



## THE BUDGET 2011 ANNOUNCED ON WEDNESDAY 23<sup>RD</sup> MARCH

### COMPANY COMMERCIAL

#### **Corporation Tax / Capital Gains:**

- The big surprise was the change to the standard rate of corporation tax which instead of falling from 28% to 27% will fall from 28% to 26% from April 2011. As previously announced the rate will continue to fall by 1% each year until it reaches, a rate of 23%, in 2014. This will mean that the UK has the lowest corporation tax rate in the G7.
- The small companies rate for corporation tax will fall from 21% to 20%, as was announced in the June Budget 2010.
- In respect of taxation of foreign branches . UK companies will be able to elect for their foreign branch profits to be exempt from UK corporation tax. A foreign branch must be in a country with which UK has double taxation treaty. Election is irrevocable and will apply to all that company's foreign branches. No overseas losses will be allowed to be offset against UK profits if election made.
- The Government is introducing a package of improvements to the current controlled foreign company rules for accounting periods beginning on or after 1<sup>st</sup> January 2011 including new exemption for intra group trading where there is minimal connection with UK, 3 year exemption from the CFC rules for some companies entering the regime for the first time; new de minimis exemption for companies with profits of less than £200,000 per annum
- The limit for capital allowances short-life assets election will be extended from 4-8 years.

#### **Research & Development (R&D):**

- Improvement to tax relief for small and medium sized enterprises engaging in R&D . increase of deduction for R&D from 75% to 100% (no implementation date as yet).

- Additional deduction for R&D costs increased to 125% of the R&D expenditure
- The rule limiting R&D tax credit to a company's PAYE payments to date, to be abolished.

#### **VAT:**

- Registration threshold increased from 1 April 2011 from £70,000 to £73,000.
- From 1 April 2011 the deregistration threshold is increased to £71,000.
- From 1 August 2012 thresholds will only apply to companies established in UK, non-UK companies will not be subject to the thresholds though VAT registration will be required as soon as a non UK company makes a supply in the UK of any value.
- Low value consignment relief lowered from £18 to £15 from 1 November 2011.
- Anti-avoidance measures on VAT introduced on splitting of supplies. It will no longer be possible to zero rate the supply of printed material when that material is connected to a service which is standard rated . even if the supply of the printed material is carried out by a different person . where the service and the printed matter if sold by one person would constitute a single taxable supply.

#### **Business Rates:**

- With regard to business rates the Government is intending to offer 100% discount on business rates to businesses locating in enterprise zones for 5 years.
- The small business rate relief holiday will be extended by one year from 1 October 2011.

#### **Enterprise Investment Scheme (EIS) & Venture Capital Trusts (VCTs)**

- Income Tax relief available to those investing in an EIS company raised from 20% to 30%.
- The maximum that individual can invest to be raised from £500,000 per annum to £1million.
- Increase in the maximum amount that can be invested under Venture Capital schemes in a company from £2million to £10million in a twelve month period.
- EIS companies no longer have to have fewer than 50 employees this limit raised to 250 employees.
- EIS limit on gross assets raised from £7million prior to share issue to £15million prior to the share issue and the post share issue limit of £8 million has been removed.

## **Other:**

- With regard to the bank levy, this was first declared in the June 2010 Budget and came into effect on 1<sup>st</sup> January 2011. The bank levy rate will be increased so that from the period 1<sup>st</sup> January 2011 until 28<sup>th</sup> February 2011 the rate will be 0.05% increasing to 0.1% from 1<sup>st</sup> March 2011 to 30<sup>th</sup> April 2011.
- In order to simplify the tax system 43 tax reliefs will be abolished including luncheon vouchers and cycling breakfasts.
- A moratorium will be introduced exempting micro-businesses and start-ups from the new domestic regulation for 3 years beginning from 1<sup>st</sup> April 2011.
- With regard to non-domiciled individuals the tax charge currently charged on any foreign income or capital gains remitted to the UK will be removed if the income and capital gains are remitted to the UK for the purpose of commercial investment in UK businesses . available from the date of Royal Assent of the Finance Act 2011.
- Relief available for samples used for marketing purposes extended to all samples used for marketing purposes previously only applied to first sample given to one person (post EMI Group Ltd case).
- Air Passenger Duty . anticipated increases deferred until next year.
- Anticipated increase in fuel duty deferred until 1 January 2012.
- Reduction in current fuel duty rate with immediate effect of 1p per litre.
- Fuel duty escalator cancelled until 2015.

## **PROPERTY**

- There will be a complete reform of the rules for bulk purchases of residential property for Stamp Duty Land Tax. Currently on bulk purchases of residential properties known as linked transactions SDLT is paid on the aggregate value of the transaction. The new proposal is that the buyer will be able to choose to pay SDTL on the mean value of the properties purchased subject to a minimum rate of 1%.
- With regard to Real Estate Investment Trust (REIT) the Government is proposing to legislate in the Finance Bill 2012 to remove barriers to entry and investment in REITs including removing the REITs 2% conversion charge.
- With regard to planning: the Government will streamline the current system for planning applications and intends to introduce a new planning fast-track for major infrastructures.

- With regard to sustainable development, the Government will introduce a new presumption in favour of sustainable development so that the default answer to development is affirmative.
- The choice as to the use of previous developed land will shift from central government to local government and all nationally imposed targets will be removed, however, the existing controls on greenbelt land will be retained.
- There will also be a consultation on proposals to make it easier to convert commercial premises to residential.

### **PRIVATE CLIENT**

- As predicted the inheritance tax nil rate band is frozen until 2015.
- IHT Relief for estates leaving 10% or more of the value of the estate to charity . the remaining estate will be charged IHT at 36% rather than 40%.
- Personal allowance for income tax for under 65s raised to £7,475
- Threshold for higher rate income tax lowered from £37,500 to £35,001.
- National Insurance Contributions (NIC) increased by 1%.
- Consultation on reform of NIC and Income Tax leading to integration of the two.
- ISA annual subscription level increased to £10,680 of which £5,340 can be in cash.
- Introduction of Junior ISAs . parents saving for children will no longer find that the income generated will count as part of their income where the income is earned by assets held in a Junior ISA . details awaited.
- CGT rates unchanged but more people may pay higher rate as the higher rate threshold for Income Tax is reduced to £35,001.
- Annual exemption for CGT for 2011/12 increased to £10,600 (£5,300). The Annual Exemption will from 2012/13 be linked to the CPI rather than the RPI.
- Entrepreneurs Relief . for qualifying disposals after 6 April 2011 lifetime limit increased from £5 million to £10 million.
- Pensions . New annual allowance charge applied on contributions in excess of the allowance of £50,000 at the tax payer's marginal rate of tax. Any unused allowance can be carried forward three years and there will be a deemed allowance for the tax years 2008/09, 2009/10 and 2010/11 of £50,000 per year.

- Income tax relief available to higher and additional rate taxpayers who join Employer-Supported Childcare Schemes will be restricted so that they do not benefit to a greater extent than those on the standard income tax rate.
- For non-domiciles, there will be an increase in the Remittance Basis Charge from £30,000 to £50,000 for anyone resident in the UK for more than 12 out of the last 15 years. The £30,000 charge will remain for those resident for more than 7 of the last 12 years.

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