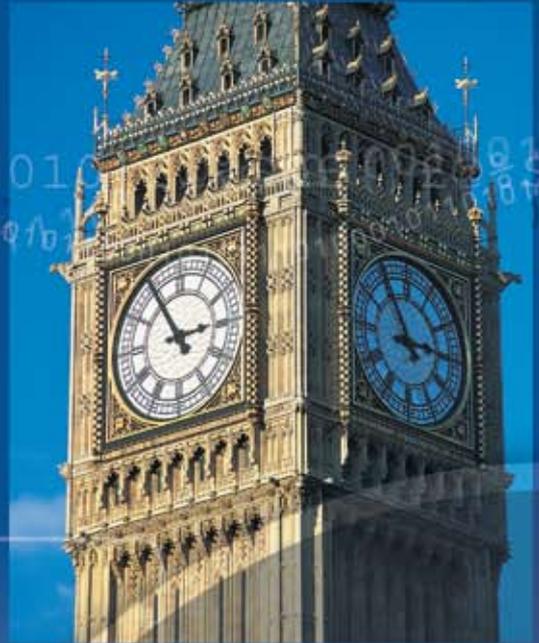


Pounds

Budget Report



2011



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The 2011 Budget



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Budget Report 23 March 2011

This Report, which was written immediately after the Chancellor of the Exchequer delivered his Budget Speech, is intended to provide an overview of the latest announcements and recent measures most likely to affect you or your business.

Throughout this guide we have included tips and ideas for effective tax and financial planning, but it is important to remember that this planning should be an ongoing, year-round process, not something that is left until the last minute.

We can help you to reassess your plans regularly, and adapt them as your personal and business circumstances change. With our help, you can plan for a rewarding and financially secure future.

How to make the most of our services

- Please read the Report as soon as possible.
- Use page 15 to compile your own summary of the key points arising from this Budget and any actions you wish to consider.
- Keep a copy of the 2011/12 tax calendar on page 16 handy. It details many of the key dates and deadlines for the coming year.
- Contact us as soon as possible to discuss any action you may be considering, and to review your longer term plans. We always welcome the opportunity to help.

Please note: while most taxation changes take effect from the start of the financial year, or tax year, some may not take effect until 2012, or later. Where relevant, details of these changes have been included in this Report. Throughout the Report, 'HMRC' refers to HM Revenue & Customs.

Osborne presents 'a Budget for growth'

Chancellor George Osborne heralded his second Budget as one 'for enduring growth and jobs'. Despite revealing significant cuts in the economic growth forecasts for 2011 and 2012, the Chancellor insisted that the Government's fiscal plans were on course.

The Chancellor's speech included a range of measures intended to boost business enterprise. Among the key announcements was an increase in the planned reduction in corporation tax, with rates falling by 2% from April, and 1% in each of the following three years, to reach 23%, accompanied by an adjustment in the bank levy to ensure that banks do not pay less tax as a result. The scrapping of £350 million of business regulations and a three-year moratorium on new regulations for firms with fewer than 10 staff were also confirmed, and the business rate relief 'holiday' for small businesses will be extended for another year. Sweeping changes to the Enterprise Investment Scheme were also announced, alongside a doubling of Entrepreneurs' Relief, which rises to £10 million from 6 April. The small companies R&D tax deduction will also rise to 200% in April, and to 225% next year.

Acknowledging that the cost of living and the high price of oil pose a problem for many British families, the Chancellor confirmed a number of measures aimed at providing support. While a postponing of the planned rise in fuel duty had been anticipated, the Chancellor went a step further by cutting the duty by 1p a litre, and introducing a Fair Fuel Stabiliser, measures which will be paid for by additional taxes on North Sea oil firms. In addition to the planned increase in the income tax personal allowance, another future rise will take the allowance to £8,105, in April 2012. Meanwhile, first-time buyers will be offered further help to purchase new property by means of a proposed shared equity scheme, and help for those with mortgage arrears will be extended. Also of interest was the announcement of a 10% inheritance tax discount for taxpayers who leave at least 10% of their estate to charity, and a simplification of the Gift Aid scheme.

The Chancellor stated his intention to make the UK the 'most competitive tax regime in the G20', but also outlined plans to abolish 43 tax reliefs. Tobacco duty rises by 2% above inflation. While air passenger duty rates have been frozen, users of private jets will be subject to passenger duty for the first time.

Also of note for the future were plans to consult on a merger of the income tax and national insurance regimes, proposals to review the effect of the 'temporary' 50% tax rate, and the long-term creation of a flat-rate state pension worth around £140 a week.

Budget Highlights

- Corporation tax reduced by 2% from April 2011
- Business rate relief 'holiday' extended to October 2012
- Fuel duty cut by 1p a litre
- Further rise in personal allowance from April 2012
- Entrepreneurs' Relief doubled to £10 million from April

Economic overview

UK economic growth forecasts were downgraded from 2.1% to 1.7% for 2011, and from 2.6% to 2.5% for 2012, which the Office for Budget Responsibility (OBR) put down to the weaker than expected final quarter of last year, the rise in world commodity prices, and higher than expected inflation. However, the OBR said that the effect 'creates scope for slightly stronger growth in later years'.

Meanwhile, inflation, which is currently at a two-year high, is predicted to stay between 4% and 5% this year, falling to 2.5% in 2012. The Chancellor confirmed that the target for Consumer Price Index (CPI) inflation will remain at 2%.

National debt is expected to be 60% of GDP this year, rising to 71% in 2012 and falling to 69% by 2015. Borrowing is expected to fall from £146 billion this year to £122 billion next year, reaching £29 billion by 2015/16.

The Chancellor also revealed that the OBR will become a permanent fixture.



Income tax and personal savings

Income tax rates

	2011/12	2010/11
Basic rate band – income up to	£35,000	£37,400
Starting rate for savings	*10%	*10%
Basic rate	20%	20%
Dividend ordinary rate	10%	10%
Higher rate – income over	£35,000	£37,400
Higher rate	40%	40%
Dividend upper rate	32.5%	32.5%
Additional rate – income over	£150,000	£150,000
Additional rate	50%	50%
Dividend additional rate	42.5%	42.5%

*Starting rate is for savings income up to the starting rate limit of £2,560 (£2,440) within the basic rate band. The rate applies to any balance of the limit remaining after allocating taxable non-savings income.

Personal allowances (ages are as at the end of the tax year)

	2011/12	2010/11
Personal allowances (PA)		
– under 65	£7,475	£6,475
– 65 to 74	£9,940	£9,490
– 75 and over	£10,090	£9,640

The personal allowance for those aged under 65 increases from 6 April 2011 to £7,475 and from 6 April 2012 to £8,105. The advantage to higher rate payers is countered by a lowering of the higher rate threshold, to £35,000 from 6 April 2011 and to £34,370 from 6 April 2012.

Married couple's allowance (MCA)

Either partner born before 6 April 1935 (relief restricted to 10%)	£7,295	£6,965
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Age-related allowances are reduced by £1 for every £2 that adjusted net income exceeds £24,000 (£22,900), to a minimum PA of £7,475 (£6,475).

The MCA is reduced by £1 for every £2 by which the income of the spouse or civil partner with the most income exceeds £24,000 (£22,900), subject to a minimum of £2,800 (£2,670).

Where income exceeds £100,000, the PA, including the minimum age-related allowances, is reduced to nil by £1 for every £2 that net adjusted income exceeds £100,000.

Qualifying time deposits

Interest paid on sums held in qualifying time deposit (QTD) accounts is subject to tax, but is currently paid gross to account holders. From 6 April 2012, tax will be deducted at source from taxable interest paid on new QTDs.

George Osborne was actually christened Gideon Oliver Osborne – he changed it to George when he was 13.



Pension savings

The annual allowance for tax-privileged pension saving is being cut from 6 April 2011, from £255,000 to £50,000. Where premiums paid in the pension input periods ending in the preceding three years are less than £50,000, unused relief may be carried forward. Where pension savings exceed the limit, a tax charge will arise – if the charge exceeds £2,000 the individual will be able to elect to have it met from the pension benefit, with the scheme paying the tax when the charge arises.

Meanwhile, the lifetime allowance on money that can be accrued in a pension fund and still receive tax relief, is set to fall from £1.8 million to £1.5 million from April 2012.

Pensions: requirement to buy an annuity

The pensions tax rules that make it obligatory for members of registered pension schemes to secure an income, usually by buying an annuity, by age 75 are to be removed. This will involve, amongst other things, changes to the rules applying to income drawdown arrangements.

With effect on or after 6 April 2011:

- individuals with defined contribution pension savings from which they have not yet taken a pension will be able to defer a decision to take benefits from their scheme indefinitely
- individuals with a lifetime pension income of at least £20,000 a year will be able to gain access to their drawdown pension funds without any cap on the withdrawals they may make
- the age 75 ceiling will be removed from most lump sums to which entitlement arises and the tax rate on lump sum death benefits will be 55%.

Pensions taxation

Legislation will be introduced in the Finance Bill 2011 to remove the tax charge on borrowing linked to the cost of setting up, managing or administering the National Employment Savings Trust (NEST), subject to conditions. It will also remove the tax liability on any interest payments on late pension contributions made by an employer to qualifying pension scheme. In addition it will provide a regulation-making power to deal with any unintended tax consequences that may emerge as a result of the implementation of NEST and the employer duty provisions as set out in the Pensions Act 2008.

This measure will have effect on or after 6 April 2011 apart from the removal of the tax liability on any interest payments, which will have effect on or after Royal Assent.

Domicile and residence

It is proposed that from April 2012 the existing £30,000 annual Remittance Basis Charge (RBC) will be increased to £50,000 for resident, non-domiciled individuals (non-doms) who have been UK resident for 12 or more years. The current £30,000 RBC will continue to apply for those who have been resident for at least 7 out of the last 9 years, and fewer than 12 years. However, the remittance basis tax charge will not apply where non-doms remit foreign income or gains to the UK for the purpose of commercial investment in UK businesses.

Some aspects of the current tax rules for non-doms will be simplified. A proposed statutory residence test is expected to bring clarity.

Individual Savings Accounts (ISAs)

The Chancellor has confirmed that the annual ISA subscription limit for 2011/12 will rise from £10,200 to £10,680, up to £5,340 of which can be invested in a cash-only ISA.

Following the closure of the Child Trust Fund to new entrants earlier this year, the Government has announced that tax-free Junior ISAs will be launched from Autumn 2011. They will be available to UK resident children under the age of 18 who do not have a Child Trust Fund account, as a cash or stocks and shares product.



Furnished Holiday Lettings (FHL)

Following a consultation on the tax rules for FHL, the law will be changed by the Finance Bill 2011 so that:

- FHL in both the UK and European Economic Area (EEA) will be eligible as qualifying FHL within the (revised) special tax rules. This is the current situation but is not within the legislation
- the minimum period over which a qualifying property must be available for letting to the public in the relevant period is increased from 140 days to 210 days in a year with effect from April 2012
- the minimum period over which a qualifying property is actually let to the public in the relevant period is increased from 70 days to 105 days in a year with effect from April 2012
- losses made in a qualifying UK or EEA FHL business may only be set against income from the same UK or EEA FHL business (existing rules allow set off against general income)
- a 'period of grace' will be introduced to allow businesses that do not continue to meet the 'actually let' requirement for one or two years to elect to continue to qualify throughout that period.

Reduced childcare relief for higher earners

Those joining employer-supported childcare schemes providing childcare vouchers or directly-contracted childcare on or after 6 April 2011 will, if they are higher rate or additional rate taxpayers, have the value of their tax relief restricted to match the value to basic rate taxpayers'. This will be achieved by introducing new income tax exempt limits of £28 per week for higher rate payers and £22 per week for additional rate payers.

Capital taxes

Capital gains tax (CGT)

The annual exempt amount for 2011/12 is £10,600.

Gains that fall within an individual's otherwise unused basic rate income tax band are taxed at 18%; any remaining gains above the basic rate band limit are taxed at 28%. The rate of CGT for trustees or personal representatives is 28%.

Entrepreneurs' Relief

Qualifying gains are taxed at 10%. The lifetime limit for Entrepreneurs' Relief rises from 6 April 2011 to £10 million. The increased limit applies only to qualifying disposals on or after that date.

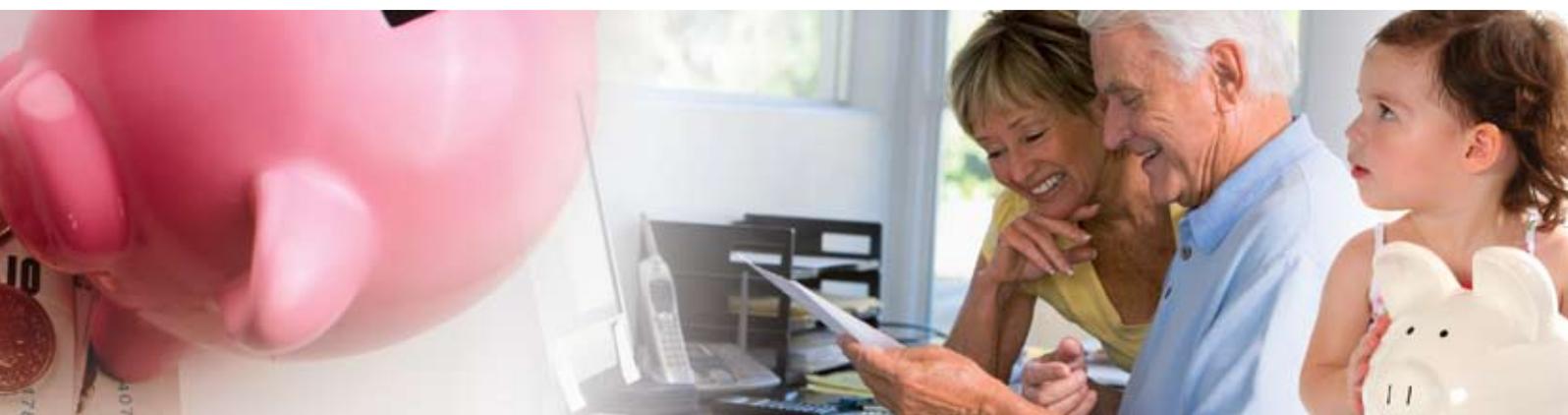
Inheritance tax (IHT)

The IHT threshold is frozen at £325,000 until 5 April 2015.

The rate of IHT remains 20% for lifetime transfers and 40% for death estates (including transfers within seven years before death brought back into the estate for the purpose of calculating the tax due at death).

A reduced rate of 36% will apply from April 2012 to death estates, where 10% or more of the net estate is left to charity.

Robert Harley (Chancellor from 1710-1711) was the victim of two assassination attempts, one involving a penknife and the other a set of loaded pistols concealed in a hat box.



Business tax and investment incentives

Corporation tax

Corporation tax rates and bands are as follows:

Financial year to	31 March 2012	31 March 2011
Taxable profits		
First £300,000	20%	21%
Next £1,200,000	27.5%	29.75%
Over £1,500,000	26%	28%

The main rate of corporation tax will be reduced to 25% for the financial year commencing 1 April 2012 and to 24% for the financial year commencing 1 April 2013.

Associated companies

A new measure amends corporation tax small profits rate legislation. It will ensure that companies are not held to be associated through an attribution of rights (solely by virtue of relationships between individuals), but only where the level of commercial interdependence between the companies themselves makes it appropriate to do so.

The tax effect on companies which are held to be associated is to lower the profit threshold at which they fall within the main rate of corporation tax, in proportion to the number of associated companies.

Patents

A reduced 10% rate of corporation tax for profits arising from patents will come into effect from 1 April 2013.

Capital allowances

The rates of writing down allowances (WDAs) for new and unrelieved expenditure on plant and machinery will be reduced from 20% to 18% per annum for expenditure allocated to the main rate pool, and from 10% to 8% per annum for expenditure allocated to the special rate pool. This will have effect for chargeable periods ending on or after 1 April 2012 for businesses within the charge to corporation tax and on or after 6 April 2012 for businesses within the charge to income tax.

The Annual Investment Allowance (AIA) will be reduced from the current limit of £100,000 to a new limit of £25,000. This will have effect from April 2012.

The period over which expenditure can be given short life asset treatment will be increased from four years to eight years. This will have effect for expenditure incurred on or after 1 April 2011 for businesses within the charge to corporation tax and on or after 6 April 2011 for businesses within the charge to income tax.

Research and development (R&D)

The additional corporation tax deduction given to SMEs for qualifying R&D expenditure will increase from 75% to 100%, giving a total deduction of 200%. Subject to State aid approval, this will have effect for expenditure incurred on or after 1 April 2011. A further increase to 125% will have effect for expenditure incurred on or after 1 April 2012.

'I hold out for a dream, a distant dream, that people actually understand the laws they are being asked to comply with.'

Chancellor George Osborne



Controlled foreign companies (CFCs)

The following changes to the CFC rules will be introduced in Finance Bill 2011:

- an exemption for certain intra group trading transactions where there is little connection with the UK
- an exemption for CFCs with a main business of intellectual property (IP) exploitation where the IP and CFC have minimal connection with the UK
- a statutory exemption which runs for three years for foreign subsidiaries that, as a consequence of a reorganisation or change to UK ownership, come within the scope of the CFC regime
- an alternative to the current de minimis exemption, which will increase the limit to £200,000 profits per annum, and the replacement of the need to calculate chargeable profits with an accounts based measure
- extension of the transitional rules for superior and non-local holding companies until July 2012.

A full reform of the CFC rules will be introduced in 2012.

Foreign branches

Legislation will be introduced to allow a UK resident company to make an irrevocable election for all of its foreign branches, located anywhere in the world, to be exempt from UK corporation tax on their profits. If an election is made, no relief will be available for foreign branch losses. This will have effect for accounting periods commencing on or after Royal Assent.

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

Subject to State aid approval, the rate of income tax relief given under EIS will increase to 30% for shares issued on or after 6 April 2011.

For EIS and VCTs, the following increases will, subject to State aid approval, be introduced for shares in investee companies that are issued on or after 6 April 2012:

- the employee limit to fewer than 250 employees
- the size threshold to gross assets of no more than £15 million before investment
- the maximum annual amount that can be invested in an individual company to £10 million
- the annual amount that an individual can invest under the EIS to £1 million.

Companies whose trade consists wholly or substantially in the receipt of Feed-In Tariffs (FITs) or similar subsidies will only be eligible for the two schemes where commercial electricity generation commences before 6 April 2012. Shares issued before 23 March 2011 will not be affected.

Business rates

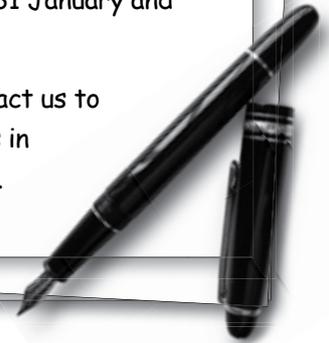
The Government will offer up to 100% business rate discount for five years to businesses located in any of the 21 new Enterprise Zones.

The small business rate relief 'holiday' will be extended by one year from 1 October 2011.

take note

If you are self-employed and your profits are falling, you may be able to reduce your income tax payments, which are due on 31 January and 31 July.

Please contact us to discuss this in more detail.



Tax and travel

Car and fuel benefits

The taxable petrol and diesel car benefit is based on the car's CO₂ emissions. It is calculated using the car's UK list price and applying the 'appropriate percentage' as shown in the table below. The first two lines of figures in the table relate to qualifying low emissions cars (QUALECs).

The car fuel benefit is calculated by applying the same percentages to the fuel multiplier, which for 2011/12 is £18,800.

For cars which cannot produce CO₂ engine emissions under any circumstances when driven ('zero emission cars', including those powered solely by electricity), the appropriate percentage is reduced to 0%, thereby reducing the car benefit charge to nil.

For cars emitting between 1 and 75g/km the appropriate percentage is reduced to 5% (8% for diesel) for 5 years from 6 April 2010.

List price cap

With effect from 6 April 2011, the list price cap of £80,000 is withdrawn. This will increase substantially the tax charge for drivers of very expensive cars. For example for a car with a list price of £170,000 and CO₂ emissions of 320g/km, the annual taxable benefit will increase from £28,000 to £59,500.

Future changes

From 6 April 2012 the table of tax bands will be extended down to a new 10% band for cars emitting up to 99g/km. This will replace the existing 10% band, so that QUALECs will no longer exist as a separate category. The rate for emissions of 100g/km will be 11% and will increase by 1% for every 5g/km to a maximum of 35%, as at present.

VAT on fuel for private use in cars

Where businesses wish to reclaim the input VAT on fuel which has some degree of private use, they must account for output VAT on a scale charge.

The table shows the VAT chargeable for quarters commencing on or after 1 May 2011.

take note

Consider whether 'free' fuel is still the most tax efficient method of covering business mileage.

It may be cheaper for all concerned for the employee to meet the initial cost and then be reimbursed in accordance with HMRC's published rates.

CO ₂ emissions (g/km)	Appropriate percentage		Quarterly VAT	
	Petrol %	Diesel %	Fuel scale charge £	VAT on charge £ (20%)
Up to 75	5	8	157	26.17
76 to 120	10	13	157	26.17
121 – 124	15	18	157	26.17
125 – 129	15	18	236	39.33
130 – 134	16	19	252	42.00
135 – 139	17	20	268	44.67
140 – 144	18	21	283	47.17
145 – 149	19	22	299	49.83
150 – 154	20	23	315	52.50
155 – 159	21	24	331	55.17
160 – 164	22	25	346	57.67
165 – 169	23	26	362	60.33
170 – 174	24	27	378	63.00
175 – 179	25	28	394	65.67
180 – 184	26	29	409	68.17
185 – 189	27	30	425	70.83
190 – 194	28	31	441	73.50
195 – 199	29	32	457	76.17
200 – 204	30	33	472	78.67
205 – 209	31	34	488	81.33
210 – 214	32	35	504	84.00
215 – 219	33	35	520	86.67
220 – 224	34	35	536	89.33
225 and above	35	35	551	91.83



Mileage rates

Changes to the HMRC business mileage rates are announced from time to time. The rates from 6 April 2011 are as follows:

Vehicle	First 10,000 miles	Thereafter	Car – fuel only advisory rates			
			Engine capacity	Petrol	Diesel	LPG
Car/van	45p	25p	up to 1400cc	14p	13p	10p
Motorcycle	24p	24p	1401 - 2000cc	16p	13p	12p
Bicycle	20p	20p	Over 2000cc	23p	16p	17p

The fuel only advisory rates relate to company cars only. They can be applied as a tax-free maximum rate for employees claiming for petrol used on business journeys and for employees reimbursing their employers with the cost of petrol used for private journeys.

HMRC will consider claims for a higher maximum rate, if it can be demonstrated that it is necessary for an employee to use a car with higher than average fuel costs.

Car costs – Vehicle Excise Duty (VED) rates

VED ('Car Tax') rates also reflect emissions, with lower scale rates for cars using alternative fuels. The following table shows the rates which apply from 1 April 2011 for cars registered on or after 1 March 2001:

VED Band	CO ₂ Emissions (g/km)	First Year Rate	Standard Rate	
			Petrol & Diesel	Alternative Fuels
A	Up to 100	£0	£0	£0
B	101 - 110	£0	£20	£10
C	111 - 120	£0	£30	£20
D	121 - 130	£0	£95	£85
E	131 - 140	£115	£115	£105
F	141 - 150	£130	£130	£120
G	151 - 165	£165	£165	£155
H	166 - 175	£265	£190	£180
I	176 - 185	£315	£210	£200
J	186 - 200	£445	£245	£235
K*	201 - 225	£580	£260	£250
L	226 - 255	£790	£445	£435
M	Over 255	£1,000	£460	£450

*includes cars emitting over 225g/km registered before 23 March 2006.

Company vans

The taxable benefit for the unrestricted private use of vans is £3,000. There is a further £550 taxable benefit if the employer provides fuel for private travel.

Van and fuel charge	Van	Fuel	Total
Tax (20% taxpayer)	£600	£110	£710
Tax (40% taxpayer)	£1,200	£220	£1,420
Tax (50% taxpayer)	£1,500	£275	£1,775
Employer's Class 1A NICs	£414	£75.90	£489.90

The flat rate of £3,000 is reduced to nil for vans emitting zero CO₂. There is no fuel benefit for such vans.



National Insurance Contributions (NICs)

As previously announced for 2011/12, the main and additional rates of NICs will increase by 1%.

2011/12	Employer	Employee
Class 1 – not contracted out		
Payable on weekly earnings of		
Below £102 (lower earnings limit)	Nil	Nil
£102 – £136 (employers' earnings threshold)	Nil	Nil
£136.01 – £139 (employees' earnings threshold)	13.8%	Nil
£139.01 – £770 (upper accrual point)	13.8%	12%
£770.01 – £817 (upper earnings limit)	13.8%	12%
over £817	13.8%	2%
Over state retirement age, the employee contribution is generally nil.		
Class 1A	On relevant benefits	13.8%
Class 2	Self employed	£2.50 per week
	Limit of net earnings for exception	£5,315 per annum
Class 3	Voluntary	£12.60 per week
Class 4*	Self employed on profits	
	£7,225 – £42,475	9%
	Excess over £42,475	2%

*Exemption applies if state retirement age was reached by 6 April 2011.

Changes to payment dates – Class 2 NICs

From April 2011, HMRC will issue just two payment requests in the year in October and April, showing payments due by 31 January and 31 July, respectively. This means that the due dates for payment of 2011/12 Class 2 NICs will be 31 January 2012 and 31 July 2012.

National Minimum Wage (NMW)

The current NMW rates are as follows:

Age	21 and over	18-20	16 and 17
From 1 October 2010	£5.93	£4.92	£3.64

An apprentice rate of £2.50 applies to apprentices under 19, or those 19 and over in the first year of apprenticeship.

The Government has launched a new scheme to expose publicly employers who deliberately pay their staff less than the NMW. Under the scheme, which came into effect on 1 January 2011, defaulting employers may have their breaches publicised by the Department for Business, Innovation and Skills.

In 1871 a tax on matches was proposed, sparking widespread opposition.



Value Added Tax (VAT)

From	4 Jan 2011	1 Jan 2010
Standard rate	20%	17.5%
VAT fraction	1/6	7/47
Reduced rate	5%	5%
Current Turnover Limits		
Registration - last 12 months or next 30 days over	£73,000 from 1 April 2011	
Deregistration - next 12 months under	£71,000 from 1 April 2011	
Annual Accounting Scheme	£1,350,000	
Cash Accounting Scheme	£1,350,000	
Flat Rate Scheme	£150,000	

Online registration and online filing

Following the Minister for the Cabinet Office's statement of 23 November 2010 on the "Digital Agenda", subject to consultation on the detail, the Government will mandate online VAT registration, de-registration and variations. The Government will also put forward regulations which, subject to consultation, will require all remaining VAT customers to file their VAT returns online and pay electronically for periods beginning on or after 1 April 2012.

Low value consignment relief (LVCR)

The Government will reduce the LVCR threshold from £18 to £15 from 1 November 2011. This is the threshold below which goods imported from outside the European Union (including the Channel Islands) are VAT-free. The person (or business) to whom the item is addressed is classed as the importer.

Duties

Alcohol duty

The impact of the changes on retail prices on or after 28 March 2011 for typical alcoholic drinks is equivalent to:

- 54p on a bottle of spirits
- 4p on a pint of beer
- 15p on a bottle of wine.

The Finance Bill 2011 will introduce legislation for a new duty on beers exceeding 7.5% abv that are produced in, or imported into, the UK. The new duty is to be levied in addition to the existing general duty on beer.

The legislation will also change the taxation of low strength beers by introducing a reduced rate of general beer duty at or below 2.8% abv and above 1.2%. Small Brewery Beer relief will still be available on general beer duty payable on beers above 7.5% abv but it will not apply to the new high strength beer duty. The relief will also not apply to beers at or below 2.8% abv qualifying for the new reduced rate.



Tobacco products duty

From 23 March 2011 the duty rates for tobacco products are increased by 2% above RPI. Duty on hand rolling tobacco will increase by an additional 10%. The Government is also restructuring cigarette duty to support health objectives. As a result, ad valorem duty on cigarettes will decrease to 16.5%, and specific duty will increase by 25% above the RPI. This will target the duty increase on cheaper cigarettes, adding 50p to a packet of economy cigarettes and 33p to a packet of premium cigarettes. These changes came into effect on 23 March 2011.

Other measures announced

Charities, Gift Aid and SA Donate

The existing rule whereby the benefit received by individuals and companies as a result of making donations to charities and community amateur sports clubs in excess of £10,000 is to remain at 5% of the value of the gift, but the monetary cap on the value of such benefits is to increase from 1 April 2011 (companies) and 6 April 2011 (individuals) from £500 to £2,500.

The option to have self assessment repayments donated to charity under the SA Donate scheme is to be withdrawn in respect of:

- tax returns for the tax year 2011/12 onwards
- tax returns for years up to and including 2010/11 where the repayment is made on or after 6 April 2012.

The Government is to consult on a scheme to encourage donation of pre-eminent works of art or historical objects to the nation in return for a tax reduction.

From April 2013, a new scheme will allow charities to claim Gift Aid on up to £5,000 of small donations without the need for Gift Aid declarations.

'Tainted' charitable donations

The law will be changed to deny tax relief on charitable donations where one of the main purposes of the donation is to receive an advantage for the donor or a connected person directly or indirectly from the charity. These donations will be known as 'tainted donations' and there is no monetary limit on the amount of the donation which may be caught by these rules.

The rules will affect charity donations made on or after 1 April 2011 and replace the existing 'substantial donor' rules.

New data-gathering powers for HMRC

The Finance Bill 2011 will include measures to 'modernise' HMRC's information powers by introducing a single set of general rules.

Notably, HMRC will be able to specify the format in which data is to be provided so that it may be more easily processed. The Government claims that the latest reforms will:

- allow HMRC to use bulk information powers to gather specific pieces of information about a group of taxpayers, for use in risk analysis
- introduce specialist 'unnamed taxpayer' powers that are narrowly defined in law to be used in very specific circumstances during a compliance check, such as when it is not clear who the taxpayer is
- allow HMRC to apply to the tribunal for increased daily penalties where data is not supplied
- cover data about certain foreign taxes
- provide a penalty if a person is aware of an inaccuracy when providing information or documents and to correct a minor error in the legislation.



These changes are expected to be introduced from 6 April 2012 and will lead to a significant increase in HMRC's powers.

Security for PAYE & NICs

Legislation in Finance Bill 2011 will introduce a power to allow HMRC to make regulations enabling them to require a security from employers for PAYE that is seriously at risk. The measure will also introduce a criminal offence for non-payment of a security.

Once the new power is in place, HMRC will use existing powers to make equivalent provision in respect of NICs.

Disguised remuneration

New measures will ensure that income tax and NICs on employment income are not avoided or deferred through the use of trusts or other intermediaries, including Employee Benefit Trusts (EBTs) and Employer Financed Retirement Benefit Schemes (EFRBS).

The legislation will have effect on or after 6 April 2011 and applies to rewards which are earmarked for an individual employee or otherwise made available on or after that date.

In addition, anti-forestalling provisions apply to the payment of sums (including loans) and the provision of readily convertible assets for the purposes of securing the payment of sums (including loans) where the sum is paid or the asset is provided between 9 December 2010 and 5 April 2011 where, if paid or provided on or after 6 April 2011, they would be caught by the legislation.

Mutual Assistance Recovery Directive (MARD)

Legislation will be introduced in Finance Bill 2011 to enable the UK to implement the MARD agreed by EU Finance Ministers during 2010. Under this Directive EU Member States can provide each other with assistance in the recovery of tax debts and duties, which includes service of documents and exchanging information in connection with the recovery of claims.

This measure fulfils the UK's EU obligations by implementing the directive which provides reciprocal arrangements for recovering and enforcing tax debts and for the exchange of information across the EU.

The Directive becomes fully applicable on 1 January 2012 and the UK legislation transposing the Directive and setting out the detailed rules will come into force on that date.

Online tax calculator

The Government will build an online personal tax calculator by 2012 to allow individuals to estimate how much income tax and NICs they pay.

Move from RPI to CPI

From April 2012 the default indexation assumption for all direct taxes including income tax, NICs, inheritance tax, capital gains tax and ISAs, will move from the Retail Price Index (RPI) to the Consumer Price Index (CPI).

As well as serving as Chancellor and Prime Minister, Benjamin Disraeli was the author of a number of successful novels including *Coningsby*, *Sybil* and *Vivian Grey*.



What they said

Budget 2011 – Reaction to the Chancellor's Speech

We have put fuel into the tank of the British economy

Chancellor George Osborne

It's not the wrong type of snow that's to blame, it's the wrong type of Chancellor

Ed Miliband, Labour leader

While they will broadly welcome many of the Chancellor's announcements, British business owners will be looking for much more in the way of real actions in the weeks, months and years that lie ahead

Phil Orford, chief executive of the Forum of Private Business

The Government has committed to cutting red tape, but we believe new employment laws will still come into force this year, which could hinder businesses from taking on staff

John Walker, national chairman of the Federation of Small Businesses

It's the same old Tories. It's hurting but it isn't working. Every time he comes to this House his growth forecast is downgraded

Ed Miliband, Labour leader

This Budget will help businesses grow and create jobs. The Chancellor has made clear the UK is open for business

John Cridland, director-general of the Confederation of British Industry

Simplifying the tax system

Ahead of the 2011 Budget, the Office of Tax Simplification (OTS) published its final recommendations for reforming the UK's tax system.

The OTS, which was tasked with conducting a review of the UK's tax relief system, has identified 47 reliefs which it says should be abolished and 17 which need to be simplified. It proposes that a further 37 reliefs should be examined in greater detail.

The report recommends the abolition of tax-free luncheon vouchers and relief on late night taxis. Others identified for removal include trade union subscriptions and the business premises renovation allowance.

Among those it suggests simplifying are: Entrepreneurs' Relief; principal private residence relief; real estate investment trusts; and the enterprise investment scheme. The OTS also called for a wholesale review of inheritance tax and capital gains tax.

In the Budget, the Chancellor agreed to abolish 43 'complex reliefs' but the most significant announcement for the long-term was the Government's intention to consult on the possibility of 'merging' national insurance and income tax in future years.

Peter Thorneycroft resigned as Chancellor in 1958 after only a year in office, in protest at increased Government expenditure. Enoch Powell also resigned from office, prompting Harold Macmillan's famous understatement about there being 'a little local difficulties'.



2011/12 Tax Calendar

April 2011

M	Tu	W	Th	F	Sa	Su
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

May 2011

M	Tu	W	Th	F	Sa	Su
30	31					1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

June 2011

M	Tu	W	Th	F	Sa	Su
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

April 2011

- 5 Last day of 2010/11 tax year.
Deadline for 2010/11 ISA investments.
Last day to make disposals using the 2010/11 CGT exemption.
Last date for contracting back into the State Second Pension for 2010/11.
- 14 Due date for income tax for the CT61 period to 31 March 2011.
- 19/22 Quarter 4 2010/11 PAYE remittance due.
- 20 Interest will begin to accrue on unpaid PAYE/NI for 2010/11.
- 30 Normal annual adjustment for VAT partial exemption calculations (monthly returns).

May 2011

- 3 Submission date of P46 (Car) for quarter to 5 April.
- 19 Last day for filing forms P14, P35, P38, and P38A – 2010/11 PAYE returns – without incurring penalties.
- 31 Last day to issue 2010/11 P60s to employees.

June 2011

- 30 End of CT61 quarterly period.
Annual adjustment for VAT partial exemption calculations (March VAT year end).

July 2011

- 6 Deadline for submission of Form 42 (transactions in shares and securities).
Deadline for submission of EMI40 (EMI Annual Return).

July 2011

M	Tu	W	Th	F	Sa	Su
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

August 2011

M	Tu	W	Th	F	Sa	Su
1	2	3	4	5	6	7
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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

September 2011

M	Tu	W	Th	F	Sa	Su
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

- File Taxed Award Scheme Returns, file P11Ds, P11D(b)s and P9Ds. Issue copies of P11Ds or P9Ds to employees.
- 14 Due date for income tax for the CT61 period to 30 June 2011.
- 19/22 Quarter 1 2011/12 PAYE remittance due.
Final date for payment of 2010/11 Class 1A NICs.
- 31 Second self assessment payment on account for 2010/11.
Annual adjustment for VAT partial exemption calculations (April VAT year end).
Liability to 2nd £100 penalty arises for 2010 Tax Return still not filed.
5% surcharge on any tax unpaid for 2009/10.
Deadline for tax credit Annual Declaration (if estimated, final figures required by 31/01/12).

August 2011

- 2 Submission date of P46 (Car) for quarter to 5 July.
- 31 Annual adjustment for VAT partial exemption calculations (May VAT year end).

September 2011

- 30 End of CT61 quarterly period.
Last day for UK businesses to reclaim EC VAT chargeable in 2010.

October 2011

- 1 Due date for payment of Corporation Tax for period ended 31 December 2010.

October 2011

M	Tu	W	Th	F	Sa	Su
31					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

November 2011

M	Tu	W	Th	F	Sa	Su
	1	2	3	4	5	6
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14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

December 2011

M	Tu	W	Th	F	Sa	Su
			1	2	3	4
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12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

- 5 Individuals/trustees must notify HMRC of new sources of income/chargeability in 2010/11 if a Tax Return has not been received.
- 14 Due date for income tax for the CT61 quarter to 30 September 2011.
- 19/21 Quarter 2 2011/12 PAYE remittance due.
- 31 Last day to file 2011 paper Tax Return without incurring penalties.

November 2011

- 1 Please ensure you are retaining your documents for the 2012 Tax Return.
- 2 Submission date of P46 (Car) for quarter to 5 October.

December 2011

- 30 Last day to file your 2011 Tax Return electronically if you wish to have a 2010/11 balancing payment of less than £2,000 collected through your 2012/13 PAYE code.
- 31 Last day for non-EC traders to reclaim recoverable UK VAT suffered in the year to 30 June 2011.
End of relevant year for taxable distance supplies to UK for VAT registration purposes.
End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes.
End of CT61 quarterly period.
Filing date for Corporation Tax Return Form CT600 for period ended 31 December 2010.

January 2012

M	Tu	W	Th	F	Sa	Su
30	31					1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

February 2012

M	Tu	W	Th	F	Sa	Su
		1	2	3	4	5
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13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29				

March 2012

M	Tu	W	Th	F	Sa	Su
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

January 2012

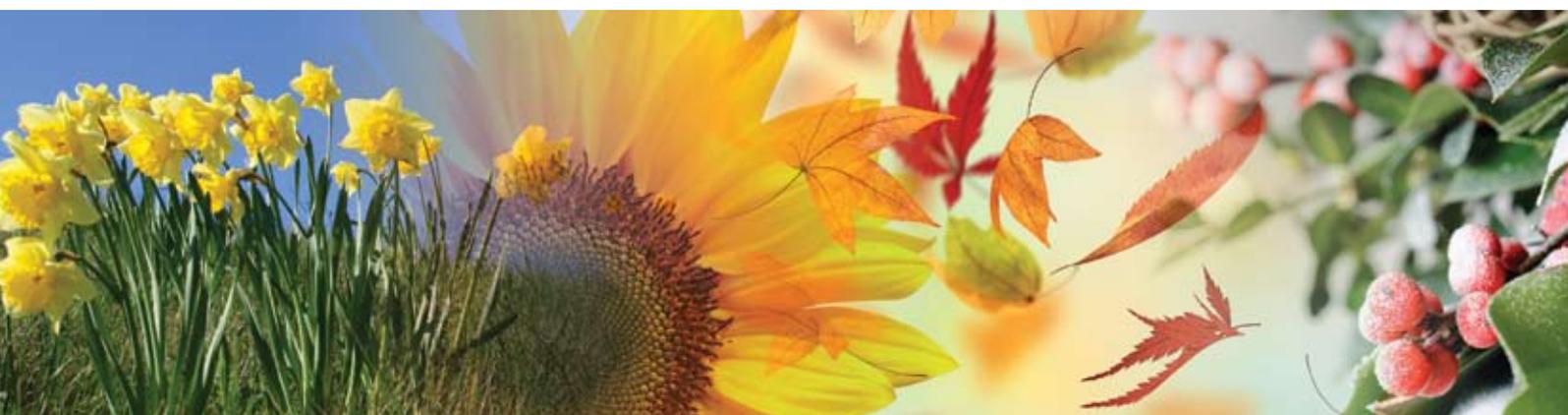
- 1 Due date for payment of Corporation Tax for period ended 31 March 2011.
- 14 Due date for income tax for the CT61 quarter to 31 December 2011.
- 19/20 Quarter 3 2011/12 PAYE remittance due.
31 First self assessment payment on account for 2011/12.
Capital gains tax payment for 2010/11.
Balancing payment – 2010/11 income tax/Class 4 NICs.
Last day to renew 2011/12 tax credits.
First payment due date for 2011/12 Class 2 NICs.
Deadline for amending 2009/10 Tax Return.
Last day to file the 2011 Tax Return online without incurring penalties.

February 2012

- 1 £100 penalty if 2011 Tax Return not yet filed. Additional penalties may apply for further delay. Interest starts to accrue on 2010/11 tax not yet paid.
- 2 Submission date of P46 (Car) for quarter to 5 January.
- 14 Last date (for practical purposes) to request NIC deferral for 2011/12.
- 28 Last day to pay any balance of 2010/11 tax and Class 4 NICs to avoid an automatic 5% surcharge.

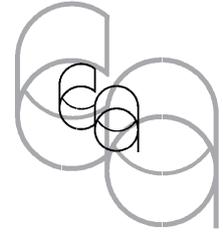
March 2012

- 31 End of Corporation Tax financial year.
End of CT61 quarterly period.



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- *Information Technology and computer consultancy*
- *Finance raising for both corporate and property acquisitions*
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- *Comprehensive charity services*
- *Business start-up advice*
- *PAYE and VAT administration services*

