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Tax rates 2014/15
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UK Budget 2014

Contents

These tables are a summary and do not cover all situations. They are based on information in the Budget announcements on 19 March 2014. These may be subject to further amendment.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.

Personal tax

Income tax rates 2014/15 (2013/14)

Income Band (£)	Dividends (%)	Other Savings Income (%)
Up to 31,865 (up to 32,010)	**10**	**20**
31,866 – 150,000 (32,011 – 150,000)	**32.5**	**40**
Over 150,000 (over 150,000)	**37.5**	**45**
Income Band (£)	**Other Income (%)**	**Cumulative Tax (£)**
Up to 31,865 (up to 32,010)	**Basic rate: 20**	**6,373** (6,402)
31,866 – 150,000 (32,011 – 150,000)	**Higher rate: 40**	**53,627** (53,598)
Over 150,000 (over 150,000)	**Additional rate: 45**	

The income bands are broadly used in the following order:

- Non-savings income
- Savings income
- Dividends

For basic rate taxpayers the liability on UK and most overseas dividend income is met by the 10% notional tax credit attached to the dividend.

A 10% starting rate applies to the first £2,880 (2013/14 £2,790) of savings income. From 6 April 2015, the starting rate for savings income will be reduced to 0% and will apply to the first £5,000 of savings income. For many taxpayers this is not relevant as the starting rate does not apply if their taxable non-savings income exceeds the starting rate limit.

Discretionary trusts and accumulation and maintenance trusts are entitled to a standard rate band of £1,000 in 2014/15 (2013/14 £1,000). Income in excess of this amount is subject to income tax at the top rate of income tax, which is 45% in 2014/15 (2013/14 45%). The rate of tax on dividend income received in excess of the standard rate band in 2014/15 is 37.5% (2013/14 37.5%).

Personal allowances

	2014/15 (£)	2013/14 (£)
Individual [a, e, g]	10,000	9,440
Individual aged 66-75 [a, b, e, f]	10,500	10,500
Individual aged 76 and over [a, b, e, f]	10,660	10,660
Married couple (elder aged 79 and over) [b, c, d, e]	8,165	7,915

a. Reduced by £1 for each £2 of income (less deductions) in excess of £100,000.
b. Reduced by £1 for each £2 of income (less deductions) which exceeds £27,000 (2013/14 £26,100). However, this reduction cannot take the allowance below that for an individual born after 5th of April 1948 (subject to the reduction for income in excess of £100,000 above). The personal allowance is reduced first, then the married couple's allowance.
c. Restricted to relief at 10%.
d. The minimum age-related married couple's allowance is £3,140 (2012/13 £3,040).
e. None of these allowances are available to non-UK domiciled individuals who elect to pay tax on the remittance basis of taxation.
f. Age related allowances are now restricted to those born before 6 April 1948 or 6 April 1938, as appropriate.
g. From 6 April 2015, married couples who pay tax at the basic rate will be able to transfer £1,050 of their unused personal allowance to the other individual.

Income tax reliefs and incentives

Annual limits	2014/15 (£)
Enterprise Investment Scheme (EIS) (maximum) [a]	1,000,000
Seed Enterprise Investment Scheme (SEIS) (maximum) [b]	100,000
Venture Capital Trust (VCT) (maximum) [c]	200,000
'Employee shareholder' status [e]	2,000
Individual Savings Account (ISA)	
– total investment (maximum) [d]	15,000
Junior ISA (maximum per child) [d]	4,000

a. Income tax relief restricted to 30% (2013/14 30%). CGT deferral on gains on disposal of other assets is also available.
b. Rate of income tax relief is 50%. The relief applies to shares in qualifying trading companies with less than 25 full-time equivalent employees, and assets of up to £200,000 issued after 6 April 2012. Maximum stake 30% of share capital and voting rights. Total SEIS financing per company is limited to £150,000 cumulatively (within three years preceding the share issue).
c. Rate of income tax relief for investors in VCTs is 30%. Dividends received on qualifying VCT investments are exempt from income tax.
d. In Budget 2014, it was announced that cash ISAs and stocks and shares ISAs will become New ISAs (NISA). From 1 July 2014, the overall annual subscription limit an individual can invest in a NISA will be £15,000 for 2014/15. Detailed conditions and additional restrictions may apply.
e. The first £2,000 of shares acquired by an employee under the new 'employee shareholder' provisions will be free of income tax and national insurance contributions.

Relief is available at the taxpayer's marginal rate of income tax for charitable donations via the Gift Aid and Payroll Giving schemes and for charitable gifts of quoted shares and securities and real property.

Pensions

	2014/15	2013/14
Annual allowance (£)	40,000 [a, b]	50,000 [a, b]
Lifetime allowance (£)	1,250,000 [c]	1,500,000 [c]

a. The annual allowance may be increased by up to £150,000 with unused relief from the previous 3 years.
b. The standard lifetime allowance, which is the total value of pension savings that can be accumulated without a tax recovery charge when a pension or lump sum is taken, is reduced from £1.5m to £1.25m from 6 April 2014. This follows an earlier reduction from £1.8m to £1.5m from 6 April 2012. Individuals who have previously elected transitional protection by reference to their position in April 2006 or April 2012 may continue to benefit from higher limits. Other members who opt out of further pension saving from April 2014 may retain the £1.5m limit. Alternatively, members whose savings at April 2014 fall between £1.25m and £1.5m may elect for a new form of transitional protection which freezes their limit at the 6 April 2014 funding level but allows them to continue contributing, on the basis that future fund growth is subject to a tax recovery charge.

Aggregate contributions made by employers and employees to a money purchase or defined contribution registered pension scheme attract an annual allowance charge to the extent they exceed the £40,000 annual allowance (the annual allowance may be increased by up to £150,000 with unused relief from the previous 3 years) in the pension input period. No charge arises where the member dies in the year or is medically assessed as unable to work ever again.

An annual allowance charge similarly applies to salary-related pension accrual where the inflation-adjusted increase in pension entitlement, multiplied by a valuation factor of 16, exceeds the annual limit. No charge applies where the member's active participation in the scheme has ceased.

Where the annual limit is exceeded, tax is payable on the excess at the individual's marginal (i.e. 20%, 40% or 45%) rate.

On drawing a pension, the maximum tax-free pension commencement lump sum payable is the lesser of 25% of the value of an individual's uncrystallised fund, 25% of the lifetime allowance (i.e. £312,500 in 2014/15) and 1/3rd of the amount crystallised for the payment of a pension or annuity for life. Any unauthorised lump sum is taxed on the member at rates of 40% or 55%, with a further charge on the scheme.

When a member draws a pension or takes a lump sum his aggregate pension savings are also tested against the lifetime limit, taking account of any previous benefit crystallisation event. Any excess is taxed at 25%, or 55% if taken as a lifetime allowance excess lump sum.

Making contributions to pensions is a long term investment decision and individuals should take advice on the suitability of making pension contributions in their particular circumstances.

It was announced in the 2014 Budget that from 27 March 2014 more flexible tax rules would apply to withdrawals from defined contribution pension schemes, reducing the need for the pensioner to rely on annuities. From 2015, and subject to scheme rules, members may be permitted to draw any amount they wish from their pension, when they wish. Amounts in excess of the tax-free lump sum (which remains at 25%) would be taxed at the individual's marginal rate. The new system will see no changes to pensions tax relief during the accumulation phase of pension saving.

Taxable car, van and fuel benefits

A taxable car benefit for 2014/15 is calculated as a percentage of the car's list price (including the cost of most optional accessories) based on carbon dioxide (CO_2) emissions as follows:

- Petrol cars emitting 1g/km to 75g/km CO_2 – 5%
- Petrol cars emitting 76g/km to 94g/km of CO_2 – 11%
- Petrol cars with emissions equal to 95g/km of CO_2 ("the relevant threshold") – 12%
- For each additional 5g/km above the relevant threshold – add 1%
- A 3% supplement applies to all diesel cars
- Maximum percentage to be applied – 35%

For 2015/16 the percentage rate for petrol cars emitting 0-50g/km will be 5%. The percentage rate for petrol cars emitting 51-75g/km will be 9%. The rate for 76-94g/km petrol-fuelled cars will be 13%. For each additional 5g/km the percentage rate increases by 1% up to a maximum of 37%. The 3% diesel supplement still applies.

From 2016/17 the 3% supplement for diesel-fuelled cars is abolished, therefore for 2016/17 the percentage rate for all cars emitting 0-50g/km will be 7%. The percentage rate for 51-75g/km will be 11%. The rate for 76-94g/km will be 15%. For each additional 5g/km the percentage rate increases by 1% up to a maximum of 37%.

For 2017/18 the percentage rate for all cars emitting 0-50g/km will be 9%. The percentage rate for 51-75g/km will be 13%. The rate for 76-94g/km will be 17%. For each additional 5g/km the percentage rate increases by 1% up to a maximum of 37%. There is a 4 percentage point differential between the 0-50g/km and 51-75g/km bands and the same between the 51-75g/km and 76-94g/km bands.

For 2018/19 the percentage rate for all cars emitting 0-50g/km will be 13%. The percentage rate for 51-75g/km will be 16%. The rate for 76-94g/km will be 19%. For each additional 5g/km the percentage rate increases by 1% up to a maximum of 37%. There is a 3 percentage point differential between the 0-50g/km and 51-75g/km bands and the same between the 51-75g/km and 76-94g/km bands.

The list price of the car is reduced by up to a maximum of £5,000 for capital contributions made by an employee. Employees' contributions for private use reduce the taxable benefit pound for pound.

The private use of vans attracts a scale charge of £3,090 per annum, regardless of the age of the vehicle. In addition, if free or subsidised fuel is provided for private use in a company van, a taxable fuel benefit of £581 will arise for 2014/15 (2013/14 £564).

Fuel benefit for cars is calculated by applying the relevant car CO_2 emissions percentage to a pre-set figure which is £21,700 for 2014/15 (2013/14 £21,100).

Electric vehicles

The appropriate percentage for electric cars for the purposes of company car tax was reduced from 9% to 0% for five years from April 2010. This will reduce the employee car benefit charge to nil and remove the Class1A NICs charge on employers. From 6 April 2015, the appropriate percentage for these cars will become 5%.

From 6 April 2010, the current flat rate for all vans of £3,000 was reduced to nil for electric vans for a period of 5 years. This will reduce the employee van benefit charge to nil and remove the Class1A NICs charge on employers. In 2015/16 the charge for zero emission vans will be 20% of the rate paid by conventionally fuelled vans, followed by 40% in 2016/17, 60% in 2017/18, 80% in 2018/19 and 90% in 2019/20, with the rates equalised in 2020/21.

Approved mileage rates

Employers can make tax and NIC–free payments to employees using their own vehicle for business travel, as follows:

- cars and vans – 45p per mile for the first 10,000 miles and 25p per mile thereafter (For NIC purposes there is no mileage limit for the 45p per mile rate);
- motor cycles – 24p per mile;
- bicycles – 20p per mile; and
- passengers – an optional 5p per mile for each passenger who is an employee travelling on business.

Capital Gains Tax (CGT)

	2014/15 (£)	2013/14 (£)
Combined income and gains less than the upper limit of the income tax basic rate band [a, b]	18%	18%
Combined income and gains above the upper limit of the income tax basic rate band [a]	28%	28%

a. Chargeable gains are treated as the top slice of an individual's combined gains and income. Any part of a taxable gain exceeding the upper limit of the income tax basic rate band (£31,865 for 2014/15) is taxed at 28%.
b. For trustees and personal representatives of deceased persons, the CGT rate is 28%.

Annual CGT exemptions apply for individuals and trusts, as follows:

	2014/15 (£)	2013/14 (£)
Individual	11,000	10,900
Trust	5,500	5,450

Gains realised on the disposal of an EIS or SEIS investment are exempt from CGT provided certain conditions are met including that the shares are held for at least three years, and both the investor and company remain eligible for EIS/SEIS throughout this period.

Up to 50% of capital gains of up to £100,000 realised on disposals of assets are exempt from CGT if a qualifying SEIS investment and appropriate claims are made. The relief was due to expire for gains realised from 2014/15, but in Budget 2014 the Chancellor announced it will be extended to apply permanently.

Gains on the disposal of up to £50,000 of shares acquired by an employee under the new 'employee shareholder' provisions are exempt from CGT.

The lifetime limit for entrepreneurs' relief is £10m. Qualifying gains made within this limit are subject to a reduced capital gains tax rate of 10%.

There is no chargeable gain on the disposal of a single chattel if the gross consideration does not exceed £6,000.

Inheritance tax (IHT)

IHT is charged on an individual's estate at death, on gifts within seven years of death, and on chargeable lifetime transfers of value (e.g. a transfer to a trust). The nil rate band for 2014/15 is £325,000 (2013/14 £325,000). Cumulative chargeable transfers up to the limit of the nil rate band do not result in an IHT charge. To the extent that chargeable transfers exceed the nil rate band, the tax rate is 20% for lifetime transfers where the donor survives seven years, and 40% for transfers on death and in the three years preceding death. A tapered inheritance tax rate applies to gifts made between three and seven years before death.

When a surviving spouse or civil partner dies on or after 9 October 2007, relief is due on that death in respect of any unused proportion of the nil rate band of the spouse or civil partner who died first. This is in addition to any unused nil rate band of the survivor. Transfers between spouses or civil partners who are both UK-domiciled or both non-UK domiciled are exempt.

When a transferor spouse or civil partner is UK-domiciled and a transferee spouse or civil partner is not, the spouse exemption for 2014/15 is limited to the level of the IHT nil rate band, for 2014/15 £325,000 (until 2012/13 the limit was £55,000). Also from 6 April 2013 a non-UK domiciled spouse or civil partner can elect to be treated for IHT as UK-domiciled. If he or she does so the full spouse/civil partner exemption will be due.

For deaths after 5 April 2012, where 10% or more of a person's net estate is left to charity, the rate of IHT is reduced to 36%.

Indirect taxes

Value Added Tax (VAT)

VAT registration is required where taxable supplies exceed £81,000 (2013/14 £79,000) for the previous 12 months or are expected to do so within the next 30 days. The deregistration threshold is £79,000 (2013/14 £77,000).

Rates	(%)
Zero rate (newspapers, children's clothes etc)	0
Reduced rate (certain fuel and power; some energy saving materials; some residential property works etc)	5
Standard rate	20
VAT fraction for standard rate VAT inclusive price	1/6

Insurance premium tax

The standard rate applying to most general insurance is 6%. Life and other long-term insurance is exempt. A higher rate applies to some mechanical breakdown and travel insurance, and insurance sold with certain goods. The higher rate is 20%.

Stamp duty land tax (SDLT)

The rates below apply to acquisitions of chargeable interests in UK land including leases.

Relevant consideration (£) Residential	Rate (%)	Relevant consideration (£) Non-residential or mixed	Rate (%)
0 – 125,000	0	0 – 150,000	0
125,001 – 250,000	1	150,001 – 250,000	1
250,001 – 500,000	3	250,001 – 500,000	3
500,001 – 1,000,000	4	Over 500,000	4
1,000,001 – 2,000,000	5		
Over 2,000,000	7		

The relevant consideration is the VAT inclusive amount or value of any consideration given by the purchaser (or persons connected with him) in money or money's worth.

Although no SDLT will be payable until the relevant consideration exceeds the nil rate band, a transaction may nonetheless be notifiable (such that an SDLT land transaction return is required) where the relevant consideration is £40,000 or more.

For transactions with an effective date of 21 March 2012 or later, a higher rate of 15% may apply where certain "non-natural" persons purchase an interest in a single residential property and consideration of more than £2,000,000 is attributable to that interest. At Budget 2014 it was announced that the £2,000,000 threshold will be reduced to £500,000 for transactions whose effective date is on or after 20 March 2014, subject to transitional provisions.

The relevant rate of SDLT for 'linked' transactions is determined by reference to the total consideration given for all the transactions, rather than multiple rates applying according to the consideration given for each individual acquisition. However, for a bulk purchase of residential properties (individually worth £2,000,000 or less) the rate of SDLT may in certain circumstances be determined by the average amount paid per dwelling, subject to a minimum rate of 1%. This is achieved through claiming a relief in the SDLT land transaction return.

Where six or more residential properties are acquired in a single transaction, they are not treated as being residential property, such that the rates applicable to commercial or mixed property will apply (unless the relief for bulk purchases is claimed).

SDLT in the form of lease duty will also be charged on the grant of a lease under which rent is payable at the rate of 1% of the net present value of the (VAT inclusive) rent payable over the term of the lease, to the extent that value exceeds £125,000 in the case of residential property and £150,000 in the case of other property.

Stamp duty and stamp duty reserve tax (SDRT)

Stamp duty and SDRT generally applies to transfers of UK shares (being shares in a company that is incorporated in the UK or which maintains its share register here) and UK securities at a rate of 0.5% of the consideration given by the purchaser. Payment of the appropriate amount of stamp duty (or a valid claim for relief from stamp duty) generally cancels the charge to SDRT. As such, SDRT is generally only paid in the context of electronic trading, where shares are held in dematerialised form.

Transfers where the consideration is £1,000 or less will be exempt from stamp duty, provided they do not form part of a larger transaction or series of transactions where the combined consideration exceeds £1,000 and a certificate confirming this is given on the reverse of the instrument of transfer.

There is a higher, 1.5% rate of stamp duty and SDRT which applies to transfers of shares to depository receipt issuers and persons providing clearance services.

Annual Tax on Enveloped Dwellings (ATED)

There is an ATED charge in respect of single interests in residential property valued at more than £2,000,000 held by "non-natural" persons. The rates are set out below. Relief from the ATED will be available for certain businesses and investors. A new CGT charge at 28% also applies to gains on disposal by reference to any increase in value in properties subject to the ATED between 5 April 2013 and the date of disposal.

Value of property	ATED charge per annum (£)
£2,000,001 – £5,000,000	15,000
£5,000,001 – £10,000,000	35,000
£10,000,001 – £20,000,000	70,000
Over £20,000,000	140,000

At Budget 2014 two new rate bands were introduced to ATED which will bring residential property worth more than £500,000 within the scope of the charge. The first band will apply to residential properties worth between £500,001 and £1 million and will impose an annual charge of £3,500. The second band will apply to properties worth between £1,000,001 and £2 million and will impose an annual charge of £7,000.

However, the introduction of the two new ATED bands will be staggered, with the £1,000,001 to £2 million band coming into effect from 1 April 2015, and the £500,001 to £1 million band coming into effect from 1 April 2016.

Similarly, the ATED-related CGT charge will be extended from 6 April 2015 to residential properties worth more than £1,000,000 and from 6 April 2016 for properties worth more than £500,000, in both cases subject to transitional provisions.

National Insurance contributions 2014/15

Class 1 (employees and employers) rates

Weekly earnings (£)	Employees	Employers
111.00 or less [a]	–	–
111.01 – 153.00 [b]	0%	0%
153.01 – 805.00 [d]	12%	13.8%
Over 805.00 [d]	2%	13.8%

Contracted out – salary related		
111.00 or less [a]	–	–
111.01 – 153.00 [b, e]	0%	0%
153.01 – 770.00 [c]	10.6%	10.4%
770.01 [c] – 805.00 [d, f]	12%	13.8%
Over 805.00 [d]	2%	13.8%

a. Monthly and annual lower earnings limits are £481 and £5,772 respectively.
b. A zero rate of NIC applies to earnings between the lower earnings limit of £111 pw and the primary earnings threshold of £153 pw to protect employees' contributory benefit entitlements. Monthly and annual thresholds are £663 and £7,956 respectively. A contracted out rebate is due at the relevant rate (not shown in table on these earnings).
c. Monthly and annual upper accrual points are £3,337 and £40,040 respectively.
d. Monthly and annual upper earnings limits are £3,489 and £41,865 respectively.
e. Contracted out rates apply between the earnings threshold and the upper accrual point, with a rebate between the lower earnings limit and the earnings threshold.
f. Contracted in rates apply between the upper accrual point and the upper earnings limit even if the individual has contracted out.

Employees' qualifying business travel and subsistence expenses are excluded from earnings for Class 1 NIC purposes. Employers can pay up to 45p per mile to employees travelling on business in their own cars from 6 April 2012 without incurring a NIC charge. This rate applies irrespective of the mileage incurred.

From 6 April 2014, an allowance of £2,000 per year is available to all businesses and charities to offset against their employer Class 1 NICs.

From 6 April 2015, employers will not be required to pay employer Class 1 NICs in respect of the wages they pay to employees under the age of 21 up to the upper earnings limit.

Class 1A (employers providing benefits-in-kind)

Employers are liable to Class 1A NIC at 13.8% on most benefits-in-kind subject to income tax. Benefits-in-kind covered by a dispensation or included in a PAYE Settlement Agreement (but see below) are not subject to Class 1A NIC. Certain other benefits are specifically exempt from both income tax and Class 1A NIC.

Class 1B (employers settling tax liabilities via PAYE settlement agreements)

Class 1B NIC is an employer-only charge, similar to Class 1A, payable by employers on the value of the tax and on certain benefits paid via PAYE Settlement Agreements. The rate is tied to the Class 1 secondary rate (13.8%) and contributions are payable by 19 October following the end of the tax year, along with the tax under the PAYE settlement agreement.

Other Classes

Class 2 (self-employed)	
Weekly rate	£2.75
Small earnings exception (annual)	£5,885

Class 3 (voluntary)	
Weekly rate	£13.90

Class 4 (self-employed)	
Lower limit of profit or gains	£7,956
Upper limit of profit or gains	£41,865
Rate on profits between lower and upper limits	9%
Rate on profits above £41,450	2%

Business tax

Corporation tax rates

	Year ended 31 March	
	2015	2014
Main rate [a, c] (more than £1.5m)	21%	23%
Effective marginal rate [b, c] (£300,001-£1.5m)	21.25%	23.75%
Small profits rate [b, c] (up to £300,000)	20%	20%

a. From 1 April 2015 the main rate will be reduced to 20%, therefore unifying the main and small profits rates.
b. The upper threshold for the small profits rate is £300,000 and the lower threshold for the main rate is £1.5 million. These limits are reduced pro rata for associated companies and for accounting periods of less than 12 months.
c. The small profits rate is not available to close investment-holding companies.

Corporation tax payments

Large companies pay tax in instalments. Large companies are broadly those with taxable profits of at least £1.5 million (see note b above) and a corporation tax liability in excess of £10,000 for a 12-month accounting period. The £10,000 is reduced proportionately for shorter accounting periods.

In a 12-month accounting period, four instalments are payable as follows:

- 6 months and 13 days from the first day of the accounting period;
- 3 months after the first instalment;
- 3 months after the second instalment; and
- 3 months and 14 days from the last day of the accounting period.

Companies are not required to make instalment payments in the first year in which the £1.5 million threshold is reached unless their profits exceed £10 million. The £10 million threshold is reduced pro rata for associated companies and for accounting periods of less than 12 months.

Capital expenditure

	Year ending 31 March	
	2015	2014
Annual investment allowance [a]	See note [b]	£250,000
Plant and machinery [c]	18% [a]	18% [a]
Long-life assets [d], integral features [e], thermal insulation, high emission cars [c], solar panels ("special rate pool")	8% [a]	8% [a]
Low emission cars [f]	100%	100%
Research and development (R&D) [g]	100%	100%

a. Annual investment allowance (AIA) is given per business or per group of companies only. AIA is allocated against total expenditure on plant and machinery (other than cars), long-life assets and integral features. It is optional which class of asset the AIA is allocated against.

b. From 1 April 2014 to 31 December 2015, the maximum AIA increases from £250,000 to £500,000. For periods which begin before but end on or after 1 April 2014 the maximum AIA is pro-rated, subject to transitional provisions.

c. From 1 April 2013 till 31 March 2015, cars with CO_2 emissions between 96g/km and 130g/km are added to the main pool. Cars with CO_2 emissions that exceed 130g/km are added to the special rate pool.

d. Applies to businesses spending more than £100,000 per annum (the monetary limit) on certain assets with a useful life of 25 years or more.

e. Applies to a prescribed list of assets covering: electrical systems; cold water systems; space or water heating systems, ventilation, air cooling systems; lifts and escalators; and external solar shading.

f. Cars with CO_2 emissions not exceeding 95g/km and electric vans are eligible for a 100% first-year allowance. The first-year allowance will be available until 31 March 2015. From 1 April 2015, the 100% first-year allowance will be available for cars with CO_2 emissions not exceeding 75g/km until 31 March 2018.

g. Applies to businesses incurring capital expenditure in carrying out R&D or providing facilities for carrying out R&D relating to their trade.

Under the enhanced capital allowances (ECA) scheme, a 100% first-year allowance is available for expenditure on designated energy saving or water conservation plant and machinery and for the purchase of 'green' vehicles or refuelling equipment. The ECA regime is revised annually to include some new technologies and remove other existing ones. Qualifying products are listed on a dedicated website at http://etl.decc.gov.uk/etl

Payable ECAs allow loss-making companies to surrender the element of their losses attributable to their qualifying expenditure in return for a cash payment from Government. The rate of payable ECAs is 19%, but subject to a cap on the level of a company's PAYE and NIC liabilities or £250,000, whichever is the greater. Payable ECAs will be available until 31 March 2018.

100% capital allowances are available for trading companies investing in plant and machinery for use within certain designated enterprise zones for expenditure from 1 April 2012 to 31 March 2020. Businesses in certain sectors are not permitted to benefit from these allowances. The limit for investment is €125m.

Business Premises Renovation Allowances (BPRA) are available at 100% on the conversion, renovation or repair of a property that has been empty for over 1 year and is within a designated area. The limit for allowances is €20m.

Tax relief is available for the cost of intangible assets (including goodwill and intangible property). This will, in most cases, be the level of amortisation/impairment recognised in the accounts. A fixed rate of 4% pa may be applied on election.

Business expenditure on cars

A 15% restriction applies to lease rental payments with CO_2 emissions exceeding 130g/km. There is no leasing restriction for leased cars with emissions of 130g/km or below.

Patent Box

The Patent Box enables companies to effectively apply a lower rate of corporation tax to certain profits from patented products, processes and services and certain other innovations. The relief will be phased in from 1 April 2013 and from 1 April 2017 will provide an effective corporation tax rate of 10% to the relevant profits. This is achieved by deducting an additional amount from trading profits. As the relief is phased in, the percentage of the amount to be deducted is as follows (2013/14 60%):

	Percentage
1 April 2014 – 31 March 2015	70%
1 April 2015 – 31 March 2016	80%
1 April 2016 – 31 March 2017	90%
From 1 April 2017	100%

Research and development relief: revenue costs

The meaning of Research & Development (R&D) for these purposes and for the Capital Research & Development Allowances is set out in the BIS guidelines issued on 5 March 2004.

Large companies (i.e. those that are not SMEs) can claim an additional 30% deduction on their qualifying R&D costs.

R&D expenditure credits will be available for large company R&D claims. Under this regime the benefit will be recorded as a credit in operating profit and will be equal to 10% of the qualifying expenditure. The basis for determining the qualifying expenditure will not change. The R&D expenditure credits scheme will initially be optional but will replace the existing large company R&D scheme from April 2016. Large companies with no tax liability can receive a cash payment subject to a cap based on the PAYE/NIC paid over to HMRC in respect of the staff costs included in the R&D claim.

Companies that are SMEs (see below) are entitled to an additional deduction of 125% of qualifying R&D expenditure. For non-taxpaying SMEs a cash refund alternative of up to 32.625 pence for every pound of qualifying expenditure may be available depending on their current year tax losses.

A cap limits the total amount of SME R&D a company can claim on each project to €7.5m and a going concern requirement applies.

An SME for R&D purposes is a company which, together with certain related companies, meets the EU definition but with higher limits such that it has fewer than 500 employees and **either** turnover not exceeding €100m **or** total assets not exceeding €86m.

Vaccine Research Relief

In addition to the above, qualifying R&D expenditure in relation to specified vaccines and medicines attract a further 40% deduction from taxable profits for large companies. The relief is no longer available for SMEs.

Large companies are required to make a declaration concerning the incentive effect of the relief they are claiming under this relief.

Offices

Aberdeen	01224 625888
Belfast	028 9032 2861
Birmingham	0121 632 6000
Bristol	0117 921 1622
Cambridge	01223 460222
Cardiff	029 2046 0000
Edinburgh	0131 221 0002
Gatwick	01293 510112
Glasgow	0141 204 2800
Leeds	0113 243 9021
Liverpool	0151 236 0941
London	020 7936 3000
Manchester	0161 832 3555
Newcastle	0191 261 4111
Nottingham	0115 950 0511
Reading	0118 950 8141
St Albans	01727 839000
Southampton	023 8033 4124

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Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

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