KPMG
cutting through complexity

Budget on a page

19 March 2014

Taxation

Tax relieving measures:

- Annual Investment Allowance doubled to £500k per annum to encourage capital investment until 31 December 2015
- Cash and shares ISAs merged - new annual limit of £15,000
- A £7bn package to reduce the green taxes on energy bills targeted at manufacturers
- Increase in the repayable R&D tax benefit for loss making SMEs to 14.5% from 11%
- 20% relief on childcare costs for qualifying families (£2,000 limit)
- Reform of the government regime for export finance, increasing the amount available and reducing rates
- Various other measures including reducing specific Air Passenger Duty bands, making the Seed Enterprise Investment Scheme regime permanent and a theatre tax credit
- A series of measures had already been announced including abolishing employer's NI for under 21 year olds

Taxation

Anti-avoidance/tax raising measures:

- Avoidance schemes involving the transfer of corporate profits
- Modernising the EU indirect tax rules so that services are taxed where they are used or consumed
- Accelerated payment in tax avoidance cases
- SDLT anti-avoidance regarding enveloped dwellings - threshold reduced to £500,000
- Direct recovery of debts over £1,000 from taxpayers' bank accounts

Defined contribution pension changes:

- Increased member choice, flexibility and access to pension savings at retirement (e.g. easement on using income drawdown)
- Free, impartial guidance at retirement
- Opportunity to cash in pensions from all sources where value is less than £30,000 and from a single pot if less than £10,000 (increased from £18,000 and £2,000 respectively).

KPMG comment

The Chancellor said the budget was for 'makers, doers and savers'.

For 'makers', ie manufacturers, the export finance measures are a big help. The extension and doubling of the annual investment allowance to £500,000 means the vast majority of businesses will receive full relief for their capital investments.

For 'doers', ie the workers, the help consists of the increase in the personal allowance which, for the first time this parliament, has been allowed to flow through to higher rate taxpayers, contrary to pre-budget predictions.

The big winners in today's budget are the 'savers'. Tax restrictions on pensioners accessing their pension pots are removed, ISAs become more flexible and the allowance is increased to £15,000 per year, plus the 10% 'savings rate' of tax is abolished altogether meaning no tax will be paid on the first £5,000 of savings where total income is less than £15,000.

Key rates

- Corporation tax – 21% from 2014 and 20% from 2015
- VAT – 20%
- Income tax – basic rate 20%, higher rate 40%, top rate 45%
- Capital gains tax – basic rate taxpayers 18%, higher rate taxpayers 28%
- Personal allowance - £10,000 from 2014, £10,500 from 2015
- 40p tax rate threshold increased to £41,865 next month and set at £42,285 next year
- From April 2015, 10% savings rate abolished (nil band extended to £5,000)
- All employers are able to reduce their NI bill by £2,000 from April 2014

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