shipleys LLP
Chartered Accountants & Professional Business Advisers

Budget Summary

2011

Introduction

George Osborne's first Spring Budget included a host of surprises. He claimed to be putting "fuel back into the UK economy". Certainly the headline-grabbing fuel levy changes will be welcomed by many, but there were other measures, including supercharging some tax reliefs, designed to change the economy up a gear.

The Chancellor unveiled a further £630 hike in the personal allowance, in addition to the £1,000 increase already announced, meaning no tax on the first £8,105 of income. Higher rate tax payers won't benefit however, as the level at which higher rate tax applies will be reduced and, in future, allowances will change in line with the CPI index, not the more generous RPI. Anyone earning over £150,000 will be pleased that the 50p tax rate is apparently "temporary", although there is no indication of when it will be removed. Sceptics may point out that income tax is also a temporary annual tax, reliant on Acts of Parliament to continue!

The changes for businesses include not only cutting corporation tax by 2% in April, rather than 1% as previously announced, but also enhancements to the rules for Enterprise Investment Schemes, Venture Capital Trusts, R&D and Enterprise Zones. Charities should be boosted by simplified gift aid arrangements and the surprise 10% reduction in IHT for those who leave them 10% of their estate on death.

More fundamental changes to the tax system may be around the corner, including closer alignment of income tax and national insurance. Every Chancellor strives for a crack-down on tax avoidance – this time, arrangements to side-step SDLT on property purchases, tightening of capital gains tax rules and "disguised remuneration" are targeted.

Our initial summary of the Budget announcements is no substitute for detailed scrutiny and advice on your individual circumstances. My colleagues and I will be delighted to guide you through this.

Ken Roberts
Managing Principal

Budget Highlights

Income tax – rates and bands announced in the June 2010 Budget for 2011/12 are confirmed, with the basic rate of 20% applying to chargeable income up to £35,000, the 40% higher rate on the balance of chargeable income up to £150,000 and the additional rate of 50% thereafter. The 50% income tax rate is "temporary" according to the Chancellor.

Non-domiciled individuals – subject to consultation, for non-domiciled individuals who have been UK resident for 12 or more years, the annual charge for the remittance basis is to be increased to £50,000 from April 2012.

National insurance contributions – rates are increased from 6 April 2011 as previously announced.

Amalgamation of income tax and NIC – there is to be a consultation on this at some time in the probably distant future.

Personal allowances – the main personal allowance is increased by £1,000 to £7,475 for 2011/12 as previously announced and reduced by £1 for every £2 of income above £100,000.

Capital gains tax – the rate remains unchanged at 18% up to the limit of the basic rate band and 28% above that limit. The annual exemption is increased to £10,600 for 2011/12.

Entrepreneurs' relief – the lifetime limit is increased from £5 million to £10 million for disposals of assets after 5 April 2011.

Inheritance tax – the 40% rate and nil rate band of £325,000 are unchanged. A reduction in the rate of tax to 36% is available from 6 April 2012 where 10% or more of the estate (net of exemptions and the nil rate band) is left to charity.

Enterprise Investment Scheme – income tax relief is increased from 20% to 30% for shares issued after 5 April 2011. The maximum amount qualifying for relief is to be increased to £1 million from 6 April 2012. The limits on an EIS-qualifying company's employees and assets are also to be increased from 6 April 2012.

Corporation tax – rate reduced to 26% from 1 April 2011 and then dropping by 1% each financial year until 1 April 2014, when it will be 23%.

Annual investment allowance – remains at £100,000 for the financial year commencing April 2011 but drops to £25,000 from April 2012.

R&D tax credits – to be increased for SMEs from 175% to 200% for expenditure after March 2011 and further increased to 225% for expenditure after March 2012.

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Income Tax

Rates and Bands

(2010/11 figures in brackets)

	Dividends	Interest	Other
The first £2,560 *(£2,440)*	10%* *(10%)*	10%* *(10%)*	20% *(20%)*
£2,561 - £35,000 *(£2,441 - £37,400)*	10% *(10%)*	20% *(20%)*	20% *(20%)*
£35,000 - £150,000 *(£37,401 - £150,000)*	32.5% *(32.5%)*	40% *(40%)*	40% *(40%)*
Over £150,000 (*Over £150,000)*	42.5% (42.5%)	50% (50%)	50% (50%)

* Dividends are treated as the top slice of total income, interest as the next slice. The 10% rate band applies to savings (interest and dividends) income only. If non-savings income is in excess of £2,560 *(£2,440)* the 10% rate band does not apply.

Discretionary and Accumulation & Maintenance Trusts: 42.5% on dividends *(32.5%)*, otherwise 50% *(40%)*, save that the first £1,000 *(£1,000)* income is taxed at 10% or 20% according to its nature, and trusts for the most vulnerable may elect that the trust income is taxed as the beneficiary's.

Construction industry sub-contractors: tax deduction on account 20%, or 30% if the sub-contractor is unregistered.

Allowances

		2011/12 £	2010/11 £
Relief at individual's top tax rate			
Personal	- aged under 65*	7,475	6,475
	- aged 65 – 74**	9,940	9,490
	- aged 75 or over**	10,090	9,640
Blind person's allowance		1,980	1,890
Relief at 10%			
Married couple* (only available to those born before 6 April 1935)		7,295	6,965

* The basic personal allowance is reduced by £1 for every £2 of income in excess of £100,000 (regardless of age), until it is completely removed.

From 6 April 2012 the personal allowance for those aged under 65 will be £8,105. The basic rate upper limit will be reduced to £34,370.

** The additional allowances for those aged over 64 are reduced by £1 for every £2 of income in excess of £24,000 *(£22,900)*, to a minimum allowance of £7,475 *(£6,475)* for the personal allowance and £2,800 *(£2,670)* for the married couple's allowance.

National Insurance Contributions

		2011/12	2010/11
Class 1	Employees' contributions (weekly)		
	On earnings up to £139 *(2010/11 £110)*	Nil	Nil
	On earnings between £139 and £817 *(2010/11 £110 and £844)*	12%	11%
	On earnings over £817 *(2010/11 £844)*	2%	1%
	Employees' contracted-out rebate (weekly)		
	On earnings between £102 and £817 *(2010/11 £97 and £844)*	1.6%	1.6%
	Married women's reduced rate (weekly)		
	On earnings between £139 and £817 *(2010/11 £110 and £844)*	5.85%	4.85%
	On earnings over £817 *(2010/11 £844)*	2%	1%
	Employers' contributions (weekly)		
	On earnings up to £136 *(2010/11 £110)*	Nil	Nil
	On earnings over £136 *(2010/11 £110)*	13.8%	12.8%
	Employers' contracted-out rebate (weekly)		
	On earnings between £102 and £817 *(2010/11 £97 and £844)*		
	Salary-related schemes	3.7%	3.7%
	Money purchase schemes	1.4%	1.4%
Class 1A	Employers' contributions on taxable benefits in kind	13.8%	12.8%
Class 2	Self employed contributions (weekly)	£2.50	£2.40
	Small earnings exception (annual)	£5,315	£5,075
Class 3	Voluntary contributions (weekly)	£12.60	£12.05
Class 4	Self-employed (annual profit related)		
	On profits between £7,225 and £42,475 *(2010/11 £5,715 and £43,875)*	9%	8%
	On profits over £42,475 *(2010/11 £43,875)*	2%	1%

Capital Gains Tax

	2011/12	2010/11
Annual exemption		
Individuals, personal representatives* and certain trusts**	£10,600	£10,100
Other trusts		
Divided by the number of trusts created after 6 June 1978 by the same settlor, with a minimum of £1,060 *(2010/11 £1,010)*	£5,300	£5,050

* for year of death and following two years

** for persons mentally disabled or in receipt of attendance allowance or disability living allowance. divided by the number of such trusts created after 9 March 1981 by the same settlor, with a minimum of £1,060 (2010/11 £1,010)

Rates of Tax

Gains, other than those eligible for entrepreneurs' relief, realised after 22 June 2010 are taxed at 28% unless – in the case of individuals – the total of taxable income and gains (net of capital losses in the whole tax year and the annual exemption) is less than the basic rate band, in which case gains are taxed at 18%.

Gains, other than those eligible for entrepreneurs' relief, realised before 23 June 2010, are taxed at 18%.

Gains eligible for entrepreneurs' relief are taxed at 10%.

The lifetime limit on gains eligible for entrepreneurs' relief is:

For gains on disposals from 6 April 2008 to 5 April 2010	£1 million
For gains on disposals from 6 April 2010 to 22 June 2010	£2 million
For gains on disposals from 23 June 2010 to 5 April 2011	£5 million
For gains on disposals after 6 April 2011	£10 million

Entrepreneurs' Relief

Entrepreneurs' relief is available on gains (up to the lifetime limit) realised on qualifying disposals by an individual or by trustees, giving a reduced tax rate of 10%.

Qualifying disposals by an individual:

- a disposal of the whole or part of a business (defined as a trade, profession or vocation), including an interest as a partner, if the business is owned by the individual throughout the 12 months ending with the disposal

- a disposal of assets in use for the purposes of the business if the individual owned the business throughout the 12 months ending when the business ceases to be carried on and if the disposal is within three years of that cessation, or

- a disposal of shares in a trading company or the holding company of a trading group if, *either* throughout the 12 months ending with the disposal, the individual holds at least 5% of the ordinary share capital and at least 5% of the voting rights as a result and is a director or employee of that company (or of a member company of that trading group) *or* those conditions ware fulfilled for the 12 months ending when the company ceased to be a trading company or the holding company of a trading group and the disposal is within three years of that cessation.

Qualifying disposals by trustees:

- a disposal of assets in use for the purposes of a business carried on by an individual with an interest in possession in those trust assets, or

- a disposal of shares in a trading company or the holding company of a trading group if, throughout the 12 months ending not more than three years before the disposal, an individual with an interest in possession in those trust assets personally holds at least 5% of the ordinary share capital and at least 5% of the voting rights as a result and is a director or employee of that company (or of a member company of that trading group).

Inheritance Tax

Rates at Death	**From 6 April 2011**	***From 6 April 2010***
Nil	Up to £325,000	*Up to £325,000*
40%*	Over £325,000	*Over £325,000*

* from April 2012, a reduced 36% rate of IHT will be available where 10% or more of the estate net of reliefs, exemptions and the nil rate band is left to charity.

Lifetime chargeable transfers are charged at 20%.

Transfers between spouses or civil partners are exempt except when the transferor is UK domiciled and the transferee is not, when the exemption is £55,000 "overall limit".

Business property relief is 100% for shares in most unquoted trading companies and for most unincorporated trading businesses.

Agricultural property relief is 100% for qualifying holdings of agricultural land.

Annual exemption for lifetime gifts is £3,000.

Small gifts annual exemption per donee is £250.

Regular gifts out of income are exempt provided that the donor can maintain his or her usual standard of living without resorting to capital.

Reduced tax charge on transfers within seven years of death					
Years between gift and death	**0-3**	**3-4**	**4-5**	**5-6**	**6-7**
Percentage of tax chargeable on death	100%	80%	60%	40%	20%

Pension Tax Relief

Income tax relief is available on all pension contributions made by or for an individual under 75 (other than any made by his employer) up to a maximum of the individual's earnings or, if more £3,600.

Employers get tax relief on pension contributions made in respect of their employees, even those over 75, save that, where made by a trader, they will have to satisfy the 'wholly and exclusively' test.

Employees are not taxable on their employer's contributions or benefits accrued under a defined benefit (final salary) pension scheme as a benefit. But a tax charge *will* arise if total pension inputs (i.e. including their own contributions) in pension input periods *ending in* the tax year exceed the annual limit.

Every registered pension arrangement has a "pension input period". Unless an earlier alternative date is nominated the first period ends on the anniversary of its commencement and each successive period ends 12 months later.

For 2011/12 the annual limit is to be £50,000 (*2010/11 £235,000*), but with transitional relief for pension inputs before 14 October 2010. The annual limit for 2011/12 et seq. is to be increased by any amounts by which pension inputs fell short of £50,000 in the 3 preceding years (provided the individual was a member of a registered pension scheme in that year)

For years up to 2010/11 £10 of value is attributed to every £1 of defined benefit pension accrued, in valuing accrued benefits in a defined benefits scheme in the context of the annual limit. For 2011/12 et seq. this is to be increased to £16, which is also to be adopted when measuring unused relief for years before 2011/12.

For years up to 2010/11 the pension inputs in a year in which the individual becomes entitled to all the benefits from a pension arrangement or in which he dies are ignored. From 2011/12 it is only to apply to the year in which the individual dies or retires through severe ill-health.

If the annual limit is exceeded the excess is subject to income tax at the individual's marginal rate (*for years before 2011/12 it is charged at 40%*).

Pension Annuitisation

The Finance Bill 2011 will remove the requirement to buy an annuity by age 75 and, from 6 April 2011, replace the present systems for drawing income from pension funds (which differ according to whether one is under 75 or not), with a single 'drawdown pension'. This will be a maximum of 100% of an equivalent annuity, unless the pensioner has a lifetime pension income of at least £20,000 a year, in which case there is no limit. The tax charge on funds remaining on the member's death (or that of a dependant spouse) is to be at 55%, with no inheritance tax liability.

Motor Car Benefits

The taxable benefit is a percentage of the car's list price (post 6 April 2011 - no cap; previously list price capped to £80,000 if less). If a car is at least 15 years old and worth £15,000 or more, market value is adopted for list price.

For cars registered after 1997 with approved CO_2 emissions no higher than 125 g/km *(2010/11- 130 g/km)* the benefit is 15% of list price (18% if diesel), increased by 1% for every 5 g/km over that level to a maximum of 35%. The taxable benefit for such cars with CO_2 emissions not exceeding 120 g/km is 10% of list price (13% if diesel).

For cars registered before 1998, or after 1997 without approved CO_2 emissions, the benefit is as follows:

Engine Size	**Registered after 1997**	**Registered before 1998**
0 – 1400cc	15% (18% if diesel)	15%
1401cc – 2000cc	25% (28% if diesel)	22%
over 2000cc	35%	32%
Electric cars	0%	0%
Others with no cylinder capacity	35%	32%

The annual benefit charge will be 5% of the list price of cars with a CO_2 emissions no greater than 75g per km from 6 April 2010 to 5 April 2015.

Motor Van Benefits

The annual benefit taxable for an employee's private use of a van (not over 3,500kg) is £3,000. This amount is reduced if the van is not used for the whole tax year or, if someone else also uses the van for private travel or if something is paid for using the van privately.

Fuel Benefits (Cars & Vans)

Where the employer also provides fuel for private motoring in a car provided to an employee, a further benefit is taxable. For 2011/12, it is the 'car benefit percentage' of £18,800 (2010/11- £18,000). This figure is also subject to NIC for employers. Where fuel for private use of a van (not over 3,500kg) is provided, a benefit charge of £550 applies (2010/11 £550).

A 2% discount on the company car fuel multiplier for benefits in kind applies if the car is capable of being run on E85 fuel (unleaded petrol mixed with 85% bioethanol)

Advisory fuel rates for company cars (per mile) from 1 March 2011 ***(Rates from 1 December 2010 in brackets)***

	LPG	Diesel	Petrol
1400cc or less	10p (9p)	13p (12p)	14p (13p)
1401 – 2000cc	12p (10p)	13p (12p)	16p (15p)
over 2000cc	17p (15p)	16p (15p)	23p (21p)

Business Mileage Payments

Approved Mileage Allowance Payments (AMAPs) are used by employees to claim the cost of business mileage for travel in their own vehicle.

The rate of AMAPs for the first 10,000 business miles for cars and vans has been 40p per mile for some time. With effect from 6 April 2011 the rate will be increased to 45p per mile for the first 10,000 miles. The rate for business mileage in excess of 10,000 miles will continue to be 25p per mile.

In addition to the increase in the rate of AMAPs the allowance for passenger payments of 5p per passenger per mile will be extended to volunteers.

Individual Savings Accounts (ISAs)

Annual Subscription Limit

The annual subscription for ISAs (£10,680 for 2011/12) will be increased in line with the consumer prices index (CPI) instead of the retail prices index (RPI) on an annual basis from 6 April 2012. The cash ISA limit will continue to be half of the value of the stocks and shares ISA limit.

Introduction of Junior ISA

Following the ending of the Child Trust Fund (CTF) account, a new Junior ISA will be available for UK resident children who do not have a CTF account.

The draft legislation will not be published until 31 March but the Junior ISA will have many features in common with existing ISA products and they are expected to be available from autumn 2011.

EIS and VCTs

The income tax credit will be increased from 20% to 30% of the amount subscribed for shares on or after 6 April 2011.

The thresholds for the maximum size of qualifying investee company, the maximum amount that an individual can invest in total and the maximum amount that a company can raise will be increased for shares issued on or after 6 April 2012.

The old and proposed new limits are as follows:

- Maximum number of employees - increased from 50 to 250.
- Maximum gross assets of investee company before the investment - increased from £7 million to £15 million.
- Maximum amount that can be invested by an individual - increased from £500,000 to £1 million.
- Maximum amount that an investee company can raise - increased from £2 million to £10 million.

These measures are subject to the state aid approval legislation.

Review of Non-Domicile Taxation

The Government will issue a consultation document on the taxation of non-domiciled individuals, and intends that the following reforms will be implemented in April 2012.

- Removal of the tax charge when non-domiciles remit overseas income or gains to the UK for the purpose of commercial investments in UK businesses.
- Simplification of the current tax rules for non-domiciles to lessen the administrative burden.
- Where an individual has been UK resident for more than 12 years, the £30,000 remittance basis charge will increase to £50,000. The £30,000 charge for non-domiciles who have been resident in the UK for at least seven of the past nine years will remain.◎

Statutory Residence Test

As the current rules to determine tax residence for individuals are unclear, the Government will be issuing a consultation document on the introduction of a statutory definition of "residence" to provide greater certainty for individuals. The intention is to implement this measure from April 2012.

Qualifying Time Deposits

Interest paid on deposits of more than £50,000 which meet certain other conditions (qualifying time deposits) is currently paid gross and account holders declare the income on their self-assessment tax returns.

The tax collection arrangements for QTD accounts will be aligned with those that apply for comparable saving products. From 6 April 2012, tax will be deducted at source from taxable interest paid on new QTD accounts. This will be achieved by including newly opened QTDs within the tax deduction scheme for interest operated by banks, building societies and other deposit takers. The Government will consult on the implementation of the change during May 2011 and will legislate in the Finance Bill 2012.

Income Tax and NICs Reform

The Government has announced that it will consult on reforms to integrate the operation of income tax and national insurance contributions.

Furnished Holiday Lettings

Legislation will be included in the Finance Bill 2011 to ensure that the tax rules for furnished holiday lettings (FHL) are compliant with European law and extend to the European Economic Area (EEA). With effect from 6 April 2011, loss relief will be restricted to income from the same FHL business. UK losses can only be relieved against UK FHL income and similarly with EEA losses.

With effect from April 2012 in order for a property to qualify as a FHL it must be available to be let for at least 210 days and actually let for 105 days. Businesses meeting the actually let threshold in one year may elect to be treated as having met it in the following two years (known as "period of grace") providing the relevant criteria are met.

Reduced Childcare Relief for Higher Earners

Currently employees taking part in employer-supported childcare schemes are entitled to a tax exempt amount of £55 per week for childcare vouchers or directly-contracted childcare.

The relief for higher rate and additional rate taxpayers who join a scheme after 5 April 2011 will be restricted by adjusting the limits. For higher rate taxpayers the limit will be reduced to £28 per week whilst the limit for additional rate taxpayers will be reduced to £22 per week.

Secondees to EU Bodies

In an attempt to attract high quality experts to EU bodies located in the UK, any subsistence allowances paid to experts who have been seconded by their employers to work for the EU body will be exempted from income tax. The measure will have effect on subsistence allowances paid in respect of periods beginning on or after 1 January 2011.

Business Taxation

Corporation Tax

Rates and Bands	**Year to 31 March 2012**	***Year to 31 March 2011***
Main rate*	26%	*28%*
Small profits rate	20%	*21%*
Small profits limit**	£300,000	*£300,000*
Small profits marginal band**	£300,000 - £1.5m	*£300,000 - £1.5m*
Marginal rate	27.50%	*29.75%*

* The main rate will drop a further 1% in each of the following 3 years to reach 23% in 2014/15

** Shared among active associated companies.

The small companies rate is not available to a 'close-investment company'.

Capital Allowances

Main Capital Allowances from April 2011

Plant and machinery generally annual investment allowance (on up to £100,000*)	*100%*
annual writing-down allowance (but 10% for integral features and cars with CO2 emissions over 160 g/km)	*20%***
Industrial buildings writing down allowance	*0%*

* Expenditure on plant & machinery other than cars. The allowance is shared by companies in a group. (£100,000 - 2010/11). Reducing to £25,000 from April 2012.

** Reducing to 18% from April 2012 (8% for integral features)

Research & Development Credits

From 1 April 2011 the additional deduction for qualifying R&D expenditure given to SMEs will increase from 75% to 100% (subject to state aid approval). From 1 April 2012 the additional deduction will increase to 125%.

From 1 April 2011 the vaccine research relief for SMEs will be reduced to

20% of qualifying R&D expenditure on vaccines research. SMEs will be prevented from claiming vaccine research relief on expenditure after March 2012.

Subject to further consultation it is intended that the following changes will apply from 1 April 2012:

- the rule limiting an SMEs payable R&D tax credit to the amount of PAYE and national insurance contributions it pays will be abolished
- the £10,000 minimum expenditure condition will be abolished for all companies
- changes will be made to the rules governing the provision of relief for work done by subcontractors under the large company scheme.

Business Rates

Business Rate Discounts in Enterprise Zones

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

Extended Small Business Rate Relief (SBRR) Holiday

The SBRR holiday will be extended by one year from 1 October 2011.

Real Estate Investment Trusts (REITs)

The Government will consult on various issues including: extending the "diverse ownership" rule to institutional investors to enable them to set up captive REITs; allowing REITs to hold a higher proportion of their assets in cash; extending the time limit for complying with the distribution requirement in particular circumstances involving stock dividends; abolishing the conversion charge (currently levied at 2% of the market value of the assets forming parts of a company's rental business at the time it converts to REIT status); introducing a new fixed grace period for new REITs before they are required to meet the "diverse ownership" test; and relaxing the requirement for a UK REIT to be listed on a recognised stock exchange.

Definition of Associated Company

The Finance Bill 2011 will update the definition of an associated company so that for accounting periods ending after March 2011, other companies controlled by partners and relatives of shareholders will only be held to be associated and under common control where there is substantial commercial interdependence between the two companies.

Group Mismatches

The Finance Bill 2011 will introduce legislation, effective from Royal Assent, to prevent tax losses through the asymmetrical tax treatment of loans and derivatives (group mismatch schemes).

Index-Linked Gilt-Edged Securities

Measures will be introduced for companies so that gilt edged securities linked to the CPI will have the same tax treatment as those linked to RPI.

Patent Box

The Government will continue to consult on this measure. It will issue a consultation document in May 2011, with legislation proposed for Finance Bill 2012.

Film Tax Relief

Film tax relief will be re-notified to the European Commission in 2011 as a state aid. Film tax relief is a special relief for expenditure on the production of British films. It is approved by the Commission until 2012.

Business Premises Renovation Allowance

The Government has confirmed it will extend the business premises renovation allowance for a further five years from 2012.

Tax Transparent Fund

The Finance Bill 2012 will introduce legislation to establish a tax transparent fund vehicle, which will support the competitiveness of the UK fund industry following European regulatory changes. The Government will consult on this in June 2011

Lloyd's Stop Loss and Quota Share Insurance

HMRC has changed its view on the timing of the tax deduction of member-level stop-loss premiums and in future the deduction should be at the same time as the recognition of profits and not in the year in which they were paid. The Government will consult with stakeholders from April 2011 on this.

Charities and Charitable Giving

Charitable Bequests

It is proposed that if bequests totalling at least 10% of a net estate are left to charity on a death after 5 April 2012, the rate of inheritance tax will be reduced from 40% to 36%. For this purpose the "net estate" is the estate otherwise chargeable at 40%. Thus it is the estate after deducting any exemptions (such as a bequest to a surviving spouse, business property relief, agricultural relief and the nil rate band). The effect can never be to increase the amount otherwise payable to the heirs.

Gift Aid Donor Benefits Limits

For corporate donors whose accounting period ends on or after 1 April 2011 and from 6 April 2011 for individuals, the gift aid donor benefit limit will increase from £500 to £2,500.

The increased limit will apply to donations of more than £10,000, but will be subject to the existing rule that the benefit must not exceed 5% of the gift.

"In-Year" Tax Repayments to Charities

Draft Finance Bill clauses will be published in the autumn that will give statutory effect to an existing extra-statutory concession under which HMRC currently makes repayments of tax to charitable companies and trusts that claim repayment of tax outside a tax return.

Gift Aid: Records for Small Donations

From April 2013 charities (and community amateur sports clubs) that receive small donations of £10 or less will be able to apply for a 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 a year per charity. The Government will be consulting on the details of the new scheme over the summer.

Gifts of Art

The Government is considering introducing a tax reduction for taxpayers who give a work of art or historical object of national importance to the State. A consultation on the proposal will take place over the summer.

Other Taxation

Value Added Tax (VAT)

	From 4 January 2011	*From 1 April 2010*
Standard Rate	20%	*17.5%*
Registration level	£73,000	*£70,000*
De-registration level	£71,000	*£68,000*

VAT on Private Fuel

VAT payable per three month period when fuel is provided for private motoring. For the first VAT accounting period starting after 30 April 2011 the amount of VAT is dependent on the CO2 emissions band, and ranges from £157 per qr. if 120g/km or less to £551 if 225g/km or more

Treatment of Business Samples

The VAT rules relating to business samples must be changed to bring UK VAT legislation into line with the judgement in the landmark EMI case. Currently the legislation allows relief from VAT only in respect of the first sample of a product. The law will be changed to allow relief for all samples.

Affected taxpayers need not wait for the law to change to benefit from the effect of the EMI case and can already lodge refund claims subject to the normal rules such as the four year cap and unjust enrichment.

Compulsory Online Filing

Online filing of VAT returns was introduced for VAT periods starting on or after 1 April 2010, but was not compulsory for those businesses that were already VAT registered at that date and had a turnover of less than £100,000. Online filing will become compulsory for those businesses with effect from April 2012.

Zero Rating - Splitting of Supplies

A loophole in the VAT law relating to printed matter that is connected with a supply of services is to be closed with effect from Royal Assent.

The change will deny zero rating where a supply of printed matter is connected with a supply of services and each supply is made by different suppliers.

A supply of printed matter will be treated as connected to a supply of services where it would have been treated as ancillary to a supply of services and where the combined supply would have attracted VAT at the reduced rate, the standard rate or been exempt from VAT.

Stamp Duty and Stamp Duty Land Tax

Rates and Bands

Transfers for consideration*	Percentage of total consideration
Shares and marketable securities (not loan stocks)	0.5%
Interests in land and in partnerships (to the extent of their interests in land)	
Residential for first-time buyers:	
£0 - £250,000	Nil
Other residential:	
£0 - £125,000	Nil
£125,001 - £250,000	1%
£250,001 - £500,000	3%
£500,000 - £1 million	4%
Over £1 million (from 6 April 2011, previously 4%)	5%
Non-residential::	
£0 - £150,000	Nil
£150,001 - £250,000	1%
£250,001 - £500,000	3%
Over £500,000	4%
Net present value of lease rentals**	1%

* and certain transfers of land to a connected company and in connection with partnerships, where market value is substituted if more than actual consideration

** to the extent it exceeds £150,000 (non-residential) or £125,000 (residential - £250,000 for first-time buyers)

Acquiring Residential Property from a Single Vendor

Finance Bill 2011 will provide a relief for a purchaser of residential property who acquires more than one dwelling from a single vendor. Instead of the rate of SDLT being determined by reference to the total consideration for all the properties (which tends to lead to a higher rate of SDLT), and if the purchaser so claims, it will be determined by reference to the average consideration paid for each dwelling, subject to a minimum rate of 1%. The measure will have effect for transactions whose effective date is on or after Royal Assent.

Anti-Avoidance

Disguised Remuneration

From 6 April 2011, where trusts and other vehicles are used in arrangements aimed at providing value to an individual for what is, in substance, a reward or recognition, or a loan, in connection with employment (other than pension income) a new employment income charge will apply in the following ways.

- Sums or assets earmarked for employees by trusts will be treated as though the amount of the sum or the value of the asset concerned is a payment of PAYE income by the employer.
- Loans provided to employees by trusts will be treated as though the value of the loan is a payment of PAYE income by the employer.
- Assets provided to employees by trusts will be regarded for tax purposes as a payment of PAYE income by the employer where certain conditions are met.
- Sums or assets earmarked by the employer with a view to a trust providing retirement benefits to the employee will be treated as though the asset concerned is a payment of PAYE income by the employer.

Anti-forestalling provisions are to apply for such arrangements made between 9 December 2010 and 6 April 2011 where, if paid or provided on or after 6 April 2011, they would be caught by the legislation.

The anti-forestalling charge will arise on 6 April 2012 if sums paid have not been repaid, or readily convertible assets used to secure the payment of a sum have not been returned, before that date or not otherwise charged to tax.

Regulations will be brought forward shortly to apply NIC to amounts chargeable to tax under these measures.

Capital Allowances

The Government intends to make the capital allowances anti-avoidance legislation more effective. It currently applies to transactions involving capital allowances on plant and machinery whereby the sole or main benefit arising from the transaction is obtaining an allowance. The Government intends to replace this "sole or main benefit" test with a new rule that is in line with effective anti-avoidance tests elsewhere in the Taxes Acts. The Government will be consulting on this measure with a view to introducing legislation in Finance Bill 2012.

Stamp Duty Land Tax

Finance Bill 2011 will amend previous legislation to ensure that certain SDLT avoidance schemes involving claims for sub-sale relief as well as alternative finance relief are ineffective, by preventing a claim to both types of relief in respect of the same transaction. Holders of a consumer credit licence will no longer qualify as a "financial institution" for the

purpose of alternative finance reliefs, and where land is exchanged, the chargeable consideration will be defined as the greater of the market value of the interest acquired and what the chargeable consideration would be under the normal rules for consideration. The measures will have effect for transactions entered into on or after 24 March 2011.

Sale of Lessor Companies

Legislation will be introduced with effect from 23 March 2011 to withdraw the option for a company with a leasing business to elect out of the charge (the "sale of lessor company charge") that may arise on a change of ownership.

Changes will also be made to the sale of the lessor company charge to ensure that it has the intended effect, as follows:

- the full value of the company's interest in leased plant or machinery is taken into account in determining the scope of the sale of lessor company legislation
- the right plant or machinery assets are reflected in the calculation of the income amount.

Where a company has elected out of the charge, the changes will mean that whenever there is a disposal event involving plant or machinery assets the full value of the asset will be taken into consideration when calculating the disposal value.

Mutual Assistance Recovery Directive

With effect from 1 January 2012 the Mutual Assistance Recovery Directive (MARD) will be modernised and expanded to enable EU member states to provide each other with assistance in the recovery of tax debts and duties, including the service of documents and exchange of information in connection with the recovery of claims.