



## Regulation and rate changes: April 2013

New business rules and regulations come into effect on 'common commencement dates' in April and October each year. The new tax year also begins on 6 April, bringing new rates and allowances into effect.

Here's our summary of some of the changes that may affect you and your business from April 2013.

### Rates and allowances

#### *Income tax*

Changes to rates and allowances from 6 April:

- Additional tax rate is reduced to 45 per cent from 50 per cent
- Personal allowance for individuals born after 5 April 1948 increased to £9,440
- The basic rate limit reduced to £32,010.

#### *Corporation tax*

The corporation tax main rate reduced to 23 per cent from 1 April 2013.

#### *VAT*

Changes to registration and deregistration thresholds from 1 April:

- The taxable turnover threshold, which requires a person to register for VAT, increased to £79,000 per annum
- The threshold below which a VAT-registered person may apply to

deregister increased to £77,000 per annum

- The relevant registration and deregistration threshold for intra-community acquisitions increased to £79,000 per annum.

#### *Capital gains tax annual exemptions*

Changes to the annual exemptions limits:

- For an individual: increased to £10,900
- For settlements: increased to £5,450.

#### *Individual Savings Accounts (ISAs)*

Changes to investment limits and maximum cash subscriptions:

- Overall investment limit: increased to £11,520
- Including cash maximum of: £5,760 (up from £5,640)
- Junior ISA overall investment limit: increased to £3,720.

#### *Research and development (R&D)*

A new 'above the line' credit - at 10 per cent - is introduced for large company R&D investment.

## Business UPDATE

### Legislation and regulations

The Red Tape Challenge is a Government initiative to reduce the regulatory burden on businesses and society in general.

#### *Reducing red tape*

The Government has confirmed that new measures being introduced to reduce red tape, including their Red Tape Challenge reforms, are already saving businesses over £155 million per year, with roughly 1,500 regulations already identified for removal or substantial reduction.

The Government has introduced a 'one-in, two-out' rule, which means any new business regulations must create savings worth double their cost to business.

Among the changes that came into force in April are:

- The minimum 90 day consultation period for redundancies involving 100 or more employees is halved to 45 days



- Employment tribunal rules are amended in order to discourage weak claims and resolve more cases before they reach a full hearing. There is also new guidance for tribunal judges on the clear and consistent handling of cases
- A single scheme for the registration of company charges with Companies House is introduced and many of the previous rules are repealed, such as the criminal sanction associated with failing to register a charge
- Simplified rules on how a company may buy back shares from its own employees are introduced, including for the purposes of employee share schemes
- Simplified rules around the ways firms can use their assets to raise finance
- A voluntary code of practice comes into force for the sale of age-restricted products such as alcohol, tobacco and solvents
- Excessive surcharges levied on buyers by sellers, for using certain payment types such as debit or credit cards, is banned
- A new Adjudicator of the Grocery Suppliers Code of Practice is appointed, to ensure that large grocery retailers' supply chain behaviour does not adversely affect investment and innovation by suppliers.

## *Income tax*

The new simpler income tax rules announced for small self-employed or partnership businesses (generally not exceeding the VAT registration threshold) are in force for the 2013/14 tax year. As planned the measure will allow small businesses to prepare accounts on a 'cash basis' rather than on an 'accruals basis'.

For 2013/14, there are still three main levels of personal allowance but availability depends upon an individual's date of birth, rather than on their age in the tax year. The higher

allowances for individuals born before 6 April 1948 are not increased and they will be removed from the statute book when the income tax personal allowance for individuals born after 5 April 1948 catches up.

## *Life insurance – qualifying policies*

Previously, there was no restriction on the investment premiums that could be paid into a qualifying policy, which meant individuals could obtain unlimited relief from higher and additional rates of income tax. When the policy is realised the individual should make a gain which is subject to income tax at the individual's marginal rate. This is known as 'the chargeable event gain regime'.

From 6 April 2013, an annual premium limit of £3,600 is imposed on qualifying life insurance policies. Transitional rules apply for the period between 21 March 2012 and 5 April 2013 inclusive.

## *Inheritance tax – spouses and civil partners domiciled overseas*

Transfers of assets between spouses or civil partners are generally exempt from inheritance tax. However if the recipient spouse is not domiciled in the UK the lifetime cap on tax free transfers to that spouse was previously £55,000. From 6 April 2013, the £55,000 lifetime cap is lifted to £325,000.

## *National insurance contributions for 'sleeping' and inactive limited partners*

HM Revenue & Customs (HMRC) have confirmed that they now consider 'sleeping' and inactive limited partners liable as of 6 April 2013 for Class 2 and Class 4 national insurance contributions (NICs). Contrary to the view previously held by HMRC, it was announced that 'sleeping' and inactive limited partners should have been liable to pay Class 2 and Class 4 NICs in prior years, although they will not be required to pay those contributions retrospectively. However any Class 2 or Class 4 NICs paid for past years will not be eligible for Overpayment Relief, as these contributions were paid in accordance with the law.

## *Real Time Information (RTI)*

HMRC's new RTI system for PAYE reporting started on 6 April for larger employers and will be gradually rolled out to cover all employers, regardless of size, by 6 October 2013. Employers are required to report their employee payments on or before each pay day, as opposed to at the end of each tax year. Relaxed reporting arrangements are in place until 6 October for employers with fewer than 50 employees on their payroll, to allow them to adjust to the new system, HMRC announced at the end of March.

## *Overseas workday relief*

Prior to April, the entire earnings of an employee resident in the UK were subject to UK income tax, regardless of where the monies were received. If the individual was not ordinarily resident in the UK and was taxable on the remittance basis then earnings from non-UK duties were not taxed in the UK if they were not remitted to the UK.

Problems could be caused in deciding the split of earnings between UK and non-UK duties. In some cases it was necessary to calculate the UK income tax liability by reference to each individual transfer from the overseas bank account.

From April, general earnings can be apportioned on a just and reasonable basis, preserving the approach that was originally introduced as a statement of practice.

Overseas workday relief (OWR) is also placed on a statutory footing alongside the introduction of the statutory residence test. OWR is available to all individuals who are not UK domiciled for the tax year in which they become UK resident and the following two tax years.



We can help you understand how regulatory and legislative changes affect your business or personal finances and planning. Contact an adviser to find out more.