

Today the Chancellor announced the 2013 Budget. Many of the announcements will not come as a surprise, George Osborne having forewarned us of expected measures in the Autumn Statement.

Income Tax Rates and Thresholds 2013-2014

As previously announced, the top rate of income tax for individuals (currently payable on income above £150,000) will be reduced from 50% to 45% with effect from 6 April 2013.

There will be an increase in the personal allowance (for those born after 6 April 1948) to £9,440 (an increase of £1,335 from the 2012/13 personal allowance). The personal allowance will increase to £10,000 by 2014, not by 2015 as previously planned. The basic rate band will be reduced accordingly to £31,865 (for 2014/2015), meaning that people will start to pay the higher rate of income tax (40%) on earnings over and above £41,865.

Employment Allowance

A new measure was announced which will give all employers an allowance of £2,000 per year to be offset against their employer national insurance bill. This will be claimed as part of the normal payroll process. The government will engage with interested parties following the Budget and the measure is intended to be introduced as of April 2014.

Pensions

The government announced that the flat-rate pension, worth £144 per week, will be introduced a year earlier than expected in 2016, bringing forward the subsequent end of contracting out.

As announced in the Autumn Statement, the annual allowance will be reduced to £40,000 and the lifetime allowance to £1.25 million as of April 2014. The government will offer an individual protection regime in addition to fixed protection when the standard lifetime allowance is reduced.

Real Time Information

Further to the proposal made in the Autumn Statement, penalties will be introduced for late filing and minor changes made to the existing inaccuracy penalties in relation to filing of PAYE returns under RTI. The changes are intended to minimise the burden on employers and HMRC. It was confirmed that the new penalties regime will apply from 6 April 2014.

Employer Provided Beneficial Loans

The tax exempt threshold for employer related loans will be increased from £5,000 to £10,000 with effect from 6 April 2014.

Child Care Tax Relief

As announced earlier this week, from 2015, parents with children under the age of five will be able to claim back up to £1,200 a year per child (to be extended to children under 12 by 2020) in respect of child care when they return to work. It is intended that this will encourage more parents to return to work or work longer hours.

Employee Shareholder Status

The government announced on 14 March 2013 that proposals to create an "employee shareholder" employment status have been delayed until Autumn 2013. In the Budget, it was noted that the proposals would be made more generous in relation to the income tax reliefs available, so that income tax and national insurance contributions will not be chargeable on the first £2,000 of share value received by employees. We will be able to provide a more meaningful assessment of these proposals as further information is released.

Partnerships

Further to the continuing review of the misuse of partnerships, the Government has now announced that it will consult on measures to remove the presumption of self-employment for LLP partners. This is in order to tackle the disguising of employment relationships through LLPs. A consultation document will be published in the spring with legislation to be introduced in the Finance Bill 2014.

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