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SUMMARY OF THE MAIN ANNOUNCEMENTS IN THE BUDGET ON 19TH MARCH, 2014

In today's budget the Chancellor announced that the government will:

- Increase the level of the personal allowance to £10,500 for 2015/16, up from £10,000 in 2014/15. The higher rate threshold will be increased to £41,865, in line with the Autumn Statement 2012 decision to increase the higher rate threshold by 1% in 2014-15 and 2015-16. The National Insurance upper earnings and upper profits limits will be increased in line with the higher rate threshold. The basic, higher and additional rates of income tax for 2014-15 will remain at their 2013-14 levels.

- Introduce a fundamental reform to the way people access their pensions by abolishing the effective requirement to buy an annuity, giving people much greater freedom over how they access their pension savings.

- Support saving through a package of measures including introducing a New ISA (NISA) for cash and stocks and shares with a raised annual limit of £15,000, abolishing the 10% savings tax rate and extending the 0% band to £5,000, and issuing new National Savings and Investments pensioner bonds.

- Tackle tax avoidance by requiring users of disclosed tax avoidance schemes and schemes covered by the General Anti-Abuse Rule to pay the tax in dispute upfront.

- Cut beer duty to take 1 penny off a pint, freeze duty on most cider, abolish the above inflation duty escalator for wine and freeze duty on spirits to support the whisky industry.

- Reduce bingo duty to 10% and raise duty on fixed odds betting terminals to 25%.

- Abandon the fuel duty escalator planned for September 2014.

CORPORATION TAX

The main rate of Corporation Tax on profits over £1.5m will drop to 21% from 1st April 2014 and 20% from 1st April, 2015.

The small companies rate remains at 20%, thereby unifying the rates of Corporation Tax from 1st April, 2015.

PENSIONS

From April 2015, the government will change the tax rules to allow people to access their defined contribution pension savings as they wish from the point of retirement. Drawdown of pension income under the new, more flexible arrangements will be taxed at marginal income tax rates rather than the current rate of 55% for full withdrawals. The tax-free pension lump sum will continue to be available. Those who continue to want the security of an annuity will be able to purchase one. Equally, those who want greater control over their finances in the short term will be able to extract all their pension savings in a lump sum. And those who do not want to purchase an annuity or withdraw their money in one go will be able to keep their pension invested and access it over time.

SAVINGS

New ISAs

The Chancellor has announced a radical reform of the ISA system. The ISA will be reformed into a New ISA (NISA), which will be a simpler product with equal limits for cash and stocks and shares. This will mean that savers will be able to transfer previous years' funds from stocks and shares ISAs into cash ISAs. From now on, savers will have complete flexibility over how they choose to save and invest, within the overall limit. The annual investment limit for the NISA will be increased to £15,000 a year. The government will also raise the limits for Junior ISAs and Child Trust Funds from £3,720 to £4,000. These changes will be introduced from 1st July 2014.

Abolishing the 10% starting rate for savings

Currently, the first £2,790 of savings income above the tax-free personal allowance is taxed at a starting rate of 10%. From April 2015 the 10% savings rate will be reduced to 0%. The government will also increase the band of savings income that is subject to the 0% rate to £5,000. This means that anyone with total income of less than £15,500 per annum will no longer pay any tax on their savings income. These savers can register for their interest to be paid gross, rather than having to reclaim overpaid tax from HMRC.

Increasing the ISA limit and reducing the 10% tax rate to 0% means that the effective rate of taxation on savings for many people will be zero.

Pensioner Savings Bonds

The Chancellor announced that National Savings and Investments (NS&I) will launch a choice of fixed-rate savings bonds for people aged 65 or over, available from January 2015. These will provide certainty and a better return for those who rely on their savings for income. Interest on the bonds will be taxed in line with all other savings income, at the individual's marginal rate, meaning that pensioners who do not pay savings tax will be eligible to receive the interest tax-free. It is projected that NS&I will launch a 1-year bond paying 2.8% gross/ annual equivalent rate (AER) and a 3-year bond paying 4.0% gross/AER, with an investment limit of £10,000 per bond. Precise details will be confirmed at Autumn Statement 2014, to take account of prevailing market conditions at that time.

ANNUAL INVESTMENT ALLOWANCE

The Annual Investment Allowance (AIA) is to be doubled to £500,000 from April 2014 until the end of 2015. This will particularly benefit small and medium sized firms. The increased AIA will mean that up to 4.9 million firms – 99.8% of businesses – will receive 100% up-front relief on their qualifying investment in plant and machinery. This will particularly help manufacturing industry.

CAPITAL GAINS TAX

The capital gains tax annual exempt amount will rise to £11,000 for 2014/15 and £11,100 for 2015/16 and subsequent years.

A major change in Capital Gains Tax relief is the reduction of the current 36 months exemption from CGT on the sale of a property which had previously been used by the owner as his principal residence. The exemption period is now being halved to 18 months from 6th April 2014. This is to curtail abuse of the relief by property investors.

INHERITANCE TAX

As announced in last year's budget, the government will freeze the current IHT threshold of £325,000 until 2017/18.

ENERGY INTENSIVE INDUSTRIES

The Government recognises that a typical Energy Intensive Industry in Britain currently pays almost 50% more for their electricity than they do in France, and the cost to businesses of policies to deliver new low-carbon energy infrastructure is set to increase by around 300% by 2020. The government is announcing specific measures to tackle the energy costs faced by the most energy intensive industries. Today's Budget announces a new compensation scheme, to help energy intensive industries with higher electricity costs resulting from the renewables obligation and small-scale feed in tariffs for renewable generation, from 2016-17. This means that EIIs will be compensated for all government policy designed to support low carbon and renewable investment up until 2019/20.

SIMPLIFICATION OF NATIONAL INSURANCE

Following Office of Tax Simplification (OTS) recommendations, the government will simplify NICs for the self-employed by collecting class 2 NICs through Self Assessment from April 2016,

AIR PASSENGER DUTY

Today's Budget announces that the government will reform air passenger duty (APD) by abolishing bands C and D from 1 April 2015. This will eliminate the two highest rates of APD charged on flights to countries over 4,000 miles from Britain. This will mean that flights to South Asia and the Caribbean will pay tax at the lower band B rate.

FUEL DUTY

The rise due in September 2014 has been scrapped.

VENTURE CAPITAL TRUSTS

The Chancellor said he would take action to curb abuse of venture capital trusts and enterprise investment schemes. Following the withdrawal of VCT status from two funds earlier this month, this could stoke fears of tighter regulation of the system and more investors losing the tax breaks they expected. VCTs offer a 30pc income tax rebate.

VEHICLE EXCISE DUTY RATES AND BANDS

VED rates for cars, motorcycles and the main rates for vans will increase by RPI from 1 April 2014.

Classic vehicle exemption – The government will introduce a rolling 40 year VED exemption for classic vehicles from 1 April 2014.

FEEL FREE TO CONTACT ME FOR FURTHER DETAILS ON ANY OF THE ABOVE ON 028 796 31343