



Chapman, Robison & Moore

Making the numbers **work!**

W: www.crmoxford.co.uk

T: 01865 379272

Chancellor George Osborne presented his Autumn Statement at lunchtime on 29th November. As promised, there was very little in the way of mainstream changes to the tax system other than items previously announced and consulted upon over the summer. A draft finance bill is due to be published on 6th December 2011 to provide detail on the announcements made.

The main tax points arising from the Autumn Statement are broken down by subject area below:

Companies and Small Business

[Small Business Rates Relief](#)

[Credit Easing Initiatives](#)

[Patent Box](#)

[Controlled Foreign Companies](#)

[Enterprise Zones](#)

Value Added Tax

[VAT cost-sharing exemption](#)

[Mandatory online filing](#)

Personal Tax

[Income and Capital Gains Tax allowances](#)

[EIS changes and new SEIS scheme](#)

[Inheritance Tax announcements](#)

Companies and Small Business

Small Business Rates Relief

Businesses whose (sole) building has a rateable value of £18,000 or less can benefit for a further six months from reduced business rates bills. This is now due to expire on 31st March 2013.

For businesses who do not qualify for the above relief, 60% of the increase in rates for 2012/13 (which is due to be in line with RPI) can be deferred and paid over the following two years. This is likely to be a relatively small amount of money unless there are significant rates bills to be paid, possibly on a number of properties.

Planning point: *This relief is not automatic and must be claimed. For further details, visit your local authority's website.*

Credit Easing Initiatives

The Chancellor announced the launch of the National Loan Guarantee scheme, which is designed to offer £20 billion of guarantees to banks as security against lending to businesses with a turnover of up to £50m. In return for the guarantee, the banks will be expected to offer a reduced interest rate to the business.

Also, a £1 billion Business Finance Partnership scheme was announced, which will involve investment in SMEs looking to raise non-bank finance.

Further details on both of these schemes are expected in due course.

Additionally, a new Seed Enterprise Investment Scheme was announced; please see the personal tax section of this release for details.

Enterprise Zones

100% capital allowances (in addition to the Annual Investment Allowance) will be available for expenditure in the Black Country, Humber, Liverpool, North East, Sheffield and Tees Valley Enterprise Zones.

Planning point: *Although this measure will only apply to businesses locating in these areas, it is a timely reminder that the Annual Investment Allowance is set to fall from £100,000 to £25,000 on 1st April 2012, so if you are planning to purchase assets costing over £25,000, timing is important. Please get in touch with your usual contact at CRM to discuss any particular questions on this.*

Patent Box

The Chancellor has confirmed that a reduced 10% rate of corporation tax for profits arising from patents will be effective from 1 April 2013 but the Government will continue to consult on the detail of this measure.

Companies with income from patents commercialised after 29 November 2010 will qualify for this favourable tax regime. The reduced rate of corporation tax will apply to profits arising from patents from 1 April 2013.

The measure is intended to benefit innovative industries in general. Therefore patent filers in all areas, but particularly pharmaceutical, technology, manufacturing, energy and utilities, telecoms, aerospace, defence, consumer and media businesses should benefit.

Further detail will be included in the draft finance bill due to be published on 6th December.

Planning point: *It is expected that the reduced corporation tax rate will only apply where patents are granted. It is therefore important that, if you are expecting to earn profits from exploiting intellectual property, you investigate whether a patent may be*

granted in order to benefit from the corporation tax savings. We can refer you to well respected experts in the field if you would like to investigate your options.

Controlled Foreign Companies

Like the Patent Box regime, the results of summer consultation in the relaxation of CFC rules should be included in the draft finance bill on 6th December

Value Added Tax

VAT cost-sharing exemption

Cost-sharing exemption is a provision of European law that allows businesses and other organisations making exempt and/or non-business supplies to form a cost sharing group to achieve savings and economies of scale. Once formed, the groups are relieved of a VAT charge on their supplies to group members provided that all of the conditions of the exemption are met.

Although a requirement under European law, there is currently no UK legislation that provides this exemption in the UK. Earlier this year, HM Revenue & Customs and HM Treasury met with interested parties to discuss the options about how the exemption could be implemented in the UK.

The Chancellor announced on 29 November 2011 that the cost sharing exemption will be introduced into UK law in Finance Bill 2012. The proposed legislation will require organisations planning on sharing services to form an independent entity controlled by its members. However, it will not be able to compete against commercial suppliers of similar services and will not be entitled to make profits (although it can budget for surpluses to fund future expansion).

This is likely to be of interest to charities, educational establishments and exempt businesses such as those in the medical sector, who wish to pool their buying power to achieve cost

Online filing mandatory for all

It has been confirmed that from April 2012, any businesses not currently required to file online will be required to do so. It is therefore important to ensure you have systems in place to deal with this requirement well in advance (for example setting up a Government Gateway account).

Personal Tax

Personal Allowance, Annual Exempt Amount and basic rate bands confirmed

It has been confirmed that for 2012/13, the personal allowance will increase by £630 to £8,105, but that again the higher rate threshold will reduce by the same amount to £34,370, meaning that the higher rate threshold remains at £42,475 of total income.

The 50% rate remains in force for taxable income over £150,000 and the personal allowance will still begin eroding when income reaches £100,000.

The Capital Gains Tax annual exempt amount will remain unchanged at £10,600.

Planning point: *If your income is at or near the higher rate, additional rate or £100,000 limit, there may be options for mitigating the impact of these tax rates depending on your personal circumstances. Please get in touch if you would like a review performed to ensure your tax bills are kept to a minimum.*

Planning point: *If you currently take a minimal salary from your own company of say £7,500 we would suggest that you consider increasing this from April 2012 to somewhere in the region £8,100 to maintain this benefit whilst making a net tax saving of around £120 per director p.a. **However**, the NIC rates have yet to be set for 2012/13, so this may make a difference to the calculation, so we would suggest no final decision is made until these rates are set, most likely in the budget in March 2012.*

Changes to EIS new SEIS

Restrictions on EIS investments are to be loosened, particularly around the definition of connected persons and the types of shares issued. Detail is anticipated in the draft finance bill.

A new Seed EIS (SEIS) scheme is to be launched in April 2012. It will be aimed at start-up companies (precise definition currently unclear) and the main benefits are tax relief at 50% irrespective of your actual tax rate. We are assuming this will take the form of a tax credit used to reduce your tax liability as under the current system.

Additionally, capital gains made in 2012/13 and reinvested into SEIS will be exempt from capital gains tax. It is unclear whether this will be a genuine exemption, or, more likely, a deferral until the SEIS investment is sold.

Limits are to be £100k per individual, £150k total raised per company, and a limit on assets of the investee company of £200k pre-investment. Details are expected in the draft finance bill.

Inheritance Tax announcements

As announced in the 2011 budget, where at least 10% of an estate is left to charity, the inheritance tax rate on the residue is to be reduced from 40% to 36% from April 2012.

Furthermore, the Chancellor confirmed that the nil rate band for inheritance tax will remain unchanged at £325,000 until April 2015 at least.

Planning point: *There is often much planning that can be done to minimise IHT liabilities, and it does not always involve giving away assets, so if you, or a member of your family, are concerned about Inheritance Tax, get in touch with Alan Sowden on 01865 379272 to investigate your options.*

As always, it is impossible to include every nuance in a publication such as this, so if you have a question about how a budget measure may affect you or your business, or if you have a general tax query, please get in touch with us on 01865 379272.

© Copyright 2011 Chapman Robinson & Moore Ltd Accountants, Oxfordshire