

# INSIDER<sup>APR</sup> 2012

Welcome to your April newsletter. Spring has finally sprung, a new tax year is about to start, and in this issue we bring you some of the highlights from Budget 2012. We take a look at the key measures that could affect both your business and your money. Meanwhile, HMRC has decided to change its stance on smartphones, meaning that devices like iPhones and Blackberrys will now receive the same tax treatment as mobile phones. Plus, 30 new taskforces are launching in 2012/13, are you a likely target?

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Other announcements made include amendments to R&D tax credits, as well as a number of anti-avoidance measures.

*Please contact us if you would like to know more about any of these changes and how they could affect you and your business.*

## Budget 2012 – business highlights

Budget 2012 was designed to prove that the UK 'unashamedly backs businesses' according to Chancellor George Osborne. Some of the measures announced include:

- The main rate of corporation tax reduced to 24 per cent from April 2012 – One per cent lower than announced in last year's Budget.
- Plans to move to a simpler 'cash accounts' system for small businesses with a turnover of less than £77,000.
- Enhanced capital allowances of 100 per cent will be available in designated areas of the London Royal Docks Enterprise Zone, three Scottish Enterprise Zones in Irvine, Nigg and Dundee, and Deeside in North Wales.
- Increased flexibility for Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCTs) – From April the employee limit will rise to 250, the gross assets limit will more than double to £15 million before investment and £16 million after, the maximum annual investment in both schemes will also increase from £2 million to £5 million.

## HMRC gets smarter on smartphones

HMRC finally changed its stance on smartphones like the iPhone and Blackberry last month, and they now qualify as 'mobile phones'. This means that smartphones will no longer be treated as a Benefit in Kind, and can be provided to employees without incurring tax.

The change in stance means that smartphones provided for 2011/12 can be treated in the same way as any other mobile phone. It also means that if you provided a smartphone for 2010/11 and years back to 2007/8 you may wish to seek repayment for the Class 1A national insurance contributions (NICs) liability in relation to the benefit.

It is important to note that devices that are solely personal digital assistants (PDAs) like tablets, laptops and those designed for satellite navigation do not fall within the definition of a mobile phone.

*Please contact us for more information.*

## Will you be an HMRC taskforce target?

HMRC is launching thirty new taskforces in 2012/13 to crackdown on those businesses it believes are likely to attempt to evade tax.

Likely targets include the textiles industry, the motor trade, and indoor and outdoor markets, according to HMRC.

The taskforces are regional, and HMRC expects to collect more than £50 million as a result of 12 taskforces that were launched in 2011/12. These included London restaurants, fast food franchises, Scottish scrap metal traders, and North West landlords.

The taskforces form part of HMRC's ramping up on anti-avoidance. Other initiatives launching or already launched include targeting those working in home improvement trades, direct selling, online trading and electricians.

*If you are concerned about your tax affairs please do not hesitate to contact us.*

## YOUR MONEY

### Budget 2012 – your money highlights

Budget 2012 included a series of announcements that could affect your finances. Highlights included:

- The personal allowance will increase to £9,205 in April 2013, putting the Government on track for its £10,000 target.
- The 50% additional tax rate will reduce to 45% from 2013, after the new rate caused 'massive distortions' and raised just one third of what it was forecast to.
- Age related personal allowance to be frozen – perhaps the most controversial announcement made. From 2013/14 the availability of the age related personal allowance will be restricted. The allowance of £10,500 for 2012/13, available for those aged 65 to 74 will be restricted to individuals born after 5 April 1938 but before 6 April 1948. The age related personal allowance of £10,660 for 2012/13, available to people aged 75 and over will be restricted to those born before 6 April 1938. The allowance of £10,660 will not be increased in 2013/14.
- Child benefits – a new income tax charge is being introduced from 7 January 2013 on taxpayers who are both in receipt of child benefit and whose annual income exceeds £50,000. This charge also applies if it is the partner of the taxpayer earning £50,000 in a tax year who is in receipt of the child benefit. In a case where both partners earn over £50,000 in a tax year, the income tax charge will only apply to the partner with the higher income. For taxpayers with income in a tax year of above £60,000, the tax charge will equate to the amount of the child benefit. For those taxpayers with an income of between £50,000 and £60,000, the income tax charge will be 1% of the amount of child benefit for every £100 of income above £50,000.

*These are just some of the announcements made. Please contact us if you would like more information or think that we can help you to prepare for these changes.*

### April's Money Facts

Current bank rate	0.5%
Quantitative Easing Scheme	£325 billion
Current inflation	3.4%