

Lent Term School Report 2011

Name: Osborne, Gideon
House: Coalition

Form : Conservative 1a
Tutor : Mr Hague

Subject	Effort/ Attainment	Comment
Income Tax	CC	Gideon is an intelligent young man but lacks focus. It would be nice to see a lot more detail on the merger of Income Tax and National Insurance. The Office of Tax Simplification has left taxpayers in a state of limbo when uncertainty is what he was apparently trying to avoid! He seems much more interested in the effect of corporate taxes on business than this tax. Miss Vinson
Capital Taxes	BC	Gideon is easily influenced and his head of house, Mr Cameron, has him focusing on something called 'The Big Society' for which he has made a special effort this term with the promise of a 4% Inheritance Tax deduction for those who give away 10% of their estate to charity. It will be very interesting to see how he copes with the Office of Tax Simplification's report and its suggestion to review Inheritance Tax and Trusts in totality. There is clearly a lot more to come here and we are slightly concerned how this could develop. Well done for increasing the CGT Entrepreneurs Relief threshold but it is still too complicated. Good effort. Miss Fisher, Mr Keates and Mr Piper
Corporation Tax	BB	This is a subject that Gideon seems to excel in, he has a love of business and corporate structures. No doubt this will be at the expense of his other subjects. Mr Morris
VAT	CC	Satisfactory Miss Blight
SDLT	CC	Satisfactory but he tinkers far too much. Focus and keep it simple please Gideon. Mr Mullens
Regulation	DC	Gideon has a long way to go on this subject and he may do well to ignore his senior prefect, Mr Cable, whose ideas lack substance and who enjoys shooting from the hip! Mr Mullens
Rural Studies	DD	Gideon appears to be disinterested in this subject. I was particularly disappointed when, at the debating society, he said "yes we want the City of London to remain the world's leading centre for financial services, but we should resolve that the rest of the country becomes a world leader in advanced manufacturing, life sciences, creative industries, business services, green energy and so much more". What about food and farming Gideon, perhaps as he matures he will realise the importance of the rural sector? Mr Wilkinson

Year Head's comments.

This is an average report. Gideon is clearly trying to improve his academic performance but he is making promises to his teachers and not delivering. Gideon really needs to focus his efforts on one thing at a time. As things stand, he and his fellow classmates are creating too much uncertainty in the school. They are a huge improvement on the last class but they need to provide clear messages on what is in the tax and regulatory pipeline. Change and simplification is good but by rushing they are in danger of damaging the school's reputation.

Mr Holmes

Notes

You are all invited to email or speak to any of our teachers and below are some more detailed notes on Gideon's performance.

School will be closed over the Easter period.

Budget 2011 – Big Society? Tall Stories? Small Minds? Short Term?

We must remember that, in this modern age, we know most of what is in the Budget before the Chancellor gets up to speak. We are also left in limbo on the detail until the Finance Bill is published in the next few months; the devil is always in the detail.

We present a brief summary of the major changes and announcements and how we believe they affect the landed sector.

We must remember that the Office of Tax Simplification is going to make our lives a lot more complicated. Everything is up for grabs and simplification means we will have fewer opportunities to plan.

These are opportune times to remind the Government why our sector is worth protecting and incentivising so that our unique reliefs are protected.

Income Tax

by Clare Vinson - clare.vinson@chavereys.co.uk

The most notable, but well heralded, announcement is that Government intends to consult on the options for merging the Income Tax and National Insurance Contribution systems, but, as stated, this should not result in NICs being extended to those above the state pension age or unearned income. Watch this space, the last thing we need is rental income attracting NI. This subject has been looked at before without any change due to the alternatives being just as complex. If there is a change it is likely to be some time away and we still have the planned NI 1% increments for 2011/12 and the 50% Income Tax rate.

Corporate structures are difficult to ignore in this sector if you are looking to invest and retain profit.

The Government has also announced changes to the way IR35 is administered, basically sole traders who may be quasi employees, clarity and certainty is certainly required here.

The Personal Allowance will remain at the previously published level of £7,465 for the year starting 6 April 2011 but it will increase to £8,105 from 6 April 2012. This is forecast to increase to £10,000 by 2015/16.

The Basic Rate band for income taxable at 20% will be £35,000 for the year starting 6 April 2011 but will decrease to £34,370 from 6 April 2012.

The Approved Mileage Allowance Payments rates will increase from 6 April 2011. Employees and self employed with turnover below the VAT threshold will be able to claim 45p per mile tax free for the first 10,000 miles of business use and 25p per mile thereafter.

Pensions

From 6 April 2011 the allowance for tax relief on personal pension contributions is £50,000, from 6 April 2012 the lifetime allowance for the size of a pension fund is reduced to £1.5 million. Where the new pension relief limit is exceeded and the consequential tax charge is more than £2,000, the liability may be met by the pension fund. Interestingly it seems the Government is hell bent on cracking down on the more exotic schemes, EFURBs. Will advisers ever learn that such schemes never last! We expect yet more pension reform but pension funds still have their uses in this sector.

Capital Allowances

It will be possible to elect for expenditure incurred on an item of plant and machinery from April 2011 to be kept separate from the general pool for the following eight years. This may generate some tax benefits but will increase recordkeeping.

Capital allowance rates are reducing from 2012 and it is therefore vital that you plan for the cash flow impact. Please don't fall into the trap of spending money before 2012 just to save paying tax, it is a false economy and you only save interest on the tax. Only buy kit if you actually need it. Overall this reduction has a massively adverse impact on the sector.

A consultation document, to be published in May 2011, is to consider the appropriate capital allowances for expenditure on equipment used in a business which will give rise to revenue through FITs and RHI, to be included in Finance Bill 2012. Yet more tinkering with renewables!

Sundry

The rate of Income Tax relief available under the Enterprise Investment Scheme will increase from 20% to 30% with effect from 6 April 2011.

Furnished Holiday Lets are going to be ring fenced for tax purposes from 6 April 2011 and there are new occupancy rules from 6 April 2012. Disappointing but not as bad as it could have been.

Capital Taxes

by *Karen Fisher – karen.fisher@chavereys.co.uk*

Anthony Keates – anthony.keates@chavereys.co.uk

Richard Piper – richard.piper@chavereys.co.uk

No attack on APR or trusts but we still have the spectre of the overall review suggested by the Office of Tax Simplification, will APR survive this?

A reduced Inheritance Tax rate of 36 per cent will apply from April 2012 for those leaving 10 per cent or more of the net estate (after deducting IHT exemptions, reliefs and the nil rates band) to charity.

Avoidance

Inheritance Tax, as it applies to transfers of property into trust, will be brought within DOTAS, coming into effect on 6 April 2011. This will require the disclosure of new and innovative IHT avoidance schemes involving transfers into trust. Trusts play an important role in this sector and we continue to be concerned about the Government's intentions on this. Some concern also regarding the view that "evasion and avoidance are widespread" when it comes to very high value property.

Gifts of art

There will be a consultation this summer on proposals to introduce a tax reduction for those who give a work of art or historical object of national importance to the State.

Capital Gains Tax

The lifetime limit on gains qualifying for Entrepreneurs' Relief will increase from £5 million to £10 million with effect from 6 April 2011. Good news but it is still a very complex relief and it is not that easy to qualify. Planning is required as it takes a year to meet the qualifying criteria in most cases. Development land is a key priority here, builders will start buying land again sooner or later and you must be prepared.

The Annual Exemption will increase to £10,600 in 2011/12.

From 2012/13 the Annual Exemption will be raised using the Consumer Prices Index rather than the Retail Prices Index. In short, it will probably rise more slowly than it could otherwise have done.

EU Single Payment Scheme Entitlements will be restored to the list of assets that qualify for rollover relief.

Gains are taxed at 18% if income is taxed at Basic Rate; gains falling in the Higher Rate bands are taxed at 28%.

Corporation Tax

by Iain Morris - iain.morris@chavereys.co.uk

The main rate of Corporation Tax has decreased by 2% to 26% from 1 April 2011. The decrease was expected to be only 1%. The rate will decrease 1% per year for the next 3 years until it is 23%.

The small company rate of Corporation Tax has decreased from 21% to 20% from 1 April 2011.

Expenditure on R&D by small and medium sized companies can give rise to an additional tax deduction of 100%, increased from 75%. The total deduction from 1 April 2011 will be 200% of the R&D expenditure. There will also be further simplification to remove a minimum expenditure level, currently £10,000, and abolishing the rules on R&D credit repayments.

Business rates discount for businesses located in 21 new zones – to be announced.

Business premises renovation allowance will be continued for another five years from 2012.

Green taxes

Carbon price floor to come into effect 1 April 2013. Supplies of most fossil fuels will now be subject to Climate Change Levy (CCL). CCL will be increased in line with RPI.

Landfill Tax increases by £8 per tonne to £64 per tonne from 1 April 2012.

Green Investment Bank

Although not able to lend until 2015, it will start next year and be given capital of £3bn to attract private finance.

Feed-in-Tariffs

Although not mentioned in the Budget there is a consultation in progress which has proposals to significantly reduce the Feed-in-Tariffs for all PV (Solar) schemes in excess of 50kw rendering almost all schemes potentially unviable. What a ridiculous mess!

Stamp Duty Land Tax

by Richard Piper - richard.piper@chavereys.co.uk

The rate of SDLT for bulk purchases of residential properties will be determined by the mean value of dwellings purchased rather than the aggregate value. This may have a lot more applications than first thought.

The Government will announce in the autumn the results of its review of SDLT relief for first time buyers.

Anti-avoidance legislation has been introduced, with effect from 24 March, to counter an engineered reduction in market value when properties are exchanged.

A reminder that SDLT on £1million plus residential property is 5% from 6 April 2011.

VAT

by *Samantha Blight* - samantha.blight@chavereys.co.uk

Nothing particularly sexy here I'm afraid or do I mean happy to say? As ever, in this sector, we need to watch the obvious issues such as partial exemption, VAT on property and VAT on shooting.

From 1 April 2011, the VAT registration threshold will be increased from £70,000 to £73,000 and the deregistration threshold from £68,000 to £71,000.

The VAT fuel scale charges will be revalorised with effect from 1 May 2011.

The Government will make online VAT registration, de-registration and variations mandatory, and make other changes, including removal of the UK VAT registration threshold for non-UK established businesses, with effect from 1 August 2012. The Government will also put forward regulations which, subject to consultation, will require all remaining VAT customers to file VAT returns online and pay electronically from 1 April 2012 (Finance Bill 2012).

Fuel Duty

by *Henry Mullens* - henry.mullens@chavereys.co.uk

The changes to fuel duty have been well documented. Fuel price continues to be a real concern for this sector but other than starting to drill we have little practical advice on this.

Please contact your usual Chavereys contact if you have any specific questions on the above.

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