



Teachers
Financial Planning

BUDGET REPORT 2014

Teachers Financial Planning Limited
St James Court
Wilderspool Causeway
Warrington
WA4 6PS

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

INTRODUCTION

The economic backdrop to Chancellor George Osborne's fifth Budget statement was decidedly more positive than it was when he moved into Number 11 in 2010.

The economy grew by 1.8% in 2013, three times more than the Office for Budget Responsibility predicted at the Budget in March 2013. The OBR has now upgraded its growth forecast for 2014 to 2.7% and to 2.3% for 2015.

Employment grew by 105,000 in the quarter to January 2014, driven by a surge in self-employment, and the unemployment rate is down to 7.2%.

But it isn't all good news. Inflation fell to 1.9% in January this year but average pay grew by 1.4% in the three months to January.

Also, the value of exported goods fell by 1.1% in the three months to January 2014, hardly the sign of an export-led recovery. In February, the Chancellor himself admitted to business leaders in Hong Kong that "Britain is not exporting enough."

George Osborne also told his audience in Hong Kong that the UK's economic recovery was not yet secure or balanced. He said that his 2014 Budget would be "... a budget where we must confront our problems and deal with some hard truths."

He also echoed this sentiment in his Budget speech, saying that he had "... never shied away from telling the British people about the difficult decisions we face."

The following report summarises the announcements made by Chancellor George Osborne during the 2014 Budget on Wednesday 19 March 2014.



Important information:

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future. The information in this report is based upon our understanding of the 2014 Budget Report, in respect of which specific implementation details may change when the final legislation and supporting documentation are published. This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. You should not make any investment decisions based upon its content. The value of investments can fall as well as rise and you may not get back the full amount you originally invested. Whilst considerable care has been taken to ensure that the information contained within this document is accurate and up-to-date, no warranty is given as to the accuracy or completeness of any information. Errors and omissions excepted.

EXECUTIVE SUMMARY

The following pages provide a detailed summary of the Chancellor's Budget 2014 measures but the headline announcements at a glance were:

FOR BUSINESSES

EXPORTS

Lending available to exporters has been doubled to £3 billion.

BUSINESS RATES

Discounts for businesses in enterprise zones have been extended for three years.

RESEARCH AND DEVELOPMENT

The research and development tax credit for small loss-making firms increases from 11% to 14.5%.

CAPITAL INVESTMENT

The Annual Investment Allowance AIA will be doubled to £500,000 from April 2014 and extended to December 2015.

ENERGY

The carbon price floor is frozen at £18 per ton of carbon dioxide from 2016 until 2020. The compensation for energy-intensive industries will be extended to 2019/20.

APPRENTICESHIPS

The apprenticeships grant for small employers has been extended.

HOUSING

Small house-building firms can access £0.5bn of finance.

AIR PASSENGER DUTY

Air passenger duty for all long haul flights will be in the same band B tax rate.

FOR INDIVIDUALS

INCOME TAX

The tax-free annual personal allowance will increase to £10,500 from April 2015. The higher rate threshold will rise to £41,865 from April 2014. It will rise by a further 1% to £42,285 in 2015. The transferable tax allowance for married couples and civil partners will rise to £1,050.

PENSIONS

Retirees with defined contribution pensions will be guaranteed free, face-to-face impartial guidance about their pension. The guaranteed income requirement for flexible drawdown eligibility will be cut from £20,000 to £12,000.

Tax on pension amounts taken as a lump sum, over and above the 25% tax-free entitlement, will be charged at normal marginal income tax rates rather than at 55% from April 2015. Compulsory annuities will be scrapped and there will be more flexibility when drawing an income from a pension.

PENSIONER BOND

A new Pensioner Bond will be issued by National Savings and Investments from January 2015. Exact rates will be set in the autumn but are thought to be 2.8% for a one year bond and 4% on a three year bond.

PREMIUM BONDS

The investment cap will be lifted from £30,000 to £40,000 in June 2014. It will increase to £50,000 next year. The number of million pound winners will be doubled.

ISAs

Stocks and shares and cash ISAs will be merged to create one New ISA with a tax-free limit of £15,000 from 1 July 2014. The Junior ISA allowance will increase to £4,000 a year.

INVESTMENT

The Seed Enterprise Investment Scheme has been made permanent. A new 30% Social Investment Tax Relief on investment in social enterprises is introduced.

FUEL DUTY

The fuel duty rise planned for September 2014 will not take place.

BINGO DUTY

Bingo duty will be halved to 10%.

TOBACCO DUTY

Tobacco duty will continue to rise at 2% above inflation.

ALCOHOL DUTY

The alcohol duty escalator has been scrapped. Alcohol duty will rise in line with inflation with the exception of Scottish whisky and cider, which are frozen.

BEER DUTY

Beer duty will be cut by one pence per pint.



BUSINESS

CORPORATION TAX RATES AND BANDS

As previously announced, the main rate of corporation tax will be reduced to 21% from April 2014 and further reduced to 20% from April 2015. The small profits rate remains unchanged at 20%.

CAPITAL ALLOWANCES: ANNUAL INVESTMENT ALLOWANCE (AIA)

From April 2014, the AIA for businesses investing in plant or machinery will be doubled from the temporary limit of £250,000 to £500,000 until 31 December 2015, after which it will return to £25,000. Transitional rules will apply for a chargeable period spanning the changes to the AIA limits.

SEED ENTERPRISE INVESTMENT SCHEME (SEIS)

It was announced that the SEIS would be made permanent along with the associated capital gains tax relief for re-investing chargeable gains in SEIS shares.

RESEARCH AND DEVELOPMENT (R&D) TAX CREDIT

There will be an increase in the rate of the R&D tax credit for loss making small and medium sized enterprises (SMEs) from 1 April 2014. The rate of the cash credit payable to SMEs conducting qualifying R&D activities will increase from 11% to 14.5% from 1 April 2014.

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%

ENHANCED CAPITAL ALLOWANCES IN ENTERPRISE ZONES

A measure was introduced to extend the period in which 100% enhanced capital allowances are available through investing in plant or machinery in designated enterprise zones by three years to 31 March 2020.

ENHANCED CAPITAL ALLOWANCES: ENERGY SAVING AND ENVIRONMENTALLY BENEFICIAL TECHNOLOGIES

The list of technologies and products covered by the energy-saving and water efficient enhanced capital allowances schemes was amended. Two new technologies will be introduced in the form of active chilled beams and desiccant air dryers with energy saving controls. Qualifying criteria for current technologies will also be revised. The water efficient scheme will be amended to clarify qualifying criteria for several technologies and to incorporate changes to technical standards.

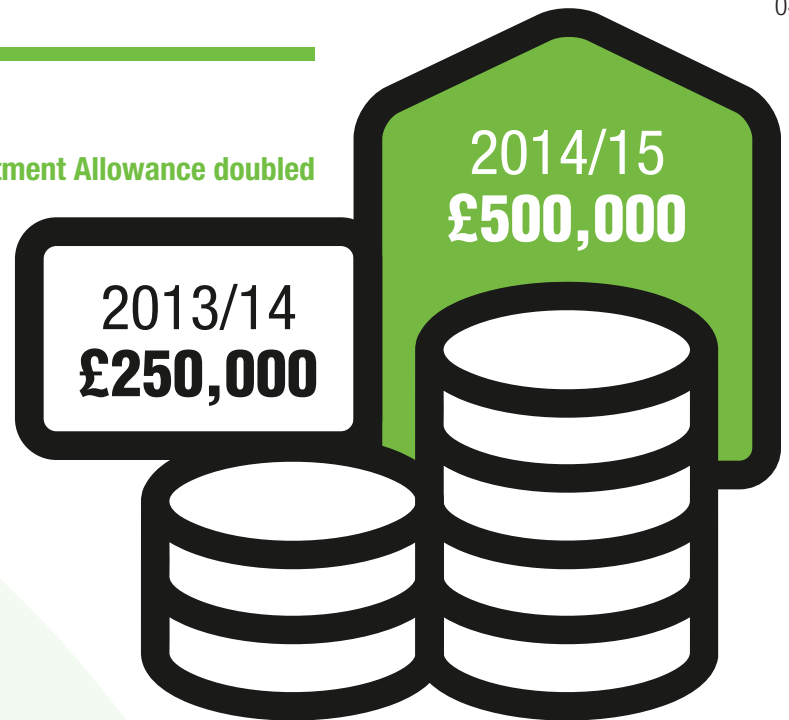
BUSINESS PREMISES RENOVATION ALLOWANCE (BPRA)

The scope of expenditure that qualifies for relief under the BPRA will be clarified in Finance Bill 2014. From April 2014, this will mean that relief is only available for the actual costs of construction and building work, and for certain specified activities such as architectural and surveying services. Certain associated but unspecified activities (such as project management services) will qualify for relief, although limited to 5% of the actual costs.

TRANSFER OF CORPORATE PROFITS

A new measure was announced to block tax avoidance arrangements where profits are transferred between companies in the same group for tax avoidance purposes. Where the profits of a group company are transferred to a different group company and a main purpose of the arrangements is to secure a tax advantage then for tax purposes the transfer will be regarded as not having taken place. These rules will apply to payments made on or after 19 March 2014 arising from arrangements entered into on any date.

Annual Investment Allowance doubled



LOSS BUYING ANTI-AVOIDANCE RULES: R&D ALLOWANCES (RDAs) EXCLUSION

Targeted loss buying anti-avoidance rules will be amended to exclude expenditure that crystallises as RDAs. The current rules had an adverse impact where a company completed preliminary capital work to further R&D, but did not reach the point of trading before it is sold on to trading groups. This measure will have effect for qualifying changes on or after 1 April 2014.

CORPORATE DEBT AND DERIVATIVE CONTRACTS

Legislation will be introduced in Finance Bill 2014 to amend the de-grouping provisions that apply when a company to which a loan relationship or derivative contract has been transferred ceases to be a member of the group. This measure will apply on or after 1 April 2014 and will have the effect of restricting the de-grouping charge to only bring into account credits and certain debits in very limited circumstances.

VIDEO GAMES AND TELEVISION TAX RELIEF

Legislation will be set out in Finance Bill 2014 amending the video games tax relief legislation to make it compliant with state aid approval, and to clarify that only those games on which relief is claimed are to be treated as separate trades. These changes will have effect once state aid approval has been received. Similarly, legislation will also be introduced to amend the television tax relief to clarify that only television programmes on which relief is claimed are to be treated as separate trades.

CORPORATION TAX RELIEF FOR THEATRICAL PRODUCTION

A new corporation tax relief for theatrical productions and touring theatrical productions will be introduced during the passage of Finance Bill 2014. The design of the relief will be subject to consultation.

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

The rules on the ATED will also be revised in Finance Bill 2014 to reduce the threshold of £2 million down to £500,000. From 1 April 2015, a new band will come into effect for properties valued at more than £1 million but not more than £2 million with an annual charge of £7,000.

From 1 April 2016, a further band will come into effect for properties with a value greater than £500,000 but not more than £1 million with an annual charge of £3,500. There will be transitional rules for the £1 million to £2 million band requiring returns to be filed on 1 October 2015 and payment by 31 October 2015.

Talk to us about
measures that affect
your business.



CAPITAL TAXES

INHERITANCE TAX (IHT)

There is no change in the rate of IHT or the thresholds, which remain for a further year.

EXEMPTION FOR EMERGENCY SERVICE PERSONNEL

The Government will consult on extending the existing IHT exemption for members of the armed forces whose death is caused or hastened by injury while on active service to members of the emergency services. The final provisions are expected in Finance Bill 2015.

IHT LIABILITIES AND FOREIGN CURRENCY ACCOUNTS

Property which is situated outside the UK and which belongs to, or was settled by, a non-UK domiciled individual is 'excluded property' and is not chargeable to IHT.

Under the current legislation non-sterling deposits held in a UK bank account by a non-UK domiciled and non-UK resident individual are not excluded property but are not chargeable to UK IHT.

Legislation will be introduced in Finance Bill 2014 to treat funds in a foreign currency bank account in a similar way to excluded property. A liability will be disallowed as a deduction from the value of the estate where the borrowed funds have been put into a foreign currency bank account so that the funds are not chargeable to IHT on death.

	2014/15	2013/14
Standard threshold	£325,000	£325,000
Combined threshold	£650,000	£650,000
Transfers on or within seven years of death*	40%	40%
Reduced rate	36%	36%
Chargeable lifetime transfers	20%	20%

*Subject to taper relief from year three to year seven

TRUSTS SIMPLIFICATION

As previously announced the filing and payment dates for IHT relevant property trust charges are to be simplified. Income arising in such trusts, which remains undistributed for more than five years, will be treated as part of the trust capital when calculating the 10 year anniversary charge.

CAPITAL GAINS TAX (CGT)

There are no changes in the rates of tax. The annual exemptions have been increased in line with inflation. Rates and exemptions are as follows:

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

The individual exemption will increase to £11,100 from 6 April 2015.

PRIVATE RESIDENCE RELIEF

As previously announced, from 6 April 2014 the final period exemption will be reduced, in most cases, from 36 months to 18 months.

SEED ENTERPRISE INVESTMENT SCHEME (SEIS)

The SEIS is being made a permanent investment incentive. The associated capital gains tax reinvestment relief, providing relief on half the qualifying gains that individuals reinvest in SEIS qualifying companies, is also being extended for 2014/15 and subsequent years.

UK RESIDENTIAL PROPERTY HELD BY CERTAIN NON-NATURAL PERSONS

All corporate and other 'envelopes' affected by the new ATED band will also be subject to capital gains tax on disposal of the properties held, at a rate of 28%. This extension will take effect from 6 April 2015 for properties worth more than £1 million and not more than £2 million. The charge to capital gains tax will only apply to that part of the gain that is accrued on or after that date. The extension to the ATED-related charge will take effect from 6 April 2016 for properties worth more than £500,000 and not more than £1 million.

CAPITAL GAINS BUSINESS ASSET ROLLOVER RELIEF

If a person disposes of certain qualifying classes of asset and reinvests the proceeds in another qualifying asset, rollover relief can be claimed to defer the taxation liability.

Payments to farmers under the Single Payment Scheme from the European Union have been an eligible asset but are being replaced by entitlements under the Basic Payment Scheme. Payment entitlements under the Basic Payment Scheme will also be a qualifying asset for the purposes of business asset rollover relief. This measure will have retrospective effect.

CHARGEABLE GAINS ROLLOVER RELIEF: REINVESTMENT IN INTANGIBLE FIXED ASSETS

From 19 March 2014, companies are to be prevented from claiming rollover relief where they dispose of a tangible fixed asset and reinvest the proceeds in an intangible fixed asset. This was always previously understood to be the case, but when the prevailing legislation was redrafted it was transcribed incorrectly.

The change in the legislation will adjust the base cost of the replacement intangible fixed asset for claims made on or after 1 April 2009 and before 19 March 2014, preventing double tax relief being given on any rollover relief claims that have already been made.

VENTURE CAPITAL TRUSTS (VCTs) RETURN OF CAPITAL

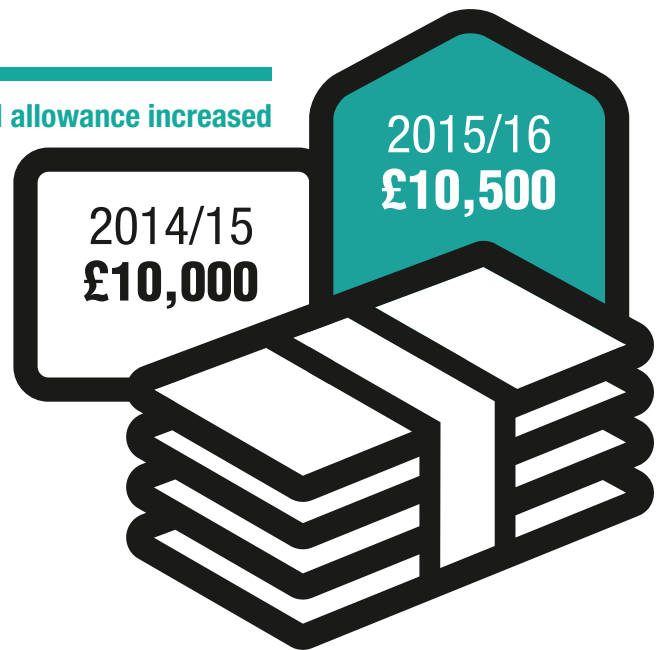
In respect of shares issued on or after 6 April 2014 a new measure will prevent VCTs from returning capital to investors within three years of the end of the accounting period in which the VCT issued the shares. This change does not impact distributions made from realised profits.

Talk to us about changes to capital taxes.



Personal allowance increased

PERSONAL



INCOME TAX PERSONAL ALLOWANCE

The income tax personal allowance will increase from £9,440 to £10,000 in 2014/15 and further increase to £10,500 in 2015/16. The higher allowances for those born before 6 April 1948 will not be increased.

The basic rate limit will reduce from £32,010 to £31,865 in 2014/15 and further reduce to £31,785 in 2015/16.

However, the higher rate threshold will increase from £41,450 to £41,865 in 2014/15, and further increase to £42,285 in 2015/16.

TRANSFERABLE TAX ALLOWANCES FOR MARRIED COUPLES AND CIVIL PARTNERS

From 6 April 2015, it will be possible for one spouse or civil partner to elect to transfer £1,050 of their personal allowance to their fellow spouse or civil partner, providing that neither the transferor nor transferee are higher rate taxpayers. This will provide a financial benefit where one spouse or civil partner has an income less than their personal allowance.

From 2016/17 the transferable amount will be 10% of the personal allowance.

INCOME TAX RATES AND BANDS	2014/15	2013/14
Savings rate band	£2,880	£2,790
Savings tax rate	10%	10%
Basic rate band	£31,865	£32,010
Basic tax rate	20%	20%
Dividend ordinary tax rate	10%	10%
Higher rate band	£31,866-£150,000	£32,011-£150,000
Higher tax rate	40%	40%
Dividend higher tax rate	32.5%	32.5%
Additional rate band	over £150,000	over £150,000
Additional tax rate	45%	45%
Dividend additional tax rate	37.5%	37.5%

ARTIFICIAL USE OF DUAL CONTRACTS BY NON-DOMICILES

A measure is to be introduced that is directed at UK resident non-domiciles paying income tax on the remittance basis who use separate employment contracts for UK and overseas duties with the same or associated employers.

The measure will tax non-domiciles on the overseas employment income it identifies according to the 'arising' basis. That is, the income caught by this measure will cease to be eligible for the remittance basis tax treatment.

SOCIAL INVESTMENT TAX RELIEF

The Government has announced that the rate of income tax relief will be 30% for qualifying subscriptions in social investments from 6 April 2014.

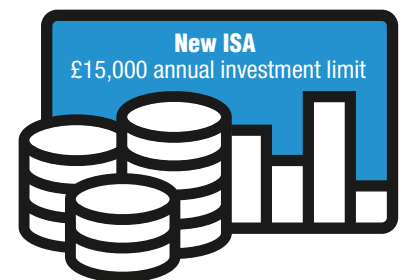
ENTERPRISE INVESTMENT SCHEME (EIS) AND VENTURE CAPITAL TRUST (VCT)

A number of changes are being made to EIS and VCT including allowing investors to subscribe for VCT shares via nominees with effect from the date of Royal Assent to Finance Bill 2014.

IMPORTANT NOTICE:

Certain investments, such as EIS and VCT schemes, can be high risk and are not suitable for most investors. Specialist advice is essential to establish both eligibility and suitability for such schemes. Whilst EIS and VCT schemes may have significant tax benefits, the value of investments can fall as well as rise and you may not get back all, or even any, of the amount you originally invested.

SAVINGS AND INVESTMENTS



THE NEW ISA AND CHANGES TO JUNIOR ISA AND THE CHILD TRUST FUND (CTF)

From 1 July 2014, ISAs will be reformed into a replacement product – the New ISA (NISA) – and all existing ISAs will become NISAs. Key aspects:

- The 2014/15 subscription limit will increase to £15,000
- The full amount may be invested in a cash account (previously 50%)
- Investments may be transferred from a stocks and shares account to a cash account
- A wider range of investments may be held in a NISA than in an ISA.

The amount that can be invested in a Junior ISA or CTF in 2014/15 will be increased to £4,000.

		01/07/14 to 05/04/15	06/04/14 to 30/06/14	2013/14
ISA/NISA	Annual investment limit	£15,000 combined limit*	£11,880	£11,520
	Including cash maximum of		£5,940	£5,760
Junior ISA	Annual investment limit	£4,000*	£3,840	£3,720

*2014/15 total

CUTTING THE 10% TAX RATE ON SAVINGS INCOME

From 6 April 2015, the savings rate will be reduced from 10% to 0% and this rate will be available on up to £5,000 of savings income. Non-savings income is always taxed before savings income. For 2015/16, if an individual has total income of less than £15,500, he or she will be able to register to receive tax-free savings, from their bank or building society.

NATIONAL SAVINGS AND INVESTMENTS – MEASURES TO SUPPORT SAVERS

The premium bond investment limit is being increased from £30,000 to £40,000. It will be further increased to £50,000 in 2015/16. There will be an increase from one to two monthly £1 million prizes from 1 August 2014.

A range of fixed rate bonds will be introduced from January 2015 for individuals aged 65 or over.



VALUE ADDED TAX

REVERSE CHARGE FOR GAS AND ELECTRICITY

VAT on supplies of gas and electricity will now be accounted for by the customer on wholesale supplies using the reverse charge mechanism, whereby the customer will pay output VAT on the value of the supply as if he had made the supply himself, then reclaim input tax on the same supply according to the normal rules. There would be a restriction on the input tax recovery to the extent the gas or electricity is used or to be used other than in making taxable supplies.

The new arrangement will not apply to domestic supplies of gas and electricity (which are subject to the reduced rate) or to supplies to business not registered or required to be registered for VAT.

The change follows two years of consultation between affected parties and further consultation will take place to determine how much time businesses need to comply with the changes in order to determine an appropriate operative date.

VAT ON PROMPT PAYMENT DISCOUNTS

Until now, where UK businesses have offered their customers a prompt payment discount, output tax has been payable on the discounted amount, whether or not the discount is taken up. The change will mean that VAT is due on the actual consideration the supplier receives. This will bring UK law in line with the principal EU Directive on VAT.

The change will have no impact in terms of revenue generated in business to business (B2B) transactions, where the customer is

From 1 April	2014	2013
Standard rate	20%	20%
VAT fraction	1/6	1/6

TAXABLE TURNOVER LIMITS

From 1 April	2014	2013
Registration (last 12 months or next 30 days over)	£81,000	£79,000
Deregistration (next year under)	£79,000	£77,000
Annual Accounting Scheme	£1,350,000	£1,350,000
Cash Accounting Scheme	£1,350,000	£1,350,000
Flat Rate Scheme	£150,000	£150,000

entitled to recover all the VAT charged as input tax, but there will be an impact where, for example, the customer is not entitled to full recovery and in business to customer (B2C) transactions.

For supplies of telecommunications and broadcasting services, where there is no obligation to provide a VAT invoice, the operative date will be 1 May 2014. For all other businesses, a further consultation will take place and the change itself will take effect from 1 April 2015.

VAT AVOIDANCE DISCLOSURE REGULATIONS (VADR)

The Government has announced a consultation on proposals to improve the VADR regime. The obligation to disclose will mainly lie with the person promoting the scheme. Legislation will be introduced through a future Finance Bill.

PLACE OF SUPPLY RULES AND INTRODUCTION OF A 'MINI ONE STOP SHOP' (MOSS)

As announced in the 2013 Budget, legislation is to be introduced to tax Intra-EU B2C supplies of telecommunications, broadcasting and e-services in the Member State in which the consumer is located. The operative date for this change is 1 January 2015 and on the same date, MOSS will be introduced to give suppliers of these services the choice of registering for VAT only in the UK and completing a single VAT return.

CONSULTATION ON THE ZERO RATE FOR ADAPTED MOTOR VEHICLES FOR WHEELCHAIR USERS

The Government has announced a consultation with a view to reforming conditions for the zero rate of VAT on the supply of motor vehicles adapted for the use of wheelchair users. The objective is to apply the relief more appropriately, to reduce fraud and to enable users of lower limb prosthetics to benefit. Legislation will be in a future Finance Bill.

REFUNDS OF VAT FOR PUBLIC BODIES

A special rule for public bodies, under Section 33 of the VAT Act 1994, enables them to reclaim input tax on goods and services received for non-business purposes. Secondary legislation will now be introduced to include Combined Authorities established under existing legislation within Section 33. The Government has also committed to enable the London Legacy Development Corporation to become an eligible body under Section 33 from 2015/16.

Talk to us about complying with VAT rules.

PENSIONS

INCREASING PENSION FLEXIBILITY

Under the current legislation, when a member of a defined contribution pension scheme retires he or she can normally take up to 25% of their pension pot as a tax-free lump sum. If the individual wishes to withdraw the balance of the fund as a lump sum, it will be taxed at a rate of 55%.

The balance of the pension pot is usually accessed either by purchasing an annuity, or by entering into capped or flexible drawdown. If the balance of the pension pot is under £18,000 (trivial commutation) and the pensioner is over 60, the balance of the fund may be withdrawn as a lump sum.

From 27 March 2014:

- The trivial commutation limit is increasing from £18,000 to £30,000
- The maximum sum that can be withdrawn under a capped drawdown arrangement will increase from 120% of an equivalent annuity to 150%

- The amount of guaranteed income needed in retirement to access flexible drawdown will reduce from £20,000 per annum to £12,000 per annum
- Any small pension pot of less than £10,000 may be taken as a lump sum – the current limit is £2,000
- The number of small pension pots that may be accessed as a lump sum will be increased from two to three.

From April 2015, a member of a defined contribution pension scheme who is over 55 will be able to withdraw their pension pot as and when they want – but subject to their marginal rate of income tax in the year of withdrawal. Individuals will be able to access free, unbiased guidance on the methods available to them to access their pension pots.

PENSION LIBERATION

In order for a pension scheme to be registered with HMRC it must provide all the particulars that HMRC requests. HMRC must register the scheme unless they consider that it contains incorrect information or a false declaration. HMRC may only withdraw approval of a pension scheme in very limited circumstances.

There is a growing problem with individuals attempting to access their pension schemes before they reach retirement – HMRC is therefore being granted additional powers in Finance Bill 2014 so that they can refuse to register a pension scheme, or de-register an approved scheme, if they consider that the scheme administrator is not a fit or proper person or that the scheme has been established for improper purposes.



DUTIES

FUEL DUTY

The fuel duty rise planned for September 2014 will not take place.

TOBACCO DUTY

From 6pm on 19 March 2014, tobacco duties increase by a minimum of 2% above RPI inflation each year until the end of the next Parliament.

ALCOHOL DUTY

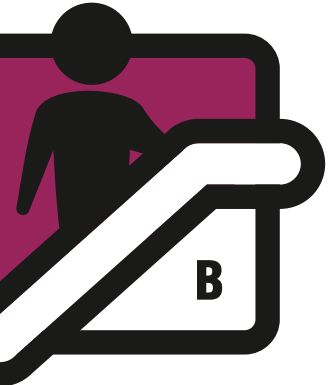
From 24 March 2014 the following changes apply:

- Tax on a pint of beer – low, average and high strength – will reduce by one pence per pint
- Duties on spirits and other drinks exceeding 22% alcohol by volume, and most cider duties are frozen in cash terms; and
- The duty escalator for wine, made-wine and high strength sparkling cider will end.

BINGO DUTY

For bingo duty accounting periods beginning on or after 30 June 2014, the rate of bingo duty is to reduce from 20% to 10%. This measure will also update the legislation relating to the bingo duty exemption provision affecting adult gaming centres.

Air passenger duty:
all long haul flights
band B from 2015



MACHINE GAMES DUTY (MGD)

With effect from on or after 1 March 2015, a 25% rate of MGD on the net takings from gaming machines will be introduced where the charge payable for playing can exceed £5. Currently there are two rates of MGD: a reduced rate of 5% and a standard rate of 20%.

AIR PASSENGER DUTY

From 1 April 2015, air passenger duty for all long haul flights will be in the band B tax rate.

AGGREGATE LEVY RATES

The aggregate rates levy will remain at £2 per tonne for 2014/15.

AGGREGATES LEVY SUSPENSION OF EXEMPTIONS

For businesses that commercially exploit a wide range of materials, a measure is introduced that will suspend exemptions, exclusions and reliefs from the aggregates levy which are the subject of a state aid investigation by the European Commission.

For example this affects those in coal, lignite, slate or shale, or the spoil from the separation of these materials from other rock, clay, certain industrial minerals, etc.

CLIMATE CHANGE LEVY (CCL)

CCL main rates will increase in line with RPI from 1 April 2015.

CCL EXEMPTIONS

New exemptions are introduced for relevant supplies of taxable commodities made on or after 1 April 2014. On the same date, the repeal of redundant main rate CCL reliefs will have effect as will the introduction of the exemption to the Carbon Reduction Scheme for energy used in metallurgical and mineralogical processes.

The change introduces new exemptions from the main rates of CCL for supplies of taxable energy products used in metallurgical and mineralogical processes. Consequently, certain existing reliefs from these rates, including the current lower rate of 20% that applies to supplies of taxable commodities used in metal recycling, will no longer be necessary and will be repealed.

It may be appropriate for businesses that currently participate in the Climate Change Agreement (CCA) scheme and become wholly exempt from the CCL as a result of the introduction of these new exemptions to withdraw from the CCA scheme.

LANDFILL TAX RATES

The standard and lower rates of landfill tax will increase in line with the RPI, rounded to the nearest five pence, from 1 April 2015.

VEHICLE EXCISE DUTY (VED) FOR OLDER VEHICLES

The VED exemption for vehicles that were constructed 40 or more years ago is, from 1 April 2014, to be extended automatically on 1 April each year.

STAMP DUTY RESERVE TAX (SDRT) ON COLLECTIVE INVESTMENT SCHEMES

The SDRT charge for which fund managers are liable when investors surrender their units in UK unit trust schemes or shares in UK open ended investment companies will be abolished. The measure was announced at Budget 2013 but will now have effect on and after 30 March 2014.

STAMP DUTY LAND TAX (SDLT): NON-NATURAL PERSONS

The threshold of £2 million, above which the rate of SDLT payable by the acquisition of residential property by certain non-natural persons is 15%, will be reduced to £500,000 and will apply to land transactions where the effective date is on or after 20 March 2014.

OTHER MEASURES

SCHEMES COVERED BY DISCLOSURE OF TAX AVOIDANCE SCHEME (DOTAS) RULES OR COUNTERACTED UNDER THE GENERAL ANTI-ABUSE RULE (GAAR)

New rules were introduced to accelerate payments of tax associated with schemes covered by DOTAS and the GAAR.

The measure widens the circumstances where the disputed tax sits with the Exchequer during a dispute, putting all taxpayers involved in avoidance schemes on the same footing. This new power will remove the cash flow advantage for the taxpayer of holding onto the disputed tax during an avoidance dispute. There is no change to the tax liability owed.

HMRC will issue a Notice to Pay to any taxpayer from whom there is an open

enquiry, or the matter is under appeal, and who has claimed a tax advantage by the use of arrangements that:

- Fall to be disclosed under DOTAS, or
- HMRC counteracts under the GAAR following an opinion of the GAAR advisory panel that, in the panel's opinion, the arrangements are not a reasonable course of action.

The measure will have effect from the date the Finance Bill 2014 receives Royal Assent.

CARBON PRICE FLOOR

The carbon price support (CPS) rate per ton of carbon dioxide (CO₂) is to be capped at a maximum of £18 from 2016/17 to 2019/20. This is intended to freeze the CPS rates for each commodity affected across the period at around the 2015/16 levels.

Contact us to discuss any of the measures announced in Budget 2014.



Teachers

Financial Planning