BUDGET REPORT 2013

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EXECUTIVE SUMMARY

Chancellor George Osborne's fourth Budget statement was delivered on 20 March 2013 against ongoing challenges within the domestic and global economies. The UK economy shrank by 0.3 per cent at the end of 2012, and lost its Moody's AAA credit rating in February for the first time since the 1970s.

The morning of the Budget also saw figures from the Office for National Statistics, which showed that the number of unemployed grew by 7,000 in the three months to January 2013.

Announced alongside the Budget, the Office for Budget Responsibility (OBR) revised down its forecast for growth in 2013 to 0.6 per cent from 1.2 per cent. It cited weaker than expected outlooks for consumer spending, business investment and exports for its decision.

The headline announcements made by the Chancellor include:

ON THE ECONOMY

- **Growth**

The OBR forecast for UK GDP growth in 2013 has been revised down to 0.6 per cent from 1.2 per cent and to 1.8 per cent from two per cent in 2014

- **Future growth**

The OBR expects 2.3 per cent growth in 2015, 2.7 per cent in 2016 and 2.8 per cent in 2017

- **Employment**

The OBR estimates that 600,000 more jobs will be created in 2013 with 60,000 fewer people claiming employment benefits

- **Deficit reduction**

The deficit has been reduced to 7.4 per cent of GDP in 2013, from 11.2 per cent in 2009/10. It is then forecast to fall to 6.8 per cent in 2013/14 and 5.9 per cent by 2014/15

- **Borrowing**

The Government expects to borrow £114 billion in 2013. Borrowing should then fall year-on-year to: £108 billion in 2014, £97 billion in 2015, £87 billion in 2016, £61 billion in 2017 and £42 billion in 2018

FOR BUSINESS

- **Corporation tax**

Corporation tax will be reduced by a further one per cent to 20 per cent in 2015. The small profit and main rates of corporation tax will also be merged

- **Employment allowance**

An Employment Allowance will take the first £2,000 off the National Insurance bill of every employer from April 2014

- **Stamp duty**

Stamp duty will be abolished on shares traded in growth markets - such as the Alternative Investment Market (AIM), from April 2014

- **Research and development (R&D)**

The rate of above the line R&D credit will increase to 10 per cent, from 9.1 per cent, from April 2013

- **Climate change levy**

The ceramics industry will become exempt from the climate change levy, from April 2014

- **Seed Enterprise Investment Scheme (SEIS)**

The 50 per cent capital gains tax (CGT) relief for investments under the SEIS will be extended

- **Social enterprises**

Tax reliefs for investment in social enterprises will be introduced

FOR INDIVIDUALS

- **Income tax**

The tax-free personal allowance will increase to £10,000 from April 2014

- **Childcare costs**

The Government will contribute 20 per cent towards the first £6,000 of childcare costs for each child, for working families, from Autumn 2015

- **State pension**

The flat-rate, single-tier state pension of £144 per week will be brought forward to 2016

- **Help to Buy**

A new Help to Buy scheme will invest £3.5 billion in shared equity homes, providing loans of up to 20 per cent of the value of a new build home worth less than £600,000

- **Fuel duty**

The planned September 2013 increase in fuel duty has been scrapped

- **Beer duty**

The beer duty escalator has been scrapped. Beer duty has been cut by one pence per pint

- **Social care costs**

The amount that the elderly will have to contribute towards social care costs is capped at £72,000 from 2016

- **Employee shareholder scheme**

The new employee shareholder contract scheme will attract national insurance contributions and income tax reliefs

- **Tax avoidance**

Agreements to tackle tax avoidance schemes have been made with the Isle of Man, Guernsey and Jersey and are aimed at closing a £1 billion loophole.

The report that follows is a comprehensive summary of the measures announced by Chancellor George Osborne in the 2013 Budget statement.

ECONOMIC UPDATE

The economic background to Chancellor George Osborne's fourth Budget speech could hardly have been more challenging. After the Chancellor declared that the economy was "on the road to recovery" in his December Autumn Statement, some significant obstacles appeared along that road.

Confirmation that the economy shrank by 0.3 per cent in the final quarter of last year was swiftly followed by the Moody's downgrading of the UK's AAA credit rating - the first time since the 1970s that the UK hasn't held the highest rating possible with this agency.

Manufacturing output fell by 1.5 per cent in January, leaving the UK at serious risk of falling into recession for the third time in five years.

Against this background, the Office for Budget Responsibility (OBR) revised down its forecast for GDP growth in 2013, from 1.2 per cent down to 0.6 per cent.

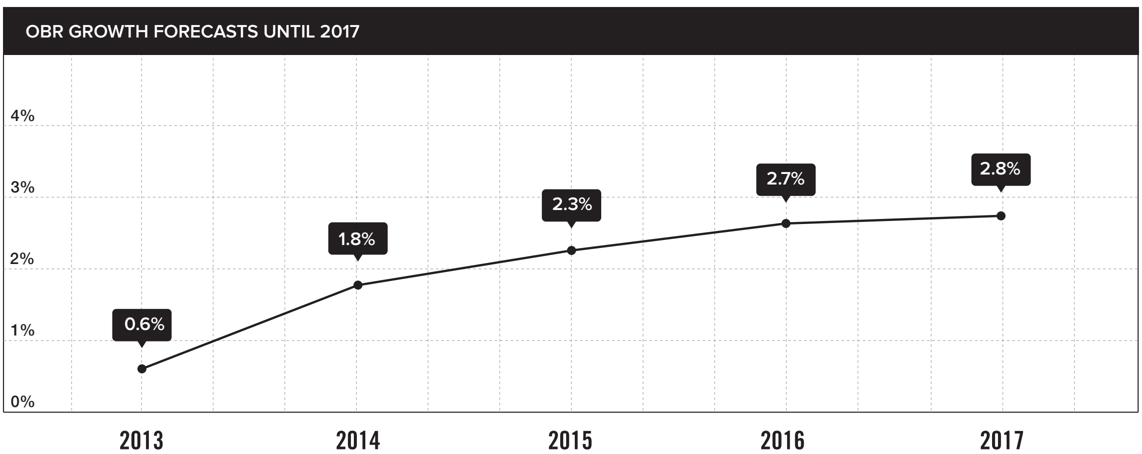
The OBR now expects 1.8 per cent growth in 2014 (revised down from two per cent), 2.3 per cent growth in 2015, 2.7 per cent in 2016 and 2.8 per cent in 2017. It projects 600,000 more jobs in 2013 and 60,000 fewer people on unemployment benefits.

The deficit has been reduced to 7.4 per cent of GDP in 2013, from 11.2 per cent in 2009/10. It is expected to fall to 6.8 per cent in 2013/14 and 5.9 per cent by 2014/15.

The Government expects to borrow £114 billion in 2013. Borrowing should then fall year-on-year to: £108 billion in 2014, £97 billion in 2015, £87 billion in 2016, £61 billion in 2017 and £42 billion in 2018.

This report on the 2013 Budget announcement highlights the key announcements made in the areas of business and personal finances and tax.

We can help with business and personal financial planning. Contact us to find out how.



BUSINESS TAX

"Britain will have a 20 per cent rate of corporation tax – the lowest business tax of any major economy in the world."

Corporation tax

FINANCIAL YEAR TO	31.3.2014	31.3.2013
Taxable profits: First £300,000	20%	20%
Next £1,200,000	23.75%	25%
Over £1,500,000	23%	24%

As previously announced, the main rate of corporation tax reduces to 23 per cent from 1 April 2013 and will be further reduced to 21 per cent from 1 April 2014.

In addition, it was announced in the Budget that from 1 April 2015 the main rate of corporation tax will be reduced to 20 per cent, providing the UK with the lowest corporation tax rate of any of the G7 member states and the joint lowest rate of corporation tax in the G20. This further reduction will result in the unification of the small profits rate and main rate to produce a single rate of corporation tax, simplifying the corporation tax system.

Simpler income tax for small businesses

The new simpler income tax rules announced for small self-employed or partnership businesses (generally not exceeding the VAT registration threshold) will come into force from the 2013/14 tax year. As planned the measure will allow small businesses to prepare accounts on a 'cash basis' rather than on an 'accruals basis'. Following consultation on the draft legislation in December 2012, some design changes have been made to further simplify the measures.

Employment-related loans

From 6 April 2014, employers who provide their employees with interest free or low interest loans will no longer be required to report the cash equivalent on small loan balances where the outstanding balance is £10,000 or less throughout a tax year. This is double the current threshold of £5,000.

Research and development tax credits

The Government will proceed as planned to introduce a new 'above the line' (ATL) credit for large company research and development (R&D) investment from April 2013. The rate, however, will be increased from the 9.1 per cent planned in the 2012 Budget to 10 per cent. The ATL credit is designed to make R&D relief more visible to those making R&D investment decisions and provide greater cash flow support to companies with no corporation tax liability.

Employment allowance: Employers' national insurance contributions

From April 2014 every business and charity will be entitled to a £2,000 Employment Allowance towards their employer national insurance contributions (NICs) bill. The scale of the allowance means that 450,000 of the UK's small businesses will no longer pay any employer NICs. Up to 1.25 million employers will benefit, with over 90 per cent of the benefit going to small businesses. The Employment Allowance will be introduced from April 2014, delivered through standard payroll software and HM Revenue & Customs Real Time Information system. To ensure maximum take-up, it will be simple to administer: employers will only need to confirm their eligibility through their regular payroll processes. The Government will engage with business representative bodies on the details of the design and operation of the new allowance, in order to ensure the system is as simple and effective as possible.

■ Tax relief on private investment in social enterprise

The Government will introduce a new tax relief to encourage private investment in social enterprise. The tax relief will complement the Government's other recent measures to help social enterprises access the capital they need, such as the launch in 2012 of Big Society Capital. The Government will consult formally on the details of the relief by summer 2013 and the relief will be introduced in Finance Bill 2014.

■ Compliance with Real Time Information

In order to ensure compliance with Real Time Information (RTI) a number of new penalties will be introduced for employers operating Pay As You Earn (PAYE) to ensure employers comply with the information and payment obligations, which will apply on and after 6 April 2014.

■ Enhanced capital allowances

Subject to state aid approval this measure will update the list of technologies and products that qualify for the energy-saving and water efficient enhanced capital allowances schemes. This will see the introduction of one new sub-technology and the removal of four existing sub-technologies for the energy saving scheme. A new grey water re-use technology will be added to the water efficient scheme along with two sub-technologies.

■ Employee shareholder status

In October last year the Government announced its intention to introduce a new 'employee shareholder' employment status. Those individuals adopting the status will be eligible to receive between £2,000 and £50,000 of capital gains tax exempt shares.

In the Autumn Statement 2012 the Government announced that it was considering options to reduce income tax and NICs liabilities that arise when employee shareholders receive shares, including an option to deem that employee shareholders have paid £2,000 for shares they receive.

The decision to proceed with this option, which will ensure that the first £2,000 of share value received is also tax free from income tax and NICs, was confirmed in the Budget.

These tax changes will apply to shares received through the adoption of the new 'employee shareholder' status on or after 1 September 2013. It is considered that this new entitlement will be of benefit, in particular, to small and medium size firms.

OTHER BUSINESS ANNOUNCEMENTS

■ Bank Levy

The full rate of the Bank Levy will be increased to 0.142 per cent from 1 January 2014.

■ Foreign currency assets and chargeable gains

Legislation will be introduced in the Finance Bill 2013 to simplify the rules for companies making chargeable disposals of ships, aircraft, shares or interests in shares which have, or have had, a functional currency other than sterling at some time during the ownership of the assets, or which have made a designated currency election. The measure will require companies to compute their chargeable gains and losses using their functional currency at the date of disposal. The chargeable gain or loss will then be translated into sterling using the exchange rate on the date of disposal.

■ Tax relief on decommissioning

The Government proposes to enter into contracts with oil and gas companies to guarantee the basis on which tax relief for decommissioning will be available.

■ Payment deferral of corporation tax exit charges

UK and other EU and EEA incorporated companies that intend to move their operations to another EU or EEA member state will have the option to elect to defer the payment of corporation tax payments in respect of exit charges. This measure applies retrospectively to allow a deferral for exit charges arising on or after 11 March 2012.

■ Controlled foreign companies regime

Further measures will be introduced in Finance Bill 2013 to deal with controlled foreign companies (CFC) with most applying to CFCs with accounting periods beginning on or after 1 January 2013. The new CFC rules should better reflect the way businesses operate in a global economy whilst maintaining protection against the artificial diversion of profits.

■ First year allowances for renewable heat incentive and enhanced capital allowance in Northern Ireland

Legislation in Finance Bill 2013 will ensure that plant and machinery that qualifies for both the renewable heat incentive and enhanced capital allowance in Northern Ireland is treated in the same way as the rest of the UK.

■ Capital allowances for railway assets and ships

From 1 April 2013, the exclusion from access to 100 per cent first year allowances for expenditure on railway assets and ships will be removed.

■ Anti-avoidance

Several anti-avoidance measures were announced. These included the clarification of existing legislation with respect to the corporation tax deduction for employee share acquisitions; changes to tackle the avoidance of the tax charge on loans from close companies to their participators; and rules to govern the loopholes in the legislation which allow companies to access corporation tax loss relief more quickly or contrary to the underlying principles upon which the legislation is based.

Stamp duty for companies on growth markets

It was announced that from April 2014, the Government will abolish stamp duty on shares for companies listed on growth markets including the Alternative Investment Market (AIM) and the ICAP Securities & Derivatives Exchange (ISDX) Growth Market.

■ Investment trust amendments

A company that is an approved investment trust benefits from an exemption from corporation tax on its chargeable gains. In order to be treated as a qualifying investment trust in an accounting period, the company must be approved by HM Revenue & Customs and meet a number of qualifying conditions throughout that period.

Changes were made to those qualifying conditions in Finance Act 2011 that had a number of unintended consequences. Amendments will be made to the legislation in Finance Bill 2013 to remove those unintended consequences. The amendments will apply for accounting periods commencing on or after 1 January 2012. Providing that the investment trust is investing all, or substantially all, of its funds in shares, land or other assets with the aim of spreading its investment risk, then any other ancillary activities should not prevent the qualifying condition being satisfied.

PERSONAL FINANCES

"This is a Budget for those who aspire to own their own home; who aspire to get their first job; or start their own business"

■ Income tax personal allowance

The income tax personal allowance for individuals born after 5 April 1948 is increasing from £8,105 to £9,440 for 2013/14 and further increasing to £10,000 in 2014/15. In subsequent years the income tax personal allowance will be amended by the increase in the consumer prices index.

To compensate for this the basic rate limit is reducing from £34,370 in 2012/13 to £32,010 in 2013/14. It will further reduce to £31,865 in 2014/15.

Individuals will therefore start to pay 40 per cent income tax from a higher rate threshold of £42,475 in 2012/13, £41,450 in 2013/14 and £41,865 in 2014/15.

For 2013/14 there will still be three main levels of personal allowance – but availability will depend upon an individual's date of birth, rather than on their age in the tax year. The higher allowances for individuals born before 6 April 1948 will not be increased and they will be removed from the statute book when the income tax personal allowance for individuals born after 5 April 1948 catches up.

■ Additional tax rate

As previously announced the additional rate of income tax will be reduced from 50 per cent to 45 per cent from 6 April 2013.

■ New childcare scheme

A new childcare scheme is to be introduced to support working families with their childcare costs. For childcare costs of up to £6,000 per year, support of 20 per cent will be available worth up to £1,200. From the first year of operation, all children under five will be eligible and the scheme will build up over time to include children under 12.

The scheme will provide support for some families where all parents are in work and not receiving support through tax credits or universal credit and where neither parent earns over £150,000 a year.

The new scheme will be phased in from autumn 2015 as the current system of Employer Supported Childcare will be phased out for new applicants from autumn 2015.

■ Seed enterprise investment scheme – CGT reinvestment relief

The seed enterprise investment scheme [SEIS] was introduced in 2012 in order to assist small, early stage companies to raise equity finance by incentivising individuals to purchase new shares in the company. One of the original incentives was to enable an individual to shelter a capital gain in 2012/13 by reinvesting the gain in shares that qualify for SEIS income tax relief. The sum reinvested was exempt from capital gains tax, subject to a £100,000 investment limit.

This capital gains tax relief is being extended to gains accruing to individuals in 2013/14 providing the gains are reinvested in SEIS shares in 2013/14 or the following year. The extension of the relief is for half of the qualifying reinvested amount.

■ Employee shareholder status

In October last year the Government announced its intention to introduce a new 'employee shareholder' employment status. Those individuals adopting the status will be eligible to receive between £2,000 and £50,000 of capital gains tax exempt shares.

In the Autumn Statement 2012 the Government announced that it was considering options to reduce income tax and NICs liabilities that arise when employee shareholders receive shares, including an option to deem that employee shareholders have paid £2,000 for shares they receive.

The decision to proceed with this option, which will ensure that the first £2,000 of share value received is also tax free from income tax and NICs, was confirmed in the Budget.

These tax changes will apply to shares received through the adoption of the new 'employee shareholder' status on or after 1 September 2013. It is considered that this new entitlement will be of benefit, in particular, to small and medium size firms.

"… It is a Budget for our Aspiration Nation."

■ Taxation of high-value UK residential property held by certain non-natural persons

A range of tax measures was announced in Budget 2012 that affected UK residential properties valued at over £2 million and held by 'non-natural persons'. The intention was to ensure that those persons paid their fair share of UK duties on those UK properties. A consultation document was issued and draft legislation resulted that included the following:

• stamp duty land tax [SDLT] at a rate of 15 per cent on the acquisition of the residential property. SDLT applied from 21 March 2012 and further reliefs will be introduced with effect from the date of Royal Assent to Finance Act 2013.

• an annual tax on enveloped dwellings [ATED] which will be effective from 1 April 2013. There will be four ATED bands, starting with an annual charge of £15,000 for properties valued between £2 million and £5 million. The maximum annual charge is £140,000 on a property valued at over £20 million.

• capital gains tax at 28 per cent will be payable on any gain arising on the disposal of the property. This will come into effect on 6 April 2013. If the property was purchased prior to 6 April 2013, the capital gains tax charge only applies on the increase in the value of the property after that date.

■ Overseas workday relief

Under the prevailing law the entire earnings of an employee resident in the UK are subject to UK income tax, regardless of where the monies are received. If the individual is not ordinarily resident in the UK and is taxable on the remittance basis then earnings from non-UK duties will not be taxed in the UK if they are not remitted to the UK.

Problems can be caused in deciding the split of earnings between UK and non-UK duties. In some cases it is necessary to calculate the UK income tax liability by reference to each individual transfer from the overseas bank account. Legislation will be introduced in Finance Bill 2013 to allow general earnings to be apportioned on a just and reasonable basis, preserving the approach that was originally introduced as a statement of practice.

Overseas workday relief [OWR] will also be placed on a statutory footing alongside the introduction of the statutory residence test. OWR will be available to all individuals who are not UK domiciled for the tax year in which they become UK resident and the following two tax years. The new rules will commence from April 2013.

■ Life insurance – qualifying policies

Currently there is no restriction on the investment premiums that may be paid into a qualifying policy thereby enabling individuals to obtain unlimited relief from higher and additional rates of income tax. When the policy is realised the individual should make a gain which is subject to income tax at the individual's marginal rate. This is known as 'the chargeable event gain regime'.

With effect from 6 April 2013 an annual premium limit of £3,600 will be imposed on qualifying life insurance policies. Transitional rules will apply for the period between 21 March 2012 and 5 April 2013. The change in policy was originally announced in Budget 2012. The impact will be to restrict the tax relief for higher and additional rate taxpayers with qualifying policies.

■ Transfer of assets abroad

An anti avoidance measure is introduced that targets UK residents who have transferred assets abroad so that income becomes payable to an overseas person where that or another resident can benefit from such transfers.

An infraction notice (Reasoned Opinion) was issued by the EU on 16 February 2011; this was followed by a consultation document which was published on 30 July 2012.

The new measure adds an exemption from the transfer of assets charge where EU treaty freedoms are engaged. This focuses on the objective nature of transactions and activities related to the transfer rather than their purpose. There are existing exemptions where there is no tax avoidance purpose, or where the transactions are genuine commercial transactions, and any tax avoidance purpose is merely incidental.

The measures will be retrospective with effect from 6 April 2012 for the new exemption and from 6 April 2013 for the clarification changes announced in the Budget.

CAPITAL TAXES

■ Inheritance tax threshold

	2013/14	2012/13
Standard threshold	£325,000	£325,000
Combined threshold maximum for married couples and civil partners	£650,000	£650,000

■ Inheritance tax – nil rate band

The Government announced in Budget 2010 that the nil rate band for inheritance tax would be frozen at £325,000 until April 2015. It will remain frozen at this level until April 2018 in order to help pay for the cap on 'reasonable care costs' of £72,000 for older people from April 2016.

■ Inheritance tax – spouses and civil partners domiciled overseas

All individuals, whether domiciled in the UK or overseas, benefit from the inheritance tax nil rate band of £325,000. Transfers of assets between spouses or civil partners are generally exempt from inheritance tax. However if the recipient spouse is not domiciled in the UK the lifetime cap on tax free transfers to that spouse is only £55,000.

The law is being amended with effect from 6 April 2013 so that the £55,000 lifetime cap will be lifted to £325,000. In addition, the non-UK domiciled spouse or civil partner will be able to elect to be treated as if they are domiciled in the UK for the purposes of inheritance tax, should they so choose.

■ Inheritance tax – limiting the deduction for liabilities

Inheritance tax is charged on the net value of an individual's estate after deducting liabilities outstanding at the date of death. A number of promoters of inheritance tax avoidance schemes have been taking advantage of this by devising schemes with substantial accrued liabilities at the date of death – if those liabilities subsequently prove to be overstated then insufficient inheritance tax may be paid on the estate.

Under the revised legislation it will only be possible to claim a deduction for a liability to the extent that it is actually repaid to a creditor unless it can be demonstrated that there is a commercial reason for the non-payment. The amendment will apply from the date that Finance Bill 2013 receives Royal Assent.

■ Capital gains tax

	2013/14	2012/13
Lower rate	18%	18%
Higher rate	28%	28%
Annual exemptions: Individual	£10,900	£10,600
Settlements	£5,450	£5,300
Entrepreneurs' relief: Applicable rate	10%	10%
Lifetime limit	£10m	£10m

SAVINGS

■ ISAs

FINANCIAL YEAR TO	2013/14	2012/13
ISAs: Overall investment limit	£11,520	£11,280
Including cash maximum of	£5,760	£5,640
Junior ISA: Overall investment limit	£3,720	£3,600

"... A Budget for those who want to save for their retirement and provide for their children."

■ Reducing the pension annual and lifetime allowances

The pension annual allowance has been £50,000 since 2011/12, but it is being reduced to £40,000 from 2014/15. Unused annual allowance from the three previous 'pension input years' (annual periods commencing when the pension started or from when the first contribution was made after 6 April 2006 if the pension started before this date) may be carried forward and added to this annual allowance. If an individual's pension savings for a tax year exceed this total, the annual allowance charge is applied to the excess. The annual allowance charge is linked to the individual's marginal rate of income tax.

The pension lifetime allowance for an individual has been £1.5 million since 2012/13. It is being reduced to £1.25 million from 2014/15. If an individual accrues pension benefits in excess of the lifetime allowance then the lifetime allowance tax charge is applied to the excess. The tax rate is 25 per cent if the excess is taken as a pension and 55 per cent if it is taken as a lump sum.

A transitional protection regime will also be introduced for individuals with UK tax relieved pension rights of more than £1.25 million, or who think they will exceed £1.25 million by the time they take their pension benefits. This is known as 'fixed protection 2014' and individuals will need to inform HM Revenue & Customs by 5 April 2014 if they wish to rely on it. The downside of the protection is that individuals in a defined pension contribution scheme must ensure that no further pension contributions are made to the scheme after 6 April 2014.

VEHICLE TAXATION

■ Company car tax rates

From 2015/16, two new appropriate percentage bands will be introduced for company cars with a rate of five per cent for cars emitting 0-50 g/km of carbon dioxide and a rate of nine per cent for cars emitting 51-75 g/km of carbon dioxide. As announced previously, the remaining appropriate percentages will be increased by two per cent for cars emitting more than 75 g/km, to a new maximum 37 per cent. For cars without CO_2 emissions, the appropriate percentage will be set at five per cent for cars incapable of producing CO_2 emissions under any circumstances when driven, and at 37 per cent for other cars.

VAT

FROM 1 APRIL	2013	2012
Standard rate	20%	20%
VAT fraction	1/6	1/6
TAXABLE TURNOVER LIMITS		
Registration – last 12 months from 1 April or next 30 days over	£79,000	£77,000
Deregistration – next year under	£77,000	£75,000
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

■ Changes to registration and deregistration thresholds

From 1 April 2013, the taxable turnover threshold, which requires a person to register for VAT, will be increased from £77,000 to £79,000 per annum; the threshold below which a VAT-registered person may apply to deregister will be increased from £75,000 to £77,000 per annum, and the relevant registration and deregistration threshold for Intra-Community acquisitions will also be increased from £77,000 to £79,000 per annum.

The simplified reporting requirement (three line accounts) for the income tax Self Assessment return will continue to be aligned with the VAT registration threshold.

The new simpler income tax cash basis intended to simplify the way in which small businesses can calculate their trade profits, will be available to them from the 2013/14 tax year and onwards. The eligibility conditions for the cash basis will be linked to the VAT registration threshold in place at the end of the tax year.

■ Changes to place of supply rules

As part of the on-going, staggered changes to the place of supply rules for international services, legislation will be introduced in Finance Bill 2014 to tax Intra-Community business to consumer ('B2C') supplies of telecommunications, broadcasting and e-services in the Member State in which the consumer is located.

Currently, these services are subject to VAT in the Member State in which the business is established. The changes will be effective from 1 January 2015. The main rationale given for the changes is fairness.

The obvious concern with this change would have been the need for VAT registration in other EU Member States. However, this has been addressed, in that a Mini One Stop Shop ('MOSS') will also be introduced from 1 January 2015. This is an IT system giving businesses the choice to register in just the UK and to account for any VAT due in other Member States through a single return. As it is an option, affected businesses will not have to use MOSS and may, if they prefer, register in the Member State of consumption.

■ Fuel scale charges

As usual, changes have been made to fuel scale charges and the new rates are applicable to VAT return periods starting on or after 1 May 2013.

Legislation will be introduced in Finance Bill 2013 to change the way the scale charges are set out and provide for their annual revalorisation. This legislation will actually bring two concessions into law, simplify the annual revalorisation process and take it out of the Budget. HM Treasury will be given powers to change the way the annual revalorisation is done. This means it will be able to change the definition of road fuel and the scope of the optional scheme. A similar power will be introduced enabling HM Treasury to change the definition of road fuel in the anti-avoidance section of the legislation, although this will not affect the way the legislation will operate.

■ Withdrawal of exemption for business supplies of research between eligible bodies

A consultation on the withdrawal of the VAT exemption for business research supplied by one eligible body to another ended on 14 March 2013. Subject to the responses, the Government intends to introduce secondary legislation and proceed with the withdrawal of the exemption on 1 August 2013, but will consider the possibility of transitional reliefs.

■ Review of the retail export scheme (tax free shopping)

The Government has announced a consultation on options for redesigning the Retail Export Scheme, which allows refunds of VAT on goods bought in the UK by non-EU visitors who export those goods in their personal luggage to a destination outside the EU.

The consultation will be launched sometime during the summer and the main objective is to make the scheme easier to understand and use. The Government also hopes that any changes will reduce the risk of error and improve compliance, at the same time as representing value for money for the taxpayer. When responses have been collated, the Government will consider all options, including the introduction of a digital scheme.

■ Changes to zero-rating of exports from the UK

The Government has announced a consultation affecting the zero-rating of certain supplies of goods for export outside the EU. At the moment, supplies of goods to businesses that are registered for VAT in the UK, but do not have a business establishment here, and which then arrange for export of the goods to a final destination outside the EU, are standard rated. These changes would make such sales zero-rated in line with EU law.

After the consultation period, a statutory instrument will be laid. This is planned for late summer or early autumn. A minor change will also be made to UK law on zero-rating of goods dispatched to other EU Member States (Intra-Community sales). This will change an outdated reference to excise law.

■ Treatment of refunds made by manufacturers

The Government has announced that new legislation will be introduced in Finance Bill 2014 enabling regulations allowing manufacturers to reduce their VAT payments where they make refunds directly to final customers, for example when goods are faulty or damaged products or the customer is dissatisfied. There will be a consultation period so that the Government can understand industry practices better, which will help with the design of the legislation.

■ Refunds for the Health Care Research Authority and Heath Education England

Following changes proposed in the Care and Support Bill, the Government has announced that it will introduce legislation in Finance Bill 2014 to add the Health Research Authority and Health Education England to section 41 of the VAT Act 1994. This will ensure that these bodies can continue to claim VAT refunds.

■ Extension of the education exemption to 'for-profit' providers of higher education

In Budget 2012, the Government announced a consultation on and review of the VAT treatment of education at university degree level. The objective was to extend the existing exemption to commercial entities supplying such education. However, no satisfactory solutions have yet been found, so the Government is seeking to develop alternative options to include possible changes to the exemption for further education. More time will be given to addressing the key issues raised and there will be a further consultation period later in 2013.

■ Measures unchanged following consultation

Draft legislation, affecting the reduced rate for energy-saving materials in charitable buildings and refunds for NHS bodies, has previously been published for consultation but no material changes will be made to the final legislation to be introduced in Finance Bill 2013.

"Nothing beats having the most competitive business tax system of any major economy in the world."

DUTIES

"Petrol will now be 13 pence per litre cheaper than if we had not acted over these last two years to freeze fuel duty."

■ Fuel duty

The 1.89p per litre fuel duty increase due to take effect on 1 September 2013 will be cancelled.

■ Beer

Beer duty was due to increase by three pence with effect from 18:00 on 20 March 2013. The changes below are intended to reduce beer duty by one pence. The Budget announced reductions in the duty on beer as follows:

- Low strength beer will be reduced by six per cent
- Medium strength beer by two per cent, and
- High strength beer will be reduced by 0.75 per cent

■ Tobacco duty

Tobacco duty rates increased by two per cent over and above inflation (RPI) from 18:00 on 20 March 2013. This will add, for example, 26 pence to the price of 20 cigarettes and nine pence to the price of a pack of five small cigars.

■ Vehicle excise duty

Rates are to increase in line with inflation (based on RPI) with effect from 1 April 2013. The exceptions to this are noted below.

■ Vehicle excise duty for heavy goods vehicles

Vehicle Excise Duty has been frozen in 2013/14 on heavy goods vehicles (HGVs), buses, and related categories of vehicle that are linked to the lower HGV rate (minor rates) for 2013/14.

■ Gaming duty

Legislation will be included in the Finance Bill 2013 to raise the gross gaming yield (GGY) bandings for gaming duty in line with inflation (RPI). The revised GGY bandings must be used for accounting periods starting on or after 1 April 2013.

■ Carbon price floor and Northern Ireland

The Government is announcing final details about the carbon price floor (CPF) which will come into effect on 1 April 2013. The rates from 1 April 2015 will be equivalent to £18.08 per tonne of carbon dioxide. The indicative rates for 2016/17 and 2017/18 are equivalent to £21.20 and £24.62 per tCO_2 respectively.

The measure also confirms that the CPF will not apply in Northern Ireland from 1 April 2013.

OTHER MEASURES ANNOUNCED

■ Stamp duty land tax

A measure to amend section 45 of the Finance Act 2003 (transfer of rights) is introduced to support the Government's anti avoidance strategy with regard to stamp duty land tax (SDLT). The Government seeks to put beyond doubt that a certain type of SDLT avoidance scheme is ineffective. The scheme(s) in question involve an onward sale which is not to be completed for a number of years. This measure is yet further notice of the Government's anti-avoidance strategy. This measure has effect where the transfer of rights takes place on or after 21 March 2012 and before Royal Assent to Finance Bill 2013.

■ Data-gathering from card payment processors

It is proposed that HM Revenue & Customs will improve their data-gathering to support a more effective risk assessment of businesses who they consider are not declaring their full tax liability. The data they will be able to access will cover the monthly totals paid to merchants. It is envisaged that this will provide HM Revenue & Customs with information that enables them to identify those businesses that are not declaring their full sales. This measure will have effect on and after the date that Finance Bill 2013 receives Royal Assent.

■ London Anniversary Games

An exemption providing an exemption from UK income tax relating to non-UK resident sportspeople competing in the British Athletics London Anniversary Games was announced on 15 February 2013. This measure has been put in place to help prolong the legacy of the London 2012 Olympic and Paralympic Games. It is also similar to the income tax exemption to be provided for non-resident sportspeople who compete in the 2014 Commonwealth Games in Glasgow (announced 26 January 2012).

■ Offshore funds

The measure which took effect on or after 15:00 on 20 March 2013 will be followed by a further statutory instrument to be published shortly. These changes seek to address aspects of the Offshore Funds Regulations 2009 and are intended to make aspects of the Regulations fairer for UK investors in offshore funds, and ensure that they are taxed in a similar way to investors in equivalent UK funds.

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