

Summary of Budget 23 March 2011

Income tax and NICs

Personal allowances and basic rate limit

All income tax rates for 2011-12 will remain at their 2010-11 levels. The Chancellor has said that he regarded the 50% additional rate as temporary but that it would be inconceivable for it to be scrapped before 2013.

	2010-11	2011-12	2012-13
Personal allowance (age under 65)	£6,475	£7,475	£8,105
Basic rate limit	£37,400	£35,000	£34,370
Higher rate threshold (sum of above)	£43,875	£42,475	£42,475
Additional rate threshold	£150,000	£150,000	TBA

The personal allowance will continue to be reduced by £1 for every £2 of income above £100,000.

NICs rates and thresholds

Class 1 NICs	2010-11	2011-12
Lower earnings limit pa	£5,044	£5,304
Upper earnings limit pa	£43,888	£42,484
Employees' rate up to UEL	11%	12%
Employees' rate above UEL	1%	2%
Employers' rate	12.8%	13.8%

NICs contracting out rebate

As announced by the DWP on 3 February 2011, from April 2012 the rebate for individuals contracted out of the second state pension will fall from 3.7% to 3.4% for employers and from 1.6% to 1.4% for employees.

Integration of the operation of income tax and NICs

The Government will be consulting on reforms to "integrate the operation of" income tax and NICs.

Non-domicile tax

From 6 April 2012:

- when non-domiciles remit foreign income or capital gains to the UK for the purpose of commercial investment in UK businesses the tax charge will be removed;
- the existing £30,000 annual charge will be increased to £50,000 for non-domiciles who have been UK resident for 12 or more years (and wish to retain the remittance basis).

Disguised remuneration

The Government has amended the draft legislation (first published on 9 December 2010) to exclude:

- group company transactions
- certain short-term loans

- certain arrangements relating to deferred remuneration
- defined employee car ownership schemes
- further employment-related securities schemes; and
- protecting legacy pension savings

The revised draft legislation will be published in the Finance Bill on 31 March 2011.

Pensions tax relief

As announced on 14 October 2010, from 6 April 2011 the annual allowance for tax relief for pension savings for individuals will be reduced from £255,000 to £50,000. From April 2012, the lifetime allowance will be £1.5 million.

Company car tax

From April 2013, the percentage of the buying price which is taxed will be increased by one percentage point for vehicles with carbon emissions between 95g and 220g.

Fuel benefit charge

From 6 April 2011, the cash equivalent where free fuel is provided with a company car will be the appropriate percentage (based on CO2 emissions) multiplied by £18,800 (currently £18,000).

Approved Mileage Allowance Payments (AMAP)

From 6 April 2011, where employees use their own cars for business mileage, they will be able to claim reimbursement from their employers at 45p per mile (currently 40p) for the first 10,000 miles. The rate for mileage beyond 10,000 will remain at 25p per mile.

Employer-supported childcare schemes

As previously announced in 2009, the tax relief available for higher and additional rate taxpayers who join these schemes on or after 6 April 2011 will be restricted to the amount available for basic rate taxpayers (who at present can receive up to £900 a year).

Individual savings accounts (ISAs)

From 6 April 2011, ISA limits increase from £10,200 to £10,680.

Junior ISAs

From autumn 2011, these investment plans for children will be available for any UK-resident child (under the age of 18) who does not currently have a Child Trust Fund account. Junior ISAs will be tax-relieved and have many features in common with existing ISAs, including cash and stocks and shares products.

Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT)

From 6 April 2011, the rate of income tax relief given under the EIS will increase from 20% to 30%.

From 6 April 2012:

- the thresholds for the size of qualifying company for both EIS and VCT will be increased to fewer than 250 employees and no more than £15 million of gross assets before the investment;

- the annual amount that can be invested through both EIS and VCT in an individual company will be increased to £10 million;
- the annual amount that an individual can invest through EIS will increase to £1 million.

Charitable giving

From 6 April 2011, the maximum value of the benefits that individuals and companies may receive as a result of making a donation to charity of more than £10,000 will increase from £500 to £2,500. The benefit must still not exceed 5% of the value of the gift.

From 6 April 2013, charities which receive small donations of £10 or less will be able to apply for gift aid style repayment without the need to obtain gift aid declarations. The amount of small donations on which the new repayment can be claimed will be capped at £5,000 per year per charity.

Capital gains tax

Exempt amount

From 6 April 2011, the annual exempt amount will be £10,600 (currently £10,100). Rates remain unchanged (18%/28%).

Entrepreneurs' relief

For disposals on or after 6 April 2011, the lifetime limit on gains qualifying for entrepreneurs' relief will be increased from £5 million to £10 million. This follows the increase from £2 million to £5 million on 23 June 2010. Qualifying gains are taxed at 10%.

The 5% shareholding requirement remains.

Inheritance tax

The nil rate band (£325,000 from 6 April 2009) will be frozen until April 2015.

Corporation tax

Rates

The main rate of corporation tax is reduced from 28% to:

- 26% for the year commencing 1 April 2011
- 25% for the year commencing 1 April 2012
- 24% for the year commencing 1 April 2013
- 23% for the year commencing 1 April 2014

This is one percentage point less than previously announced for these years in the June 2010 Budget.

The rate for companies with ring-fenced profits from oil extraction in the UK and UK continental shelf will remain at 30%

As previously announced, the small companies rate will fall from 21% to 20% from 1 April 2011.

Bank levy

An increase in the rate of the bank levy for 2011 (over the amount announced in the June 2010 Budget) was announced on 8 February 2011, so that the target yield will be £2.5 billion for the year.

The bank levy rates will be increased from 1 January 2012 (from those published on 9 December 2010) to offset the benefit of the further decrease in corporation tax.

Oil and gas supplementary charge

The rate of the supplementary charge levied on profits from UK oil and gas production increased to 32% from 25 March 2011. This charge will be reduced if in future years the oil price falls below a set trigger price, likely to be \$75, on a sustained basis.

Indirect taxes

VAT

The standard rate remains at 20%. The registration threshold increases from £70,000 to £73,000 from April 2011.

Alcohol duties

From 28 March 2011, duty increases added 4p to the price of a pint of beer, 15p to a bottle of wine and 54p to a bottle of spirits.

From 1 October 2011, there will be a new high strength beer duty on beers over 7.5% alcohol by volume. A reduced rate of duty will apply to lower strength beers, below 2.8% alcohol by volume.

Tobacco duties

These increased from 6pm on 23 March 2011 by two percentage points above inflation.

Fuel duty rates

The main fuel duty rate was reduced by 1p per litre from 6pm on 23 March 2011.

The previously announced 1 April 2011 increase was deferred until 1 January 2012.

The fuel duty escalator, first announced in 2009, will be abolished and replaced with a fair fuel stabiliser, which from August 2012 will link fuel duty increases to oil price levels.



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