

BUDGET 2013: BUSINESS TAX CHANGES

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Simplified taxation for small businesses

- Voluntary cash basis opt in from 2013 where turnover is below £77k
 - Must remain in scheme until circumstances are no longer suitable to them
- It appears that the ability to opt in & out as trader wishes has been withdrawn
- Losses only available for carry forward
 - No sideways or carry back claims

Expenses

- Expenses paid wholly and exclusively for the purposes of the trade, including for non-durable assets and payments of VAT
 - but excluding business entertaining and purchase of property or other “investment” assets
- Interest payments limited to £500 p.a.
- Other expense deductions:
 - Standard mileage rate (now optional)
 - Business use of home
 - 25-50 hours per month £10
 - 51-100 hours per month £18
 - 101 hours or more per month £26

An alternative

- Alternatively businesses can choose to claim any allowable portion of actual expenses
 - Personal use of business premises – an adjustment is subtracted from actual expenses so that personal costs are excluded
 - 1 occupant £350 per month
 - 2 occupants £500 per month
 - 3 or more occupants £650 per month
 - Full amount of telephone & internet services where private use is small
 - Subsistence – new HMRC guidance will follow

Annual Investment Allowance

- CA rates – another kick of the tax football!
- Increases to £250,000 from 1 January 2013
- 2 year window available: to be extended ?
- A question of timing - notify clients
- S5 CAA 2001 – what is the date of acquisition ?
- Other rules re: entitlement to AIA- unchanged
- Apportionment issues - especially for Jan and Feb 2013 year ends

Corporation tax rates 2013/14

- Main rate reduced to 23%
- Main rate of CT to fall to 21% from 1 April 2014 and to 20% from 1 April 2015
- At which point the Small Profits Rate is abolished
- No major announcements affecting profit extraction and incorporation planning for small businesses
- Position now unlikely to change before 2015
 - review remaining sole traders and partnerships for incorporation

Close company loans

- Broadening of definition of loans to participators w.e.f. 20 March 2013 to include:
 - Loans to partnerships and trusts
 - Bring transfers of value other than loans into scope and;
 - Prevent “bed & breakfasting”

Loans to partnerships & trusts

- Bring loans to corporate partners into scope for certain
- Loans to trustees to be brought within s.455 where:
 - Shares in the close company are held in trust
 - Loan is to a trustee who are associates of a participator

Transfers of value

- Aimed at corporate partners where profits are not withdrawn from the partnership
- Withdrawal of excessive capital will count as a loan and trigger a charge to tax under s.455
- HMRC hope to put this matter “beyond doubt”

Bed & breakfasting

- New 30 day rule
- Relief from s.455 to be withdrawn where more than £5,000 of the repayment is reversed within 30 days
- Also, where loan exceeds £15,000 and there is an intention to withdraw the repayment then no s.455 relief will be given