



UK Budget Bulletin

20 March 2013

Introduction

The Chancellor's Budget Statement this afternoon contained some matters of real and immediate importance. Unfortunately it also contained a lot else - including details of other measures which are either deferred or still under consideration.

There is also a huge amount of repetition of measures previously announced which I have omitted from the attached to avoid confusion.

Some brief notes follow on various issues of significance. Further and better particulars will be contained in the March Tax Bulletin in a few days.

Peter Vaines

**Squire Sanders (UK) LLP
7 Devonshire Square
London
EC2M 4YH**

20 March 2013

Budget Highlights : March 2013

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| Income Tax Rates: 2013/14 | Up to £32,010 20% Over £32,010 40% Over £150,000 45% |
| Personal Allowance: 2013/14 | £9,440 (next year £10,000) |
| Corporation Tax Rates: | Small profits rate remains at 20% Main rate from 1 April 2013 will be 23% (then 21%, then 20%) The marginal rate is therefore 23.75% but falling to nil in 2015 |
| Stamp Duty Land Tax: | Retrospective changes are being made with effect from 21 March 2012 to bring into charge transfers of rights under contracts which are substantially performed but not completed. |
| Statutory Residence Test: | This is still on track for 6 April 2013 and further clarification on technical points is still awaited. Ordinary residence is for the chop - except for overseas workday relief which allows a measure of relief for foreign earnings in the early years of residence. |
| Beneficial Loans: | The limit for cheap loans provided to employees is to be increased to £10,000 from 6 April 2014 |
| Inheritance Tax: | The freezing of the nil rate band of £325,000 and the change to the relief for foreign domiciled spouses are both confirmed. From Royal Assent, the deduction of liabilities in a deceased's estate will be restricted where the liability has been incurred to acquire assets which are excluded from IHT - such as those qualifying for BPR or APR. (This will not apply to the calculation of the 10 year charge) |
| IHT Ten Year Charge: | The calculation of the 10 year charge and exit charges are to be simplified. This will be an interesting read as they are so fiendish that they almost defy explanation - let alone revision. That is what they promised last year and they are still thinking about it. |

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| Controlled Foreign Companies: | The new regime is being introduced for accounting periods commencing on or after 1 January 2013. |
| Corporate Tax - Losses: | These changes are made with immediate effect to introduce a further disallowance of losses in circumstances where there is a change of ownership and to restrict the availability of group relief to a CFC. |
| Loans to Participators: | <p>These rules are being amended from 6 April 2013 to bring into charge loans to participators via partnerships. They will also be extended beyond loans or advances of money - to include untaxed extractions of value from close companies.</p> <p>A wider review of this subject will take place later in the year.</p> |
| Exit Charge: | When a company ceases to be UK resident there is a deemed disposal of its assets and any capital gains become immediately chargeable. It is proposed that for some assets the charge may be deferred, or paid in instalments. |
| Offshore Evasion: | A FATCA style agreement has been signed with the Channel Islands and is expected to be complemented by new Disclosure Facilities similar to the LDF and the IoM disclosure facility. |
| Transfer of Assets Abroad: | The UK has been rebuked by the EU about these provisions and they are being revised to exclude genuine commercial activities conducted on arms length terms. Similar revisions are to be made to the application of Section 13 ICTA 1992 on gains in respect of non resident companies. |
| Annual Charge: | The introduction of the Annual Residential Property Tax is confirmed and will come into force on 1 April 2013. There are quite a lot of uncertainties still to be resolved - but no further news today. |
| GAAR: | The general anti abuse rule will come into force at Royal Asset and apply to arrangements entered into thereafter. If HMRC wish to counteract the tax advantages from an arrangement, they must refer it for consideration by an Advisory Panel. |
| Unincorporated Businesses: | For 2013/14 and onwards small unincorporated businesses will be able to calculate their taxable profits on a cash basis, without distinguishing between capital and revenue expenditure. |

Disincorporation:

From April 2013 a company may transfer goodwill and land to its shareholders without a charge to corporation tax - but this will only apply to companies with assets not exceeding £100,000.

P S Vaines
Squire Sanders (UK) LLP
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Contact

Peter Vaines
T +44 20 7655 1780
peter.vaines@squiresanders.com

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