care must be taken to apply the correct rate.

Other points to be aware of about the advisory fuel rates:

- Employers do not need a dispensation to use these rates.
- Employees driving employer provided cars are not entitled to use these rates to claim tax relief if employers reimburse them at lower rates. Such claims should be based on the actual costs incurred.
- The advisory rates are not binding where an employer can demonstrate that the cost of business travel in employer provided cars is higher than the guideline mileage rates. The higher cost would need to be agreed with HMRC under a dispensation.

If you would like to discuss your company's car policy, please contact us.

Changes to VAT online services

HMRC have announced various changes to their online services and they have also taken the opportunity to introduce a new online variations service which should allow businesses to:

- make changes to the principal place of business and contact details;
- deregister for VAT;
- apply for Annual Accounting or Flat Rate Scheme;
- view and print the VAT certificate; and
- enrol for VAT Online.

Please do get in touch if you would like any assistance with any of these issues.

News and Important Dates

Self-Assessment

The electronic filing deadline for the 2011-12 Self-Assessment (SA) returns is fast approaching on 31 January 2013. Late filing penalty starting at £100 will apply even if no tax is due.

Any balancing tax payment for the 2011-12 tax year will also be due on 31 January 2013.

If you have not filed your SA return, you would need to gather the relevant information to complete the return as soon as possible.

If you think that the information would not be available by 31 January 2013, you could still file an estimated return.

Please contact us immediately if you would like help on the above.

Tax credit

If you gave an estimated income figure for 2011-12 when renewing your tax credit claim, then you would need to provide the actual income figure before 31 January 2013.

VAT –overseas trader

With effect from 1 December 2012, businesses without an establishment in the UK need to apply a different registration threshold. They must register for UK VAT regardless of their level of turnover as long as they are making taxable supplies within the UK.

Business records check

The HMRC announced that redesigned business record checks will be rolled out on a region-by-region basis until February 2013.

The checks would normally involve the HMRC writing to the business that they would like to check their records. This would be followed up by a telephone call to establish whether it is worth the effort.

If you receive a business records check letter, we suggest that you should contact us immediately, so that we could deal with the telephone call with the HMRC on your behalf.

Auto-enrolment

The new pension responsibilities under auto-enrolment started on 1 October 2012, with the larger employers first to be affected. Smaller employers and new businesses have deferred entry dates.

Broadly, employers with between 50 and 249 workers have been given revised staging dates from 1 April 2014 to 1 April 2015. Employers with fewer than 50 workers need to implement auto-enrolment between 1 June 2015 and 1 April 2017. New businesses have staging dates at the end of the overall timetable.

To recap, under auto-enrolment, employers must automatically enrol eligible employees in a pension scheme, unless the employee is already a member of the employer's qualifying scheme. The onus is on the employee to opt out.

High income child benefit charge

The new high income child benefit charge (HICBC) will come into force on 7 January 2013. It will affect anyone earning between £50,000 and £60,000. The benefit will be withdrawn gradually from those where one parent or partner earns more than £50,000 and will be completely withdrawn if someone earns in excess of £60,000.

It is possible to opt out of receiving the child benefit to avoid the HICBC. Where you have opted out, you have

two years from the end of the tax year concerned to opt back in.

If you wish to discuss whether to opt out, please contact us immediately.

Power Tax Tip

Reducing your Self-Assessment payment

With the Self-Assessment filing and balancing payment deadline looming on 31 January 2013, there may be ways to improve your cash flow next year by reducing your self-assessment tax bill. One way to achieve this involves making investment that offers tax break.

The main types of investment that would give you tax breaks in 2012-13 are personal pension plans (PPPs) and Enterprise Investment Schemes (EISs).

PPPs give the greater tax relief over the long term, but contributing into the EISs gives the best cash flow advantage, especially if you elect to carry back tax relief on EIS investments in 2012-13 to 2011-12.

If you would like to know further details of how the above investments would give you tax breaks, please feel free to contact us.

If you wish to look at our earlier newsletters, please visit our website at www.barretteaccounts.com/news.html.

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