

## Hobsons : Autumn statement 2011

### Tax News

#### For the business community:

#### Tax changes:

#### Other boosts for the economy:

#### Benefits and pensions:

George Osborne disclosed his plans to re-invigorate the UK economy yesterday and at the same time, stay focused on debt reduction. The pundits were forecasting a range of measures including: increasing the bank levy, perhaps scrapping or delaying the January 2012 increase in fuel duty and tinkering with the lower threshold for stamp duty to encourage first time buyers. Additionally the coalition also disclosed additional measures to stimulate the economy. Here's a selection of the tax and other changes that were announced today.

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#### **For the business community:**

##### **Credit easing: National Loan Guarantee Scheme**

The Government will make available up to £20bn of guarantees for bank funding over two years. This should encourage banks to lend at lower rates to businesses. In his speech, Mr Osborne speculated that this would reduce average rates by 1%.

##### **Credit easing: Business Finance Partnership**

An initial £1bn will be made available for investment in SME's and mid-sized businesses in the UK.

##### **Youth employment scheme**

As previously announced the £940m proposal to subsidise work placements for the young unemployed was confirmed. Branded as the Youth Contract it will target 18 – 24 year olds. Extra support will be provided by Job Centre Plus and will include provision of work experience or a Sector Based Work Academy place.

Those still in unemployment after nine months on Job Seekers Allowance will transfer to the Work Programme that was introduced to help in the government's key aims of fighting poverty, supporting the most vulnerable and helping people break the cycle of benefit dependency.

Additional incentives for employers include:

- The provision of funding for an estimated 160,000 wage incentives, each payment to employers amounting to £2,275.
- Further funding for at least 40,000 incentive payments to encourage smaller firms to take on apprentices.

Additional Government funding will provide £50m a year to support disadvantaged 16-17 year olds.

##### **Small Business Rate Relief**

The present relief will be extended for a further 6 months from 1 October 2012.

Additionally there will be an opportunity to defer 60% of any increase in business rate bills for 2012-13 as a result of RPI uprating. This will be repaid equally in the following two years.

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## Other boosts for the economy:

### Infrastructure investment

The government is launching a £30bn plan to improve national infrastructure. The first tranche of £5bn will be provided by the government during the current parliament and a further £5bn in the next. The Treasury is to seek a further £20bn in total from the National Association of Pension Funds and the Pension Protection Fund. It is also promoting investment from insurance companies and China. The Government's share, totalling £10bn will be funded from areas where there have been under-spends and from a crack-down on tax avoidance.

Schemes targeted for support include: the Trans Pennine Express line between Leeds and Manchester, the Tyne & Wear Metro, and improvements to M25, M3 and M56.

### Mortgage indemnity scheme

On the 21st November 2011 the Government announced a guarantee for up to 100,000 new mortgages, at up to 95% loan to value, for new build properties in England.

### Rail charges capped

The planned January 2012 increase in regulated rail fares to be capped at 6.2% not 8.2%. This effectively limits the increases for London and regulated rail fares to RPI plus 1% and not the expected RPI plus 3%.

### Water bills in the South West

Government is to fund South West Water in order that bills for household customers are cut by £50 per year.

### Free childcare places

Places for deprived two-year-olds are to be doubled to 260,000. This will involve Government investing a further £380m a year by 2014-15 so that 15 hours of free education and care on a weekly basis can be offered to those that need it the most.

### Fuel duty change

The expected 3.02p per litre rise in fuel duty due to take effect on 1 January 2012 has been deferred to 1 August 2012. The further increase of 1.92p per litre due to take effect from 1 August 2012 will be cancelled.

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## Tax changes:

### Bank levy increased

The promised increase in the bank levy is confirmed. In order to meet the £2.5bn target each year from 1 January 2012 the rate of Bank Levy will increase to 0.088%

### Employers' pension contributions

Employers making asset-backed pension contributions to registered pension schemes will have tax relief restricted to accurately reflect the amount of payments made.

### Seed Enterprise Investment Scheme (SEIS)

This new scheme is to be set up to encourage inward investment into qualifying, new start-up companies. SEIS will provide income tax relief at 50% for individuals who invest in shares in qualifying companies. There will be an annual investment limit of £100,000 and cumulative investment limit for companies of £150,000.

There is also a capital gains tax exemption for investments realised in 2012-13 and invested through SEIS in the same year.

### The existing Enterprise Investment Scheme

Changes include:

- Relaxation of connected person rules and definition of shares qualifying for relief.
- Tighten the focus of the schemes by introducing a new test to exclude companies set up for the purpose of accessing relief.
- Exclude acquisition of shares in another company and exclude investment in Feed-in-Tariffs businesses.
- Remove the £1 million investment limit per company for VCTs to reduce the administrative burdens of the scheme.

**Capital gains tax**

The annual exempt amount for CGT is to be frozen at present levels for 2012-13 at £10,600.

**Capital Allowances: Enterprise Zones**

Enterprise Zones in six assisted areas will qualify for enhanced capital allowances. In these areas, 100 per cent allowances will be available for plant and machinery investment incurred between April 2012 and March 2017. Zones are: the Black Country, Humber, Liverpool, North East, Sheffield and Tees Valley.

**VAT low value consignment relief**

As previously announced the VAT exemption for low value goods below £15 sent to the UK from the Channel Islands will be removed from 1 April 2012.

**Gifts of pre-eminent objects**

New legislation is to be introduced that will enable individuals and companies to receive a reduction in their income tax, capital gains tax and corporation tax liabilities in return for donations of pre-eminent works of art or historical objects.

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**Benefits and pensions:****Welfare benefits**

Most working age and disability benefits will be increased in line with CPI from April 2012. The actual increase for 2012-13 will be 5.2%.

**Tax Credits**

The child element of Child Tax Credit will be increased in line with CPI and will rise by £135 per year in 2012-13. The £110 above inflation increase that was planned for 2012-13 will not go ahead. The disability elements of tax credits will be increased by reference to CPI. The couple and lone parent elements of the Working Tax Credit will not be increased in 2012-13.

**State Pension**

The Government is standing by its triple guarantee. From April 2012 a full basic pension will rise by £5.30 to £107.45 per week. The full couple rate where entitlement is based on their spouse's or civil partner's pension will rise by £8.50 to £171.85 per week.

**State Pension age change**

The increase in the age at which the State Pension can be drawn is to be increased from age 66 years to 67 years in 2026.

**Public sector pay**

From the end of the current pay freeze, average public sector pay increases will be limited to 1% for a further two years.

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**DISCLAIMER - PLEASE NOTE:** The ideas shared with you in this newsletter are intended to inform rather than advise. Taxpayers circumstances do vary and if you feel that tax strategies we have outlined may be beneficial it is important that you contact us before implementation. If you do or do not take action as a result of reading this newsletter, before receiving our written endorsement, we will accept no responsibility for any financial loss incurred.

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