SPRING BUDGET 2013

TORRINGTONS

Chartered Accountants

BUDGET 20 MARCH 2013

This Summary covers the key tax changes announced in the Chancellor's speech and includes tables of the main rates and allowances.

Alongside our text we have included tips and traps which you may want to consider. At the back of the Summary you will find a calendar of the tax year with important deadline dates shown.

We recommend that you review your financial plans throughout the year, as some aspects of the Budget will not be implemented until later in the tax year.

We will, of course, be happy to discuss with you any of the points covered in this report, and help you adapt and reassess your plans in the light of any legislative changes.

Contents

Introduction

The Chancellor of the Exchequer, Hugh Dalton, leaked key points from his 1947 Budget to a journalist on the way into the House of Commons to make his speech. The London Evening Standard published the details before he had finished, and he had to resign. The most surprising feature of the March 2013 Budget was history repeating itself: the press had received a briefing in advance, and someone posted the Standard's front page on Twitter while it was still embargoed. It is unlikely that Mr Osborne will have to follow Dalton's example.

The Standard picked a supposed crowd-pleaser for its headline: a 1p cut in the rate of beer duty, instead of an increase. Mr Osborne expressed the wish that this generosity should be passed on to customers in pubs, although it may be hard to notice an extra penny in the change from the price of a round.

Apart from that, the Chancellor had very little good news to share: borrowing is up, growth is down, and rectifying the country's fiscal deficit will take longer than anyone had hoped. These themes have recurred in each of his Budget speeches – we can only hope that at some point the trend will change and the actual results will be better than the forecasts.

Housebuilders, housebuyers and estate agents will have approved of the 'help to buy' announcement, promising interest-free shared equity loans to assist with the purchase of newly built homes. There will also be a mortgage guarantee scheme for buyers who cannot afford the deposit required by a lender. The housing market has not recovered from the boom and bust of the last decade: Mr Osborne hopes that this encouragement will lead to steady growth and not another bubble.

As has become the custom, the Budget speech was much shorter than it used to be – under an hour – but the volume of paper setting out the detail gets longer and longer. There is confirmation of changes that have already been announced, new announcements of changes to take effect now, changes to come in future years, and proposals and consultations which may lead to new policies or to nothing.

We have gone through the papers and tried to sort out the important information from the rest – 'this year and next year' from 'sometime and never'. We have summarised the most significant changes and outlined their likely impact on the average taxpayer.

Significant points

- 2013/14 allowances and rates: more people taken out of income tax, more paying at 40%
- Personal allowance for 2014/15 to be £10,000
- £2,000 relief from employer's NIC introduced for 2014/15
- More detail of proposed 'employee shareholder' scheme
- CGT exemption for Seed Enterprise Investment Scheme extended
- Closure of some specific tax avoidance schemes, and 'General Anti-Abuse Rule' to come into effect this year
- Further details of 'cash basis' for small business profit computations
- Confirmation of annual tax on valuable houses owned in 'envelopes'
- Statutory test of UK residence introduced from 6 April 2013

Personal Income Tax

Tax rates and allowances (Table A)

As announced in the Autumn Statement, the standard personal allowance will increase in April 2013 by £1,335, to £9,440 in 2013/14 – the largest ever year-on-year increase, taking some 2 million lower-earning people out of income tax altogether. For a basic rate taxpayer, this represents a tax saving of £267 for the year.

The benefit of the increased allowance is offset for anyone with income over £41,450 by a reduction in the higher rate income tax threshold from £34,370 to £32,010. Taxpayers will start to pay 40% tax once total income exceeds £41,450 (£9,440 + £32,010), down by £1,025 from 2012/13 (£8,105 + £34,370). This means that the saving falls to just £62 for taxpayers with income up to £100,000.

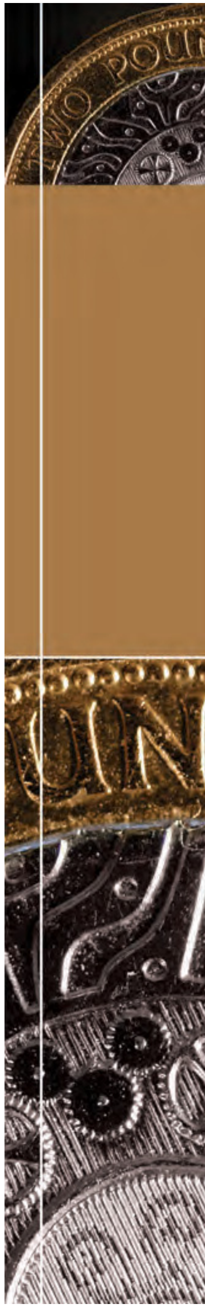
Any saving is dwarfed by the tax increase for anyone in a family which is entitled to child benefit. The High Income Child Benefit Charge, which was introduced on 7 January 2013, will claw back the benefit paid to one partner if either of the couple has income over £50,000. The whole benefit will be clawed back from someone whose income exceeds £60,000. In 2013/14, the first full year of the charge, this will represent a maximum tax increase of £1,055 for a couple with one child, and £1,752 if there are two children.

Personal allowances continue to be withdrawn for those with incomes above £100,000, producing a marginal tax rate of 60% in the band between £100,000 and £118,880. For many of these people, the reduction in the 40% threshold produces an overall tax increase: for those who have no personal allowances (incomes above £118,880), this amounts to £472.

The other major change in tax rates was announced last year, and not mentioned again in Mr Osborne’s speech: the reduction in the top rate of tax from 50% to 45% from April 2013 for those with incomes over £150,000. This has been heavily criticised as a tax cut for the very rich while others have to pay; the Chancellor argues that the rich will pay more tax proportionately than they did with the 50% rate, because so many people took steps to avoid it.

TAX TIP

Income £50,000 – £60,000 or £100,000 – £118,880? Consider increasing pension contributions



Future allowances and rates

The personal allowance will rise to £10,000 from April 2014. This objective of the Liberal Democrats was incorporated in the Coalition Agreement as a target to be achieved before the end of the Parliament; it will have been achieved a year early. The level of total income (personal allowance plus basic rate band) at which 40% tax starts is intended to rise by 1% to £41,865 at the same time.

Age-related allowances

As announced last year, the higher allowances for those aged over 65 will be frozen from 6 April 2013 at their 2012/13 levels and only those who are already 65 by that date will be entitled to receive them. When the ordinary personal allowance has reached the same levels (£10,500 for those born before 6 April 1948 and £10,660 for those born before 6 April 1938), the higher allowances will be abolished.

Pensioners will not suffer a reduction in their allowances, but are unlikely to enjoy an increase until 2015 at the earliest (when the £10,000 2014/15 personal allowance may be raised above £10,500).

Tax Credits and Benefits

Tax Credits and Universal Credit

The changeover from the current Working Tax Credit and Child Tax Credit system to Universal Credit (which will also incorporate some other benefits such as Housing Benefit) will start later this year. There were no new details of the system or the changeover in this Budget.

TAX TRAP

If you receive these benefits, check how the changes affect you

National Insurance Contributions

Rates and limits (Table D)

The rates and thresholds for NIC were announced in the Autumn Statement. The threshold at which employees start to pay NIC increases from £7,605 to £7,755, and the employer threshold increases from £7,488 to £7,696, representing a small saving. The upper earnings limit, at which the rate for employee contributions drops from the full 12% to 2%, falls from £42,475 to £41,450, offsetting the increase in income tax arising from the lowering of the starting point for the 40% rate. For someone earning £42,475, there is an overall reduction in NIC of about £120 for the year.

Employer contributions

The Chancellor announced that a relief for the first £2,000 of employer's NIC will be introduced for all employers from 2014/15. The smallest businesses may not have to pay any employer's NIC at all; the effect on larger employers will be negligible.

TAX TIP

This is a welcome relief – watch out for any conditions attaching

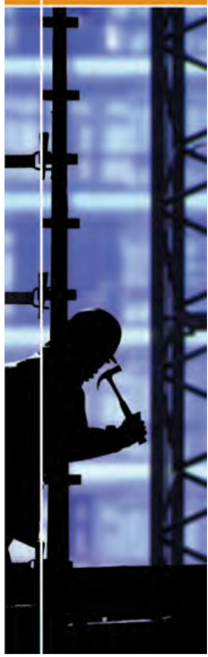
Long-term changes

The Chancellor also confirmed a further radical change: the lower contracted-out NIC rates will cease in 2016. Those who currently pay these rates – who must be members of a salary-related employee pension scheme – will pay more NIC as a result, but will receive a larger state pension at retirement.

Employees

Company cars and fuel (Table C)

The complications of owning a company car continue, with rules announced in previous years coming into force and current announcements of changes to take effect later.



For 2013/14, the percentage of the original list price which is charged as the cash equivalent of a company car will increase by 1% for all vehicles with CO_2 ratings between 95g/km (which increases from 10% to 11%) up to 215g/km (where the maximum 35% will be reached – previously 220g/km). For 2015/16, new bands of 0 – 50g/km (5%) and 51 – 75g/km (9%) will be introduced, and the highest emitting cars will have a new maximum percentage of 37%. Further changes have been published going forward into 2016/17, so anyone choosing a new company car now can work out the tax effect of a current decision until they are likely to change it.

The taxable benefit of free fuel provided for use in a company car is calculated by multiplying the same percentage by a fixed figure. This will increase by more than inflation for 2013/14 to £21,100 (2012/13: £20,200), so for many employees the taxable amount for fuel will increase for two separate reasons – the percentage and the fixed figure both increasing.

Employee shareholders

The Autumn Statement included an announcement of the introduction of a new ‘employee shareholder’ status. Employees would receive certain tax advantages on the receipt of shares in their employer, but would forgo certain employment rights.

The Budget confirmed that up to £50,000 of shares allocated to an ‘employee shareholder’ will be exempt from CGT on disposal. However, it is only intended that up to £2,000 of shares will be exempt from income tax and NIC when they are allocated to the employee. This is an attractive relief on £2,000 of shares, but that may not be enough to persuade employees to give up their rights; while receiving a larger amount of shares will trigger an immediate tax charge without the cash to pay it.

These rules are intended to take effect for shares received on the adoption of ‘employee shareholder’ status on or after 1 September 2013. It remains to be seen how many employers will wish to offer the facility, or how many employees will wish to take advantage of it. Later on Budget day, the House of Lords voted against the proposal by a large majority.

Employee loans

At present, cheap or interest-free loans provided by an employer to an employee will create a tax charge if the amount is over £5,000 and the rate of interest is below 4%. The threshold will increase to £10,000 from April 2014. Although this was referred to in the speech as enabling larger ‘season ticket loans’, there appears to be no restriction on the purpose of a loan that will qualify for the exemption.

Real Time Information penalties

The Budget included an announcement of new rules introducing penalties for failing to comply with an employer’s obligations under the new PAYE ‘Real Time Information’ system that will apply to most employers from April 2013. We are told that the penalties will be ‘fair, proportionate and effective.’ For all those employers who are about to have to operate RTI, they remain a worrying threat. A new system of late filing and late payment penalties will only apply from April 2014, but it appears that penalties for inaccurate returns may be introduced by the Finance Act 2013.

Savings and Investment

Pension contributions (Table B)

It was announced in the Autumn Statement that the limits on tax-advantaged pension reliefs will be lowered further on 6 April 2014, after being reduced to £50,000 on 6 April 2011. The cap on annual contributions will fall again to £40,000. It has been confirmed that anyone who has paid less than the current limit in the three years before the change will be able to use the shortfall below £50,000 (not £40,000) to justify higher contributions in 2014/15.

The limit on the value of a tax-advantaged pension fund will fall from £1.5m to £1.25m for those taking benefits from 6 April 2014. Anyone with a larger fund taking benefits after that date will suffer an income tax charge on the excess at 55%. People adversely affected by this reduction – for example, already having pension rights valued at more than £1.25m but not wishing to take benefits before April 2014 – can apply for 'protection' which will lessen the impact of the change.

Pension benefits

Someone who takes their pension benefits may buy an annuity, or instead take 'drawdown' – keeping their own fund identifiable and receiving some or all of the income arising. The maximum amount of drawdown income has been fixed at 100% of the annuity that could have been purchased with the fund. This will now be increased to 120%, apparently to take effect from 26 March 2013. This should increase the flexibility available to people drawing their pension benefits.

Seed Enterprise Investment Scheme (SEIS)

SEIS is a generous relief that was introduced in 2012/13. A subscriber for shares in a small company in the first 2 years of its trade can enjoy a 50% income tax rebate on up to £100,000 invested. If capital gains of up to the same amount are realised in 2012/13 and invested in a SEIS company in 2012/13 or 2013/14, the gains will be exempted. These reliefs will become permanent provided a number of conditions are satisfied, but may be lost if the shares are sold or the company is liquidated within a short time. The combination of these reliefs mean that an investor can put £100,000 into a company at a cost of only £22,000.

The CGT exemption will now be extended to one-half of any gains realised in 2013/14 and invested in SEIS shares in 2013/14 or 2014/15. In effect, this will halve the CGT rate on such gains (making the potential cost £36,000 instead of £22,000 in the above example).

The original SEIS rules contained a serious trap: the company could not be acquired from a formation agent, but had to be incorporated by the people who intended to claim the relief. This pitfall will be removed from 6 April 2013, but not retrospectively.

Individual Savings Accounts (ISAs)

The annual limit on investment in tax-free ISAs increases to by £240 to £11,520 for 2013/14. This limit increases in line with the Consumer Prices Index each year, adjusted so that the result divides by 12 to allow for regular monthly contributions.

Capital Gains Tax

Rate of tax and annual exemption

The rate of CGT remains 18% for those whose total taxable income and gains for the year are below £32,010, and 28% for gains which are above that figure. The annual exempt amount for CGT increases by £300 to £10,900. This is the normal increase in line with the consumer prices index.

Trustees

Trustees continue to be liable to CGT at 28% after deducting half the normal annual exemption (£5,450). The annual exemption is shared between trusts set up by the same settlor since June 1978, subject to a minimum of £1,090.

Entrepreneurs' Relief (ER)

The lower 10% rate of CGT is to be extended to many shares acquired under the Enterprise Management Incentive schemes which small businesses may use to reward key employees. Entrepreneurs' Relief normally requires the shareholder to own the shares for at least 12 months; the length of time for which an EMI option is held may now be included in this qualifying period. It will also not be necessary for an EMI shareholder to own 5% of the company.

Inheritance Tax

Rates

Rates of tax remain unchanged at 40% (death transfers) and 20% (lifetime chargeable transfers). The nil rate band of £325,000, which was previously frozen until 2015, will now not increase until April 2018 at the earliest. This will gradually increase the amount collected and the number of estates liable to IHT, estimated at 17,000 in 2010/11 and 22,000 in 2017/18. The measure is intended to offset the cost to the state of capping the amount of domestic care that elderly people will have to pay for themselves.

Foreign domiciled people

Transfers between husbands and wives and registered civil partners are generally exempt from IHT without limit. However, there is a lifetime limit where the recipient is domiciled outside the UK and the transferor is UK-domiciled. Since the 1980s, this limit has been £55,000; as announced last year, it will be increased to £325,000 for transfers taking place on or after 6 April 2013. In future, it will be aligned with the nil rate band, which means it will not change again until 2018.

It will also be possible for non-UK domiciled people to choose to be treated as UK-domiciled for IHT purposes. This will enable them to enjoy the unlimited exemption at the time, but will restrict the tax advantages they might otherwise enjoy later.

Anti-avoidance

A new anti-avoidance rule is introduced to counter an avoidance scheme which involves the deduction of liabilities from a chargeable estate. It has been possible to increase the benefit of a deduction by using borrowings to buy assets that are excluded from the charge to IHT, or which are subject to a 100% relief; and HMRC believe that liabilities are sometimes deducted without ever being paid to the creditor. New rules will prevent the deduction of such liabilities after Royal Assent to the Finance Act 2013.

Corporation Tax

Rates

As announced in the Autumn Statement, the main rate of Corporation Tax will fall from 24% to 23% for Financial Year 2013 (commencing 1 April 2013), and to 21% in April 2014. Mr Osborne announced that the rate will fall again in April 2015 to 20%, the same as the rate for companies with small profits. This will not only cut companies' tax charges, but will simplify the calculations for those which fall in the marginal band between the small profits and full rates.

Loans to participators

When a 'closely controlled company' makes a loan to a 'participator' (in general, a shareholder), it may incur a liability to pay an amount equal to 25% of that loan to HMRC if the loan remains outstanding 9 months after the end of the accounting period. The tax charge is repaid to the company when the participator repays the loan. The Budget included an announcement of new rules to tighten up the circumstances in which a loan will be regarded as 'repaid' – the charge may not be cancelled if a new loan of a similar amount is taken out afterwards – and to catch various indirect ways of making loans. The rules will operate from 20 March 2013.

Research and development credits

R&D credits allow companies to deduct a multiple of the expenditure incurred for tax purposes. If £100 of cost is treated as £200 in computing tax, the company effectively receives a grant for incurring the expenditure. A new 'above the line' credit for large companies will be introduced in April 2013, and will become the only relief for large companies engaged in R&D activity from April 2016. This will affect the way in which the incentive is reflected in company accounts, and is intended to increase the 'visibility' of the support that is being given to R&D activity through the tax system. The new credit has been set at 10% of the relevant expenditure, which will slightly increase the benefit to the claimant over the current system.

Chargeable gains on foreign currency assets

UK law requires that chargeable gains have to be computed in sterling using the exchange rates ruling on the dates of acquisition and disposal. This means that exchange rate movements can significantly affect and distort gains and losses on assets that are bought and sold for foreign currency – what appears to be a gain in the foreign monetary value of an asset may be a loss in sterling, and vice versa. Rules to simplify these calculations, for corporation tax only, will take effect when the Finance Act 2013 receives Royal Assent.

Business Tax

Capital allowances on cars

As announced last year, there will be an 'extension and tightening' of the enhanced capital allowances for low-emission cars. 100% first year allowances will be available for cars rated up to 95g/km and bought before 31 March 2015 (110g/km for expenditure up to 31 March 2013).

From the same date, businesses buying cars with ratings above 130g/km will only qualify for the reduced writing down allowances of 8%. At present, cars with ratings up to 160g/km are put into the 'general pool' with the higher 18% rate of WDA.

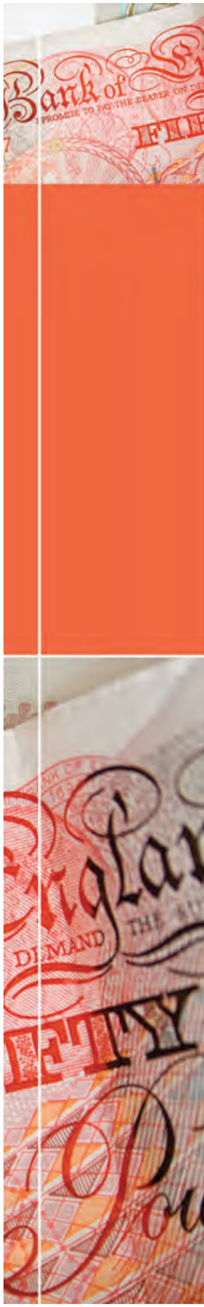
Cash basis

Further details were published of the 'cash accounting basis' which small unincorporated businesses may use to compute their income tax profits from April 2013. The intention is that those businesses which are below the VAT registration threshold will be able to prepare simpler accounts, ignoring debtors, creditors and stock, and the distinction between capital and revenue, and simply pay tax on the difference between 'cash in' and 'cash out'.The Budget announcements recognise that the original proposals were themselves quite complicated, and attempts have been made to simplify them.

The cash basis will be compulsory for anyone who claims Universal Credit.

TAX TIP

If you qualify for the cash basis, take a look – but don't rush in!



Value Added Tax

Registration thresholds

The registration threshold for VAT rises from £77,000 to £79,000 on 1 April 2013. The deregistration threshold rises from £75,000 to £77,000 on the same date. Self-assessment returns for businesses can use 'three-line accounts' if they are below the registration threshold.

Rates and scope

The standard rate of VAT will remain unchanged at 20% and the lower rate at 5%. After the storm of protest that met the proposed changes to a number of VAT reliefs last year, the Chancellor has not attempted to extend the scope of the tax to anything that is not currently chargeable.

Car fuel

The values to be used by a business which supplies road fuel to a proprietor, director or employee for private use change with effect for return periods starting on or after 1 May 2013. Although the scale rates are based on CO_2 emissions, they are not based on a percentage calculation as the income tax benefit charges are: it is necessary to look up the exact figure in a table which is available on the HMRC website.

Stamp Duty Land Tax

Rates

There was no new announcement about rates of stamp duty land tax, but measures introduced last year have been brought into effect. The higher threshold for properties in 'disadvantaged areas' has been abolished with effect from 6 April 2013.

Growth markets

The Chancellor announced an intention to abolish stamp duty for transactions in shares on 'junior' share markets such as the Alternative Investment Market or the ISDX Growth Market. If approved, this will take effect in 2014.

Other Measures

Annual tax on 'enveloped' dwellings

Last year's Budget included a package of measures to target the avoidance of stamp duty land tax and CGT by people owning high value houses through companies and other legal vehicles – so-called 'envelope schemes'. The first measure, a 15% SDLT charge on transferring a house worth £2m to certain 'non-natural persons' (e.g. companies), took effect in March 2012.

A new charge called the 'Annual Tax on Enveloped Dwellings' (ATED) takes effect from April 2013. It applies a flat rate charge based on bands of value to residential property in the UK worth over £2m which is owned by a non-natural person. There are a number of exemptions, such as for working farmhouses or other employee accommodation.

A CGT charge at 28% will apply to any gain on such a property accruing after 6 April 2013. This will be higher than the corporation tax that would be payable by a UK company, and will bring foreign companies within the charge to UK tax. Enforcement of these charges on foreign entities may pose practical problems for HMRC.

Anti-avoidance measures

As usual, the Chancellor hoped to raise considerable amounts of money by 'closing loopholes.' The speech included the announcement that people who promote aggressive tax avoidance schemes may in future be 'named and shamed' (although those who do so may simply regard this as good publicity).

A 'General Anti-Abuse Rule' (GAAR) will take effect after the Finance Act 2013 receives Royal Assent. This will enable HMRC to negate the effect of artificial tax avoidance schemes if the economic effect of transactions appears to be different from the tax effect (e.g. a loss arises for tax which is larger than the economic loss suffered by the taxpayer). A scheme must be referred to an advisory panel before HMRC can use the GAAR, and taxpayers will still have a right of appeal against the panel's opinion. It remains to be seen whether this will reduce the enthusiasm of UK taxpayers for avoidance schemes.

By contrast, changes were announced to the rules on 'transfer of assets abroad', which seek to stop avoidance by UK residents who move income-bearing assets out of the country. The government is keeping this rule, but the European Commission has pointed out that it does not comply with EU law in its present form. The conditions will be relaxed where assets are moved elsewhere in the EU.

Statutory residence test

An individual's 'residence' status has a significant effect on their liability to income tax and CGT. Up to now, it has been determined by a mixture of statute law, case law precedent and HMRC practice. A number of recent high-profile legal disputes have shown that the law is confusing and contradictory, and several taxpayers have been held to be liable to UK taxes when they believed they had done enough to sever their links with the country. After a long consultation, the government will now introduce a statutory test of residence which is supposed to make the question clearer. The legislation will be in the Finance Act 2013 and will take effect from 6 April 2013.

Income Tax Rates and Allowances

Table A Allowances and Reliefs

	2013/14	2012/13
Allowed at top rate of tax		
Personal Allowance (PA)	£9,440	£8,105
Personal Allowance (born 6.4.38 - 5.4.48)*	10,500	10,500
Personal Allowance (born before 6.4.38)*	10,660	10,660
Blind Person's Allowance	2,160	2,100
Allowed only at 10%		
Married Couple's Allowance (MCA)*+	7,915	7,705
Income limit for age-related allowances	26,100	25,400

+only available if born before 6th April 1935

*Age-related allowances are reduced £1 for every £2 by which income exceeds the income limit. PA is reduced before MCA, to a minimum of £9,440 (2012/13: £8,105). MCA is reduced to a minimum of £3,040 (2012/13: £2,960).

PA is withdrawn at £1 for every £2 by which total income exceeds £100,000. PA is reduced to nil if income is £118,880 or more (2012/13: £116,210).

Bands	2013/14	2012/13
Basic	32,010	34,370
Higher	32,011-150,000	34,371-150,000
Additional	over 150,000	over 150,000

Rates differ for General, Savings and Dividend income within each band:

Rates	2013/14			2012/13		
	G	S	D	G	S	D
Basic	20%	20%	10%	20%	20%	10%
Higher	40%	40%	32.5%	40%	40%	32.5%
Additional	45%	45%	37.5%	50%	50%	42.5%

General income (salary, pensions, business profit, rent) uses starting, basic and higher rate bands before savings income (interest). Dividends are taxed as the 'top slice' of income.

If taxable general income is less than £2,790 (2012/13: £2,710), savings income is taxed at a 'starting rate' of 10% until total taxable income exceeds that limit. This 'starting rate band' is part of the BRB.

Table B Pension Contributions

The maximum annual tax-efficient gross contributions (up to age 75) in 2013/14 are:

– individuals: the higher of £3,600 or 100% of earnings, to max. £50,000

– employers: £50,000 less employee contributions

Only current earnings count for the 100% limit. If less than £50,000 has been paid in any of the preceding three years, it may be possible to increase the current contributions by the shortfall. Maximum tax-efficient fund (lifetime allowance) where benefits are taken in 2013/14: £1.5m.

Table C Car and Fuel Benefits

Car Benefit Assessment 2013/14

Charge based on a percentage of the initial list price of the car; the percentage depends on the carbon dioxide emission ratings of the car, if it has one. For older cars without a rating, the percentage depends on engine capacity.

For 2013/14 the percentage for a petrol engine is :

no emissions	no tax charge
up to 75g/km	5%
76g/km-94g/km	10%
95g/km-99g/km	11%, then + 1% at 100g/km, 105g/km etc.
215g/km and above	35% (maximum)

Diesel cars have 3% added to the figure for a similarly-rated petrol car, but still have a maximum charge of 35%.

Car Fuel Assessment

The benefit is calculated using the same percentage as that used for the car benefit, applied to a standard figure of £21,100 (2012/13: £20,200).

The taxable amount is therefore between £1,055 (5% – min.) and £7,385 (35% – max.). There is no tax on charging an emission-free electric car.

National Insurance Contributions

Table D Rates and limits for 2013/14

Class 1	Weekly	Monthly	Yearly
Lower Earnings Limit (LEL)	£109	£472	£5,668
Primary Threshold – employees (PT)	149	646	7,755
Secondary Threshold – employers (ST)	148	641	7,696
Upper Accrual Point (UAP)	770	3,337	40,040
Upper Earnings Limit – employees (UEL)	797	3,454	41,450

Employer's Contribution	Contracted In	Contracted Out
From 6th April 2012, only employment with a salary-related pension scheme can use the lower contracted-out NIC rates.		
On earnings up to ST	Nil	Nil
On earnings between ST and UAP	13.8%	10.4%
On earnings above UAP	13.8%	13.8%

Employee's Contribution

Contracted in: 12% on earnings between PT and UEL, 2% above UEL.

Contracted out: 10.6% on earnings between PT and UAP; 12% from UAP to UEL; 2% above UEL.

Earnings over LEL qualify for benefit, and must be reported under PAYE, but no NICs are payable until earnings reach PT.

The reduced Class 1 rate payable by certain married women and widows is 5.85% for earnings between PT and UEL, 2% above UEL.

Class 2 (Self-employed)	Earnings over £5,725 per year	£2.70 per week
Class 3 (Voluntary)	No limit applicable	£13.55 per week
Class 4 (Self-employed)	Profits between £7,755 and £41,450	9%.
	Profits above £41,450	2%

April 2013

M	T	W	T	F	S	S
1	2	3	4	**5**	**6**	7
8	9	10	11	12	13	14
15	16	17	18	**19**	20	21
22	23	24	25	26	27	28
29	30					

5 End of tax year. Cut-off for income and gains between 2012/13 and 2013/14.
6 Employers with up to 5,000 employees must report PAYE information using Real Time Information
19 'IR35' tax due.
19 Employers pay PAYE for quarter or month March 2013, cheque to reach accounts office.
22 PAYE electronic payment deadline: funds to clear HMRC's bank account(where 22 falls on a weekend,must clear Friday).

May 2013

M	T	W	T	F	S	S
		1	2	**3**	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	**19**
20	21	**22**	23	24	25	26
27	28	29	30	**31**		

1 Commencement of £10 daily penalties for 2011/12 tax returns not filed.
3 Employers submit P46(car) form showing quarter's changes to company cars.
19 Employers submit 2012/13 year end returns to HMRC: P14, P35, P38(S), P38A.
19 Employers pay PAYE for month April 2013.
22 PAYE electronic payment deadline.
31 Employers send 2012/13 P60 to employees.

June 2013

M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	**19**	20	**21**	22	23
24	25	26	27	28	29	30

19 Employers pay PAYE for month May 2013.
21 PAYE electronic payment deadline.

July 2013

M	T	W	T	F	S	S
1	2	3	4	**5**	**6**	7
8	9	10	11	12	13	14
15	16	17	18	**19**	20	21
22	23	24	25	26	27	28
29	30	**31**				

5 Agree 2012/13 PAYE Settlement Agreement
6 Employers send P9D, P11D and annual share scheme returns to HMRC; P9D, P11D to employees.
19 Employers pay class 1A NIC for 2012/13.
19 Employers pay PAYE for quarter or month June 2013.
22 PAYE electronic payment deadline.
31 Deadline for payment of second instalment of 2012/13 tax. Revise existing Tax Credit claim.

August 2013

M	T	W	T	F	S	S
			1	**2**	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	**22**	23	24	25
26	27	28	29	30	31	

1 If 2011/12 tax return not filed, further £300 (or 5% of tax due if higher) penalty.
2 Employers submit P46(car) form showing quarter's changes to company cars.
19 Employers pay PAYE for month July 2013.
22 PAYE electronic payment deadline.

September 2013

M	T	W	T	F	S	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	**19**	**20**	21	22
23	24	25	26	27	28	29
30						

19 Employers pay PAYE for month August 2013.
20 PAYE electronic payment deadline.

October 2013

M	T	W	T	F	S	S
	1	2	3	4	**5**	6
7	8	9	10	11	12	13
14	15	16	17	18	**19**	20
21	**22**	23	24	25	26	27
28	29	30	**31**			

1 Corporation tax payday for companies with 31 December 2012 year end.
5 Deadline for notifying HMRC if income tax or CGT is due for 2012/13 and no tax return received.
19 Employers pay PAYE for quarter or month September 2013, also PAYE Settlement Agreement for 2012/13.
22 PAYE electronic payment deadline.
31 Last day to file 2012/13 SA return on paper.

November 2013

M	T	W	T	F	S	S
				1	**2**	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	**19**	20	21	**22**	23	24
25	26	27	28	29	30	

2 Employers submit P46(car) form showing quarter's changes to company cars.
19 Employers pay PAYE for month October 2013.
22 PAYE electronic payment deadline.

December 2013

M	T	W	T	F	S	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	**19**	**20**	21	22
23	24	25	26	27	28	29
30	**31**					

19 Employers pay PAYE for month November 2013.
20 PAYE electronic payment deadline.
30 File 2012/13 SA return online to take advantage of coding out of employment income tax underpayments up to £3,000.
31 Corporation tax filing deadline for companies with 31 December 2012 year end.

January 2014

M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	**19**
20	21	**22**	23	24	25	26
27	28	29	30	**31**		

1 Corporation tax payday for companies with 31 March 2013 year end.
19 Employers pay PAYE for quarter or month Dec 2013.
22 PAYE electronic payment deadline.
31 Online filing deadline for 2012/13 income tax and CGT return. Deadline for tax payments to avoid interest. Companies affected by IR35 to file finalised P14 for 2012/13.

February 2014

M	T	W	T	F	S	S
					1	**2**
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	**19**	20	**21**	22	23
24	25	26	27	28		

1 If 2011/12 tax return not filed, a further penalty of £300 (or 5% of tax due if higher)
2 Employers submit P46(car) form showing quarter's changes to company cars.
19 Employers pay PAYE for month January 2014.
21 PAYE electronic payment deadline.

March 2014

M	T	W	T	F	S	S
					1	**2**
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	**19**	20	**21**	22	23
24	25	26	27	28	29	30
31						

2 Deadline for payment of balance of 2012/13 tax to avoid late payment penalty.
19 Employers pay PAYE for month February 2014.
21 PAYE electronic payment deadline.
31 Corporation tax filing deadline for companies with 31 March 2013 year end.

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