

TRAVERS SMITH



Tax Facts

2013/14

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Income Tax

Income Tax Rates

	Bands	Rate	Tax on Band
Basic Rate	Up to £32,010	20%	£6,402
Higher Rate	£32,011 – £150,000	40%	£47,196
Additional Rate	Over £150,000	45%	-

Personal Allowance *

2013/2014	£9,440**
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* The personal allowance decreases for those with an income over £100,000 (£1 less for every £2 over £100,000), irrespective of age.

** The personal allowance is higher for those born before 6 April 1948.

Income Tax Reliefs and Incentives

Enterprise Investment Scheme (EIS)	<ul style="list-style-type: none">- £1,000,000 maximum investment p.a. (£5,000,000 limit for 'qualifying companies')- 30% income tax relief on qualifying share subscriptions
Seed EIS (SEIS)	<ul style="list-style-type: none">- £100,000 maximum investment p.a. per individual- £150,000 cap on investment per company- 50% income tax relief on qualifying investments (subject to £100,000 cap)- CGT relief on 50% of qualifying gains accruing to individuals in tax year 2013/14 where such gains are reinvested in SEIS shares on or before 5 April 2015 (subject to £100,000 cap)- Applies to shares issued on or after 6 April 2012
Venture Capital Trust (VCT)	<ul style="list-style-type: none">- £200,000 maximum investment p.a. (relief restricted to 30%): shares must be held for at least five years
Individual Savings Account (ISA)	<ul style="list-style-type: none">- Maximum total investment: £11,520- Maximum stocks and shares component: £11,520- Maximum cash component: £5,760

Dividend income is charged at 10% for Basic Rate taxpayers, 32.5% for Higher Rate taxpayers and 37.5% for Additional Rate taxpayers. Dividend income carries a non-refundable tax credit which satisfies in full the liability of a Basic Rate taxpayer in respect of the dividend and reduces the effective rate of taxation on the cash amount received to 25% for a Higher Rate taxpayer and 30.6% for an Additional Rate taxpayer.

Loans to employees

An income tax charge arises on the difference between the actual interest paid, if any, and the interest which would have been charged had the loan been made at the official Treasury interest rate (currently 4%). The charge does not apply to loans totalling less than £5,000 (or less than £10,000 from 6 April 2014).

Pensions

Employee contributions (with income tax relief)	Up to amount of taxable earnings
Annual allowance (employee and employer pension input)	£50,000* – tax charge on excess
Lifetime allowance	£1,500,000** – tax charge on excess
Earnings cap (if applied by scheme rules in accordance with historic HMRC formula)	£141,000 or £141,600 – depending on how calculation formula is expressed

Note that the annual allowance applies by reference to "pension input periods" that end in any given tax year, which may not be the same as the tax year itself, and that there is a three year "carry forward" facility for unused annual allowances up to £50,000 for years to 5 April 2014 or up to £40,000 for years from 6 April 2014 onwards.

*To be reduced to £40,000 from 6 April 2014.

**To be reduced to £1,250,000 from 6 April 2014, subject to new transitional 'fixed protection regime'.

Capital Gains Tax

Annual Exemption

Individuals:	£10,900	Most trustees:	£5,450
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CGT Rates and Entrepreneurs' Relief

Basic Rate taxpayers	18% where total taxable income and gains fall within the Basic Rate upper limit
Higher and Additional Rate taxpayers	28% to the extent that taxable income and gains fall above the Basic Rate upper limit (£32,010)
All taxpayers - Entrepreneurs' Relief*	10% on first £10,000,000 of lifetime gains

* Applies to lifetime gains made by an individual/trustee on the disposal of certain qualifying assets (including shares in a trading company in which the individual held at least a 5% qualifying interest and is an officer/employee).

Corporation Tax

Financial year 2013	Profit Band (£)	Rate (%)
Small Companies' Rate	Up to 300,000	20
Marginal Rate	300,001 - 1,500,000	23.75
Main Rate	Over 1,500,000	23*

* This is to be reduced to 21% for FY 2014 and to 20% for FY 2015 (so that from 1 April 2015, there will be a unified corporation tax rate of 20%).

National Insurance Contributions

Class 1	Total Weekly Earnings	Contracted In	Contracted Out
	Employee		
£149 or less	NIL		
£149.01 - £797	12%		
	Over £797	2%	
Employer			Rebate of 3.4% (on weekly earnings between £109 and £770)
£148 or less	NIL		
Over £148	13.8%		

Class 1A (Benefits in kind)

Employers are liable to pay Class 1A NIC at 13.8% on most benefits in kind that are subject to income tax

Class 1B (PAYE Settlement Agreements)

Where employers settle tax liabilities under a PAYE settlement agreement, they are also liable to pay Class 1B NIC at 13.8%

Class 2 (Self-Employed)

Weekly rate of £2.70
Small earnings annual exemption of £5,725

Class 3 (Voluntary)

Weekly rate of £13.55

Class 4 (Self-Employed)

9% annual profits between £7,755 and £41,450
2% annual profits above £41,450

Employee Share Plans

Plan	Maximum Participation	Tax Treatment	Reporting Obligations
CSOP	£30,000	Capital Gains Tax (CGT) if qualifying exercise	Must reach HMRC by the date specified in the relevant notice or three months from the date of issue shown on relevant form
SAYE	£250 per month	CGT if qualifying exercise	
SIP	Free shares: £3,000 per tax year Partnership shares: £1,500 per tax year Matching shares: £3,000 per tax year	Tax free on qualifying holding	
EMI	£250,000	CGT if qualifying exercise (entrepreneurs' relief available)	Notify within 92 days of grant Form 40: must reach HMRC on or before 6 July after tax year end
Unapproved	Not applicable	Income tax and, possibly, employee and employer NIC on option gain	Form 42: Must reach HMRC by 6 July after tax year end

From 1 September 2013, it is anticipated that companies will be able to issue employee shareholder shares which, to the extent they qualify, will benefit from income tax, NIC and CGT exemptions.

Filing and Returns

Form	Deadline
P11D	6 July after tax year end
P14 / P35	No longer required after 2012/13 return has been submitted*
P45 / P46	No longer required to be filed with HMRC after 6 April 2013 P45 still to be provided to employees
P60	31 May after tax year end

* From 6 April 2013, **Real Time Information** applies to PAYE.

PAYE and NICs are normally due for payment within 14 days of the end of the tax month (17 days if made electronically). Interest and penalties may be levied for late filing and/or payment. Since 1 April 2011, Corporation Tax must be paid **electronically** and Company Tax Returns must also be filed **online** (including supporting documents).

VAT

Rate	From 1 April 2013
Standard Rate	20%
Reduced Rate: Limited range of goods and services including fuel and power for domestic and non-business charity use; installation of energy saving material in homes; certain residential conversions and renovations	5%
VAT fraction of gross price	1/6
Annual Turnover Limits: <ul style="list-style-type: none">- Registration- Deregistration	£79,000 £77,000

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