

## Tax Points Update

Issue 1/2014

### **Budget 2014**

This Budget (19 March 2014) provides very little in the way of relief from direct and indirect taxes, resulting in a broadly tax neutral budget. The main focus was what has been widely reported as the revolutionary proposal that remove the requirement to purchase an annuity for smaller value pension plans.

The main issues for optics are highlighted below. For further clarification about how these proposals may impact on your business, please seek appropriate professional advice.

For ease of reference, we have broken down the announcements into two sections – changes affecting business and changes affecting individuals.

### **Business Taxation**

- **Research and Development**

The Research and Development tax credit for loss-making firms has been increased from 11% to 14.5%.

- **Capital Investment**

The Annual Investment Allowance (AIA) will double from 1 April 2014 to £500,000 and will run to 31 December 2015.

- **Apprenticeships**

The apprenticeship grant scheme for small employers has been extended with additional funding for another 100,000 grants to employers from 2014-2016.

- **Limited Liability Partnerships (LLPs)**

Some members of LLPs will be reclassified from self-employment to employment following the introduction of new legislation in April 2014 intended to counter the disguising effect of employment as LLPs for junior partners.

- **Employment Intermediaries and 'false self-employment'**

Changes have been made to agency legislation from 6 April 2014 to close the self-employment loop-hole for those who are in effect quasi employees. This is expected primarily to affect the construction industry. However any practice or practitioner who feels they might be at risk should seek urgent advice from their Optical Confederation representative body.

## **Personal Taxation**

- **Income Tax**

The Personal Allowance remains unchanged for 2014-15 but will increase to £10,500 from April 2015.

The Higher Rate Threshold will rise to £41,865 from 6 April 2014 and increase by a further 1% to £42,285 from April 2015.

The transferable allowance for married couples and civil partners will rise to £1,050 from 6 April 2014.

- **Pensions**

Compulsory annuities will be scrapped and there will be more flexibility on how to obtain an income from a pension. Retirees with defined contribution pensions are promised impartial free face-to-face guidance about their options. A consultation on the change is due shortly and further guidance will be published by the Government in due course.

From April 2015 tax will be charged on lump sum payments over and above 25% at the normal marginal rate rather than the current 55% rate.

- **Pensioner Bond**

A new Pensioner Bond will be issued by National Savings and Investments with details of the rates to be published later this year. The Government anticipates that one year rates will 2.8% and three year rates will be 4.0%.

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- **ISAs**

Stocks and Shares and cash ISAs will be merged to create one new ISA with a tax free limit of £15,000 from 1 July 2014.

- **Fuel Duty**

The planned rise in September 2014 has been withdrawn and there will be no rise.

## **Reminder: Changes into Effect in April 2014**

### **From Autumn Statement**

Members are reminded that some of the changes announced in the Chancellor's Autumn Statement (5 December 2013) come into effect on 6 April 2014. For ease of reference, the previous OC Tax Points is available here:

<http://www.opticalconfederation.org.uk/downloads/guidance/tax-points-dec-2013-autumn-statement-and-key-changes-for-optics-final.pdf>.

### **From Budget 2013**

Another change from Budget 2013 commences on 6 April allowing businesses to reduce their Employer Class 1 NICs bill by up to £2,000 per year, which can be done using standard payroll software. Further information is available here:

<http://www.hmrc.gov.uk/news/nic-emp-allowance.htm>.

**Optical Confederation**

**March 2014**