



**Teachers**  
Financial Planning

# AUTUMN STATEMENT 2013

Teachers Financial Planning Limited  
St James Court Wilderspool

Warrington WA4 6PS

info@teachersfp.co.uk  
08452 696990  
www.teachersfp.co.uk

# EXECUTIVE SUMMARY

Delivering the 2013 Autumn Statement, the Chancellor said the latest forecasts from the Office for Budget Responsibility proved that “Britain’s economic plan is working” but warned that the “job is not done.”

George Osborne stressed that:

- the deficit is down but it’s still too high
- growth is up but productivity is too low
- businesses are expanding but exports could be better; and
- disposable incomes are improving but households are still struggling with the cost of living.

It was the introduction to an Autumn Statement he said was designed to secure the economy for the long term. Britain, said the Chancellor, needs “a Government that lives within its means” if it is to be “a country that pays its way in the world.”

The headline business announcements were on rates. A 2% cap on next year’s increase in business rates was confirmed. The doubling of the Small Business Rate Relief, to 100% for qualifying businesses, was also extended by a year until April 2015.

For personal finances, the planned September 2014 fuel duty increase has been scrapped. Train fares will increase in January in line with inflation only - not by the usual inflation plus 1%. And basic rate taxpayers will be able to transfer £1,000 of their personal allowance to a spouse or civil partner from April 2015.

The following report provides a concise summary of the announcements made in the 2013 Autumn Statement.

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**Please contact us to  
discuss measures that  
may be relevant to you  
or your business.**



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# THE ECONOMY

## KEY POINTS

- GDP growth forecast for 2013 more than doubled to 1.4%
- Deficit expected to halve between 2010 and 2014/15
- Debt to start falling a year earlier than planned, in 2016/17
- Unemployment continues to fall

### *"THE PLAN IS WORKING"*

Chancellor George Osborne opened this year's Autumn Statement with the words, "Britain's economic plan is working." The figures speak for themselves but, "we need to secure the economy for the long term," he added, before making it clear that deviating from the 'plan' presents the greatest risk to that security.

The key figures for the deficit, debt and unemployment all show progress but remain stubbornly high.

## POSITIVE GROWTH 'SURPRISE'

What a difference nine months makes. In March 2013 the Office for Budget Responsibility (OBR) forecast GDP to grow by 0.6% in 2013. That figure has now more than doubled to 1.4% – the largest improvement to current year economic forecasts at any Budget or Autumn Statement for 14 years. That growth is expected to continue to 2.4% in 2014, revised up from a previous forecast of 1.8%.

The revised figures have been described as a "positive growth surprise" by the OBR, which claims it has been cyclical, "reducing the amount of spare capacity in the economy, rather than indicating stronger underlying growth potential."

## THE DEFICIT IS DOWN

Since 2010, when it stood at 11%, the deficit has fallen to 6.8%, a further reduction from the 7.5% forecast at the Budget in March. By 2014/15 the deficit is expected to have halved to 5.6% before continuing to reduce until 2018/19 when the OBR actually expects Britain to run a small surplus.

## DEBT REMAINS HIGH

While the deficit lingers it adds to our debt, which remains high. At 75.5% of GDP it is £18 billion lower than forecast in March. Debt is expected to peak at 80 per cent in 2015/16 before finally starting to fall from 2016/17.

## UNEMPLOYMENT CONTINUES TO FALL

"We now have the lowest proportion of workless households for 17 years," the Chancellor revealed, as the Government expects the total number of jobs to rise by 400,000 this year. In the same vein, unemployment continues to fall. It stands at 7.6% this year and is expected to fall to 7% in 2015 – the level at which Governor of the Bank of England Mark Carney has said he will consider increasing interest rates.

## WHAT DOES THIS MEAN FOR YOU?

While the figures are undoubtedly positive, underlying growth still needs strengthening and there is still some way to go. As an individual or business owner we can help you to ensure your finances remain on track and reflect the economic environment we are operating in.

**Please contact us to find out how we can help you and your business.**

# PERSONAL

## INCOME TAX

From 6 April 2014, the basic personal allowance will increase by £560 to £10,000 which is the level agreed at the outset of the Coalition. Starting next year it is intended that this allowance will increase by the Consumer Price Index (CPI). The basic rate limit is to reduce to £31,865. The higher rate threshold will commence at £41,865.

## TRANSFERABLE TAX ALLOWANCES FOR MARRIED COUPLES AND CIVIL PARTNERS

From 2015/16, basic rate taxpayers will be able to transfer up to £1,000 of their income tax personal allowance to their spouse or civil partner. This will not be possible where either partner is a higher or additional rate tax payer.

## INCOME TAX RELIEF FOR QUALIFYING LOAN INTEREST

From April 2014, the income tax relief for interest paid on loans to invest in close companies and employee-controlled companies is to be extended to investments in companies that are resident throughout the European Economic Area.

## ARTIFICIAL USE OF DUAL CONTRACTS BY NON-DOMICILES

Legislation will be introduced in April 2014 to prevent a small number of high-earning, non-domiciled individuals from avoiding tax through the artificial division of one employment between the UK and overseas. Tax is to be levied on the full employment where a comparable level of tax is not payable overseas on the overseas contract.

## SOCIAL INVESTMENT TAX RELIEF

A new and innovative social investment tax relief will be introduced to encourage individuals to invest in social organisations including charities, community interest companies and community benefit societies. Investment in social impact bonds issued by companies limited by shares will also be eligible.

## CAPITAL GAINS TAX

The capital gains tax rates and the annual exemptions remain as previously announced:

	2014/15	2013/14
Lower rate	18%	18%
Higher rate	28%	28%
Annual exemption:		
Individuals	£11,000	£10,900
Settlements	£5,500	£5,450
Entrepreneurs' relief:		
Applicable rate	10%	10%
Lifetime limit	£10m	£10m

## PRIVATE RESIDENCE RELIEF

From April 2014, changes to the private residence relief rules for capital gains tax will reduce the final period exemption from 36 months to 18 months.

## EXTENDING THE TAX BOUNDARY TO NON-RESIDENTS

With effect from April 2015 non residents are to be liable to capital gains tax on gains arising from UK residential property.

## INHERITANCE TAX

No major changes were proposed to the inheritance tax (IHT) regime. The exemptions and tax rates remain as previously announced:

	2014/15	2013/14
Chargeable lifetime transfers	20%	20%
Reduced rate	36%	36%
Transfers on or within seven years of death*	40%	40%

\*Subject to taper relief from year three to seven

## TRUST SIMPLIFICATION

Filing and payment dates will be simplified for IHT relevant property trust charges. Legislation will also be introduced to treat income, arising in such trusts and remaining undistributed for more than five years, as part of the trust capital when calculating the 10-year anniversary charge.

## ONLINE SERVICE

An online service will be provided by HMRC during 2015/16 for IHT, reducing the administrative burdens for taxpayers and agents.

**Contact us to find out how we can help you with these changes.**

Non-residents liable for CGT on UK residential property from April 2015



# BUSINESS

## CORPORATION TAX

No changes were announced to corporation tax rates, which remain as previously announced:

Financial year to 31 March		2015	2014
Taxable profits	First £300,000	20%	20%
	Next £1,200,000	21.25%	23.75%
	Over £1,500,000	21%	23%

## EMPLOYER NATIONAL INSURANCE CONTRIBUTIONS

From April 2015, employer national insurance contributions (NICs) will be abolished for those under 21 years of age on earnings up to £813 per week. Thereafter the normal rate of NICs will apply.

It had already been announced that an annual £2,000 Employment Allowance will be introduced from April 2014. This will be offset against employers' NICs to reduce the overall cost of employing staff.

## BUSINESS RATES

The increase of business rates due in England and Wales for 2014/15 will now be capped at 2% as opposed to being linked to RPI inflation. The doubling of the Small Business Rate Relief was also extended until April 2015. This means approximately 360,000 of the smallest businesses will receive 100% relief.

Additional support will be offered to the retail sector through a business rate discount of up to £1,000 in both 2014/15 and 2015/16 for

retail properties with a rateable value of up to £50,000. This will include pubs, restaurants, cafes and charity shops.

A 50% discount on business rates for 18 months will also be available for new occupants of previously empty premises. The relief is temporary and will be granted to businesses moving into long-term empty retail premises on or after 1 April 2014 and on or before 31 March 2016.

With effect from 1 April 2014, legislation will also be introduced to allow business rate bills to be paid over 12 months rather than the current regime of 10 months.

The Government will launch a consultation with the aim of reforming the business rates appeal process and, with this intention, it has announced its commitment to clear 95% of the appeals backlog before July 2015.

From April 2014, the Government will relax the small business rate relief rules to allow businesses to retain the relief on the first property for one year when taking on an additional property.



## TAX AVOIDANCE

A further raft of measures to clamp down on tax avoidance and aggressive tax planning were announced. Some of these measures include:

- Preventing employment intermediaries from disguising employment as self-employment to reduce tax, by legislating against the use of contrived contracts
- New powers which will require taxpayers using tax avoidance schemes that have already been defeated in the courts to pay the tax upfront
- Improve the effectiveness of the worldwide debt cap rules by further limiting the ability of multinational groups to abuse them through allocating excessive debt to UK companies
- The closure of a corporation tax scheme exploiting the use of intra-group derivatives.

## SHARE INCENTIVE PLANS AND SAVE AS YOU EARN (SAYE) LIMITS

From April 2014 the share incentive plan annual limits increase to £3,600 per year for free shares and to £1,800 per year for partnership shares. The maximum monthly amount that an employee can contribute to SAYE savings arrangements will double from £250 to £500.

## CORPORATION TAX: ASSOCIATED COMPANIES

As part of the emphasis on tax simplification, measures will be introduced in April 2015 to replace the existing associated companies rules with a simpler system based on 51% group membership, when the main and small profits corporation tax rates are both at 20%.

## CORPORATION TAX: AMENDING LOSS RELIEF PROVISIONS

The rules restricting the availability of relief for corporation tax trading losses when there is a change in company ownership will be relaxed. Clauses will be included in Finance Bill 2014.

## CORPORATION TAX: RELIEF FOR THEATRES

Consultation will start in early 2014 on the introduction in April 2015 of a limited tax relief for commercial theatre productions and a targeted tax relief for theatres investing in new works or touring productions to regional theatres.

## CORPORATION TAX: FILM TAX RELIEF

Subject to state aid clearance, 25% relief on the first £20 million of qualifying production expenditure and 20% thereafter will be made available. The minimum UK expenditure requirement will also drop from 25% to 10%.

## CLOSE COMPANY LOANS TO PARTICIPATORS

Following the consultation announced in Budget 2013, the Government has decided not to make any immediate changes to the operation of the tax charge on loans from close companies to individuals who own shares in the company.

## COMPANY CAR TAX

From April 2014 legislation will be implemented to ensure that employees make payment for private use of a company car or van in the relevant tax year and, where the employer leases a car to an employee, the benefit is taxed as a car benefit rather than as employment earnings.

## FUEL BENEFIT CHARGE

Company car tax fuel benefit	2014/15	2013/14
Car fuel benefit charge multiplier	£21,700	£21,100
Van fuel benefit charge	£581	£564

## VAN BENEFIT CHARGE

Company car tax van benefit	2014/15	2013/14
Van benefit charge	£3,090	£3,000

## EMPLOYEE OWNERSHIP

It was announced that additional funding of £25 million would be made available to support employee ownership, taking the total package to £75 million annually. The fund will be used to promote indirect employee ownership and to introduce three new tax reliefs. These include an exemption from IHT where shares and other assets are transferred to employee ownership trusts, subject to certain conditions.

## BANK LEVY

The bank levy will be increased to 0.156% from 1 January 2014.

**Please contact us to see how we can help your business with these changes.**



# SAVINGS, INVESTMENTS AND PENSIONS

## STATE PENSION FROM APRIL 2014

As expected it was confirmed that the basic state pension is to increase by £2.95 per week from April 2014.

## INCREASE IN THE STATE PENSION AGE

The state pension age is likely to rise to 68 in the mid 2030s rather than the previously planned year of 2046. It is envisaged that this will increase to 69 by the late 2040s.

## VOLUNTARY CONTRIBUTIONS

The Government will introduce a scheme to allow current pensioners, and those who reach state pension age before the introduction of the new single tier pension, an option to top up their additional state pension record through a new class of voluntary national insurance contributions. This scheme will start in October 2015 and will be time limited. The cost of this will be assessed at a broadly fair actuarial rate. The contributions will be known as Class 3A voluntary national insurance.

## EQUITABLE LIFE POLICYHOLDERS

The payments to those who bought with-profits annuities from Equitable Life before September 1992 are to be made through direct payment into policyholders' bank accounts in December 2013.

## INDIVIDUAL SAVINGS ACCOUNT AND JUNIOR ISA

		2014/15	2013/14
ISA	Annual investment limit	£11,880	£11,520
	Including cash maximum of	£5,940	£5,760
Junior ISA	Annual investment limit	£3,840	£3,720

## PENSION TAX RELIEF: 2014/15 PENSION CONTRIBUTIONS

Maximum annual tax-efficient gross contributions to age		74
individuals	£3,600 or 100% of net relevant earnings to £40,000* (previously £50,000)	
employers	£40,000 less employee contributions	
Normal age for accessing benefits		55
Lifetime allowance charge	lump sum paid	55%
	monies retained	25%
On cumulative benefits exceeding		£1,250,000**
Maximum tax-free lump sum		25%**

\*The annual contribution may be increased to include the unused amounts from the previous three years, subject to specific conditions

\*\* Subject to transitional protection for excess amount



## THE ANNUAL ALLOWANCE

The annual allowance will be reduced from £50,000 to £40,000 for the tax year 2014/15.

You will be affected by the change if your total pension savings made in 'pension input periods' that end in a tax year are greater than the annual allowance plus any available unused annual allowance that you can carry forward from the three previous tax years. The approach to your savings being tested against the annual allowance depends on your pension scheme type. Your pension scheme administrator must advise you if your pension savings in their scheme are more than the annual allowance.

## LIFETIME ALLOWANCE

The lifetime allowance (LTA) is to reduce from £1.5 million to £1.25 million with effect for the tax year 2014/15 onwards.

If when you take your pension benefits these are worth more than the LTA there is a tax charge (the LTA charge) on the excess.

The LTA charge rate depends on how this excess is paid to you. If the amount over the LTA is paid as a:

- Lump sum – the rate is 55%
- Taxable pension – the rate is 25%

## INDIVIDUAL PROTECTION 2014

Individual protection 2014 will be available when the lifetime allowance is reduced to £1.25 million for 2014/15. The full details are yet to be confirmed but it is expected that:

- it will give you a lifetime allowance equal to the value of your pension rights on 5 April 2014 - up to an overall maximum of £1.5 million.
- you will not lose individual protection 2014 by making further savings in to your pension scheme
- any pension savings in excess of your lifetime allowance will be subject to a lifetime allowance charge.

You will be able to apply for this from 6 April 2014.

## TAX RELIEF ON LOANS TO PURCHASE LIFE ANNUITIES

The Government has decided not to withdraw relief for interest on loans, taken out by people aged 65 or over before 1999, to purchase life annuities.

## VENTURE CAPITAL TRUSTS (VCTS)

From April 2014, investments that are conditionally linked in any way to a VCT share buy-back, or that have been made within six months of a disposal of shares in the same VCT, will not qualify for new tax relief.

## EXCHANGE TRADED FUNDS (ETFs)

From April 2014, the stamp duty and Stamp Duty Reserve Tax charge on purchases of shares in ETFs - that would currently apply if an ETF were domiciled in the UK - will be removed.

**Please contact us to find out how we can help you with these changes.**

# OTHER ANNOUNCEMENTS

## FREE SCHOOL MEALS

From September 2014, universal free school meals are to be provided for children in reception, year 1 and year 2, as well as disadvantaged students in sixth form colleges.

## STAMP DUTY LAND TAX (SDLT): CHARITIES RELIEF

It is intended to include provisions in the Finance Bill 2014 to ensure that partial relief from SDLT is available when a charity purchases property jointly with a non-charity.

## FUEL DUTY


The planned increase in fuel duty in September 2014 will be cancelled.

## THE ABOLITION OF THE PAPER TAX DISC

The paper car tax disc will be abolished. A new electronic system will allow motorists to pay for their vehicle excise duty by monthly direct debit. This will allow drivers to spread payments, although this is going to be subject to an additional 5%. The new system is planned to start in October 2014.

## RAIL FARES

The Government is to cap the average increase in regulated fares for 2014 to the Retail Price Index, instead of the usual RPI plus 1%. For some this could represent a saving of about £25.



To discuss any of the measures announced by Chancellor George Osborne in the 2013 Autumn Statement, please get in touch using the contact details on the front cover of this report.



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