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Budget Bulletin

2013

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The Budget Background

For the past few months it has looked as if George Osborne's fourth Budget would be a non-event. Last December's Autumn Statement was widely seen as more of a mini-Budget and in it the Chancellor set several tax parameters through to 2015/16. There has also been a belief that Mr Osborne would avoid anything in the surprise category this time around, given the 'ominshambles' created by the pasty tax, caravan tax, etc in 2012. Last month's downgrading of the UK's credit rating to Aa1 by Moody's reinforced the view that 'steady as she goes' would be the theme.

For all these reasons the rumour mill was strangely quiet in the run up to the Budget (give or take the Evening Standard's website). In any event, a large part of the contents of the forthcoming Finance Bill (with accompanying notes) was published before Christmas for consultation, as is the practice now. Overall, it is a better process from a legislative viewpoint, but it does reduce the standing of the Budget as the set piece of a Chancellor's year.

In 2013 Mr Osborne may not feel so sorry about that, as he lacks the resources to amuse his electoral audience. Just as happened in 2012, the economic backdrop has deteriorated since the previous Budget, a fact underlined by the Office for Budget Responsibility (OBR) in its report published alongside the Budget. Economic growth in 2012 is now estimated to have been +0.3% by the Office for National Statistics, whereas at the time of the last Budget the OBR forecast was +0.8%. The OBR's growth estimate for 2013 is now 0.6%, half what it projected at the time of the Autumn Statement.

The government deficit for 2012/13 looks set to be virtually the same as for 2011/12 at £120bn, after adjustments for windfall items such as the transfer of Royal Mail pension assets to the Treasury. For 2013/14 the OBR is expecting a very similar borrowing number. To the surprise of many economists, last December Mr Osborne had forecast a decline in the deficit. This turned out to be due to an assumption about now much the Treasury would extract from the mobile phone companies in the 4G spectrum auction. The actual figure raised was £1.2bn below the Treasury's pencilled-in number, enough on its own to tip the balance and mean that in cash terms the deficit will have flat lined for three years.

The grim deficit numbers confirm that there is plenty of pain still to come, with austerity due to continue well into the next parliament. According to the well-respected Institute for Fiscal Studies (IFS), by the end of 2012/13 almost four fifths of the planned tax increases and two thirds of the planned cuts to investment spending set out in Mr Osborne's first emergency Budget will be in place. However, only a third of the planned cuts to benefit spending and a fifth of the cuts to day-to-day spending on public services will have been achieved. That mix matters because tax increases are meant to account for just 15% of the overall borrowing reduction. Traditionally, spending cuts have always been the most difficult part of any deficit reduction programme, witness recent reports of ministers angrily defending their own budgets against Treasury attack.

The economic and financial constraints, not to mention the politics, gave the Chancellor no real choice but to produce a Budget in which the net effect of all the measures (re-) announced summed to zero. Such hand-outs as Mr Osborne did make – like the 2014/15 rise in the personal allowance to £10,000 – were just about counterbalanced by other money-raising measures (such as the further cut in the size of the basic rate band and tightened departmental spending limits). Plan A remains the chosen plan, albeit the hope that it would end before the election in June 2015 disappeared long ago. The most interesting points to (re-emerge) from Mr Osborne's speech were:

- A rise of £1,335 in the personal allowance to £9,440 for 2013/14 and a further increase to £10,000 in 2014/15.
- A £1,025 reduction in the higher rate threshold for 2013/14, with increases of only 1% in each of the following two tax years.
- The freezing of the personal age allowances and their date of birth triggers – steps on the path to eventual abolition.
- The introduction on a phased basis, from autumn 2015, of a new tax-free childcare regime, eventually worth up to £1,200 per child per year.
- An increase to £10,900 for the capital gains tax annual exemption in 2013/14, followed by £100 increases in 2014/15 and 2015/16.
- A new employment allowance of £2,000 for all business and charities from April 2014 to offset employer national insurance contribution (NIC) costs.
- A package of measures to boost the housing market, including £130bn of government guarantees from 2014.
- The bringing forward of the start date for the single-tier state pension to April 2016.
- Reductions in the pensions lifetime allowance to £1.25m and the annual allowance to £40,000 from 2014/15.
- The effective creation of a single unified 20% rate of corporation tax from April 2015.
- Yet another freezing of an impending fuel duty increase.

In this Bulletin we look at the impact of the main changes on different groups of taxpayers. Inevitably the categorisation is somewhat arbitrary, so it pays to read all sections.

Investors and Savers

The Personal Allowance

One of the surprises in the Autumn Statement was a £235 increase to the 2013/14 personal allowance over and above what had been promised in the 2012 Budget. The Budget went one further by announcing that the 2014/15 personal allowance will be £10,000, a long-stated goal of the coalition government. However, many people do not even use the current personal allowance (£8,105 in 2012/13). And some have no personal allowance because their income means it has been tapered to nil.

Capital Gains Tax (CGT)

The assorted U-turns in the rules for capital gains tax have left gains currently being taxed as the top slice of income. Gains are taxable at 18% to the extent they fall in the shrinking basic rate band and 28% if they fall into the higher or additional rate bands. For 2012/13, the Chancellor left the capital gains tax annual exemption unaltered at £10,600, but it will rise by £300 in 2013/14. Thereafter, the annual exemption was meant to be inflation-linked, but the Autumn Statement fixed increases for 2014/15 and 2015/16 at just £100 a year – well below the likely inflation rate.

Individual Savings Accounts (ISAs)

The annual ISA investment limit for 2013/14 will rise by £240 to £11,520 (of which up to £5,760 may be in cash). The limit for the Junior ISA (JISA), which has so far attracted few investors, will rise at £3,720. JISAs may gain more funds soon as the Budget revealed a consultation on allowing transfers to be made to JISAs from the much more common Child Trust Funds.

Estate planners

Nil Rate Band

Last year's Finance Act contained provisions to increase the inheritance tax (IHT) nil rate band in line with CPI inflation from 6 April 2015, six years after its last rise. In the Autumn Statement, this small piece of good news was watered down when the Chancellor announced a £4,000 increase for 2015/16. Two months later, even this £4,000 uplift disappeared as the government revealed its plan for long-term care would, in part, be financed by a further freeze in the nil rate band. The Budget confirmed this new freeze would last until 2017/18.

IHT Yearly Exemptions

The extended nil rate band freeze makes the yearly IHT exemptions all the more important:

- The £3,000 annual exemption. Any unused part of this exemption can be carried forward one tax year, but it must then be used after the £3,000 exemption for that year. So, for example, if you made a gift of £1,000 covered by the annual exemption in 2011/12, you can make gifts totalling £5,000 covered by the annual exemption in 2012/13 by 5 April 2013.
- The £250 small gifts exemption. You can make as many outright gifts of up to £250 per individual per tax year as you wish free of IHT, provided that the recipient does not also receive any part of your £3,000 annual exemption.
- The normal expenditure exemption. Any gift that you make is exempt from IHT if:
  – it forms part of your normal expenditure; and
  – taking one year with another it is made out of income; and
  – it leaves you with sufficient income to maintain your usual standard of living.

Business Owners

Corporation Tax Rates
The mainstream rate of corporation tax falls to 23% from 1 April 2013, although the small profits rate (formerly smaller companies' rate) will stay at 20%. The Autumn Statement revealed that in 2014 there will be a further 2% cut in the main rate to 21%: nothing was said about the small profits rate. The Budget continued the reduction process by setting the mainstream rate at 20% for 2015, thereby unifying the mainstream and small profits rates.

It remains the case now that incorporation will often be an attractive tax option for business people because of the possibility of drawing income as dividends, free of NICs, and sheltering profits from an immediate 40% or 45% income tax charge.

Capital Allowances
Capital allowances have been subject to a variety of changes in recent years and the Autumn Statement added some more. Fortunately the Budget did not introduce another layer of revisions.

From 1 January 2013 the Annual Investment Allowance (AIA), which gives 100% initial relief for investment in plant and machinery, was increased from £25,000 to £250,000. This follows a drop just under a year ago from £100,000 to £25,000. The new, higher ceiling is currently set to last for two years.

The emission thresholds for writing-down allowances for company cars will change from 1 April 2013 (companies), and from 6 April 2013 (other businesses):

Capital Allowance	100%	18%	8%
Pre-April 2013	110 g/km or less	111-160 g/km	161 g/km or more
April 2013 onwards	95 g/km or less	96-130 g/km	131 g/km or more

Pension Changes
Several important pension changes for employers and employees took effect during 2012. The pace quietens in 2013, before more reform in 2014 and beyond:

- Auto-enrolment into pension arrangements began to be phased in last October. So far its impact has primarily been on the largest employers, but during 2013/14 the employer size threshold will shrink so that by 1 April 2014 virtually all existing employers with at least 250 employees on their payroll will be within auto-enrolment.
- The earnings threshold for auto-enrolment will rise in line with the personal allowance to £9,440 in 2013/14 and probably to £10,000 in 2014/15.
- The standard lifetime allowance will be reduced from £1.5m to £1.25m on 6 April 2014. Before that happens there will be the option for those potentially affected by the cut to claim new transitional reliefs. You need expert advice before considering such a claim because of the constraints the reliefs impose on future contributions;
- From 6 April 2014 the annual allowance will also be cut from £50,000 to £40,000;
- Changes to women's state pension age (SPA) will continue to work through the system. By 6 April 2014 women's SPA will be around 62, on its way to 65 in November 2018; and
- In the coming months the Pensions Bill 2013 will be working its way through Parliament. This will legislate for the introduction of a new single-tier state pension, from the start date of which the Chancellor announced will be April 2016, one year earlier than previously planned.
- There will be a consultation on allowing self-invested pensions to take advantage of the concessions for converting commercial property for residential use. In other words, SIPP buy-to-let investment might be back on the agenda after being effectively scrapped in 2006.

Dividends or Salary...
Regular changes to national insurance contributions and tax rates (eg the cut to the additional rate in 2013/14) have altered the mathematics of the choice between dividends and salary. For shareholder/directors able to choose between the two, and not caught by the IR35 personal company rules, a dividend remains the more efficient choice, as the example below shows. However, a pension (within the annual allowance provisions) could avoid all immediate tax and NIC costs.

Make Mine a dividend
A director/shareholder has £25,000 of gross profits in his company which he wishes to draw, either as bonus or dividend. Assuming the company pays corporation tax at the 2013 small profits rate of 20% and the director already has annual income in excess of £41,450, the choice can be summarised thus:

	Bonus £		Dividend £	
	40% tax	**45% tax**	**40% tax**	**45% tax**
Marginal gross profit	25,000	25,000	25,000	25,000
Corporation tax @ 20%	N/A	N/A	(5,000)	(5,000)
Dividend	N/A	N/A	20,000	20,000
Employer's National Insurance Contributions £21,968 @ 13.8%	(3,032)	(3,032)	N/A	N/A
Gross bonus	21,968	21,968	N/A	N/A
Director's NICs £21,968@ 2%	(439)	(439)	N/A	N/A
Income tax*	(8,787)	(9,886)	(5,000)	(6,111)
Net benefit to director	12,742	11,643	(15,000)	(13,889)

**After allowing for 10% tax credit on dividends*

...Or Nothing at all?
For some business owners, the ultimate way to limit their tax bill is to choose to leave profits in the company rather than draw either a dividend or salary. With the top rate of income tax at 45%, there is an obvious argument for allowing profits to stay within the company, where the maximum marginal tax rate (for the year beginning 1 April 2013) is 23.75% and could be as low as 20%.

Employees

Company Cars

The company car benefit scales underwent a significant overhaul for 2012/13 and for 2013/14 there is a more straightforward twist of the tax screw, with adjustments to emission thresholds. However, Mr Osborne has already announced plans running to 2016/17:

- From 6 April 2013, there will be a 5g/km cut in the thresholds, meaning that the 10% scale benefit (13% for diesels) will apply only to cars with CO2 emissions of 94g/km or less. In theory a 5% scale charge applies for cars with emissions of 75g/km or less, but no such vehicle exists (electric cars currently have a zero benefit). In 2013/14 the maximum 35% charge will apply for petrol-engine cars with emissions of 215g/km and above for (200 g/km and above for diesels).
- The multiplier for calculating car fuel benefit in 2013/14 increased by £900 to £21,100.
- In 2014/15 another 5g/km reduction in the thresholds will apply.
- In 2015/16 all scale percentages will be increased by 2%, with the maximum figure rising to 37%. At the same time the nil scale charge for electric cars will be withdrawn, as will the 75g//km 5% scale charge.
- In 2016/17 the 3% diesel supplement will be scrapped, but there will also be another 2% added to all scale charges, although the ceiling will stay at 37%.

Pensions

The pensions landscape has altered dramatically in recent years and will continue to change:

- If you are not a member of a pension scheme offered by your employer, then at some point within the next five years you are likely to find yourself automatically enrolled in a pension arrangement, with contributions deducted from your pay and added to by your employer. The larger your employer, the sooner this will happen. You will be able to opt out, but generally this will only make sense if you have elected with HMRC for enhanced, primary, fixed or the yet-to-be-detailed individual protection.
- A new single-tier state pension will start in April 2016, replacing both the basic state pension and the second state pension (S2P). As a result, contracting out of S2P will disappear completely; it was scrapped for personal pensions and money purchase occupational schemes in April 2012.
- State pension ages (SPAs) are on the rise, with another increase – to 67 between April 2026 and March 2028 – now in the Pensions Bill going through parliament. The Bill also contains provisions for five yearly reviews of SPA.

Salary Sacrifice

National insurance contributions (NICs) can cost up to 25.8% of gross pay – up to13.8% for the employer and 12% for the employee. The corollary is that avoiding NICs can save up to 25.8% of pay. A widely applied example of turning NICs to an advantage is in the use of salary sacrifice to pay pension contributions. Instead of the employee making personal contributions out of their net pay, the employee accepts a lower salary and the employer makes a pension contribution. If the employer passes on all of the NICs savings, the pension contribution could be up to almost 34% higher, as the example shows.

A Worthwhile Sacrifice

	Personal Contribution		Salary Sacrifice Employer Contribution (sacrificed amount + NIC saving)	
Tax	**20% £**	**40% £**	**20% £**	**40% £**
Gross Salary	1,000	1,000	Nil	Nil
Employer Pension Contribution	Nil	Nil	1,138	1,138
Employer NI Contribution (13.8%)	138	138	Nil	Nil
Total Employer Outlay	1,138	1,138	1,138	1,138
Employee Salary	1,000	1,000	Nil	Nil
Less Income Tax	(200)	(400)		
Less NI Contributions (12%/2%)	(120)	(20)		
Net Pay = Net Pension Contribution	680	580		
Tax Relief	170	387		
Total Pension Contribution	**850**	**967**	**1,138**	**1,138**

Year End Planning If you are an additional rate taxpayer, the chance to obtain 50% tax relief on your personal pension contributions ends on 5 April 2013, after which the top rate drops to 45%.

Retiree/At Retirement

The Pension Landscape in 2013

There have been many changes to pensions since April 2012, with more about to take effect.

These include:

- A reduction in the standard lifetime allowance from £1.8m to £1.5m from 6 April 2012. This allowance effectively sets a tax-efficient ceiling for the value of pension benefit. A further cut to £1.25m is due from 6 April 2014. There will be an option to claim new transitional reliefs, but advice will be vital before any action is taken.
- Revised rules for income drawdown, probably effective from 26 March 2013, will generally increase the maximum income limit for capped drawdown within the following 12 months.
- Further increases to State Pension Age (SPA), both legislated for and planned. For women, SPA is now 61.
- A new single-tier state pension is to be introduced from April 2016. However, it will not affect you if you reach SPA before the new regime begins.

Pension Annuities

If you are due to start drawing an income from your pension plan, make sure that you take advice about your options. Since December 2012, EU law has meant insurance companies have had to offer new pension annuity purchasers unisex rates, ie the same rates for women and men. This has been bad news for men, as their annuity rates have fallen, and good news for women as their rates have risen. The annuity market is still adjusting to this change.
This makes it more important than ever that you seek advice on the available rates before buying a pension annuity.

Income Drawdown

The rules for income drawdown will change from 26 March, with the general effect of increasing the maximum capped withdrawal by 20%. In practice, drawing at the maximum is only suitable in special situations, but the added flexibility is welcome. Further down the line, the basis of withdrawal rates is now set for a review. Again, this is an area where advice is crucial.

Parents

Child Benefit
The High Income Child Benefit Charge – the child benefit tax – came into effect on 7 January 2013, although no tax has yet been collected. In 2013/14 the full effects of the new tax will start to be felt. If you or your partner has income of £60,000 or more, there will be a tax charge equal to your total child benefit unless you take the decision to stop benefit payment.

Between £50,000 and £60,000 of income, the tax charge is 1% of benefit for each £100 of income above £50,000. The result can be high marginal rates of tax in the £50,000-£60,000 income band. If you have three children eligible for child benefit, the marginal rate is 64.5%.

Tax-free childcare payment
A new payment for working parents was announced just before the Budget, but will only begin to be phased from autumn 2015. It will be worth 20% of childcare costs up to £1,200 per child per year under age 5 initially, but rising to under age 12. Over time it will replace the existing childcare vouchers system. For couples it will only be available if both partners are working. An income limit of £150,000 will apply – three times the level at which Child Benefit starts to be removed.

Junior ISAs
Junior ISAs (JISAs) were launched in November 2011 with an annual investment limit of £3,600, which will increase to £3,720 in 2013/14. JISAs can be invested in cash deposits and/or stocks and shares in any proportion and can usually be arranged for any child aged under 18 who was born before 1 September 2002 or after 2 January 2011. A child cannot have both a JISA and a Child Trust Fund (which will also have a £3,720 investment limit for 2013/14). However, there will be consultations on allowing Child Trust Funds to be transferred into JISAs, a move which has long been anticipated.

University Funding
Last autumn saw the start of the £9,000 a year maximum tuition fee for new students in England and Wales. New undergraduate numbers fell, but not significantly once demographics were taken into account. The longer term impact could be more significant.

Main Income Tax Allowances and Reliefs: Income Tax Rates

	2012/13 (£)	2013/14 (£)
Personal allowance – standard	8,105	9,440
– Born between 6 April 1938 and 5 April 1948	10,500	10,500
– Born before 6 April 1938	10,660	10,660
Personal allowance reduced if total income exceeds ∞	100,000	100,000
Married couple's allowance* – minimum amount	2,960	3,040
– maximum amount	7,705	7,915
Maintenance to former spouse*	2,960	3,040
Age-related allowances reduced if total income exceeds**	25,400	26,100
Employment termination lump sum limit	30,000	30,000

∞For 2012/13 and 2013/14 the reduction is £1 for every £2 additional income over £100,000.
As a result there is no personal allowance if total income exceeds £118,880 (£116,210 for 2012/13).
*Relief at 10%. Available only if at least one of the couple was born before 6 April 1935.
**For 2012/13 and 2013/14 the reduction is £1 for every £2 additional income over the total income threshold.
Standard allowance(s) only are available if total income exceeds:

	2012/13 (£)	2013/14 (£)
Taxpayer born between 6 April 1938 and 5 April 1948 [personal allowance]	30,190	28,220
Taxpayer born before 6 April 1938 [personal allowance]	30,510	28,540
Taxpayer born before 6 April 1935 [married couple's allowance]	40,000	38,290

Income Tax Rate

	2011/12 (£)	2012/13 (£)
Starting rate on savings income- 10%	1 – 2,710	1 – 2,790
Basic rate	20%	20%
Maximum tax at basic rate*	6,874	6,402
Higher rate - 40%	34,371-150,000	32,011-150,000
Tax on first £150,000*	53,125.60	53,598.00
Additional rate on income over £150,000	50%	45%
Discretionary and accumulation trusts (except dividends)**	50%	45%
Discretionary and accumulation trusts (dividends)**	42.5%	37.5%
Ordinary rate on dividends	10%	10%
Higher rate on dividends	32.5%	32.5%
Additional rate on dividends	42.5%	37.5%

* Assumes 10% band not available. £6,123 on first £32,010 (£6,603 on first £34,370 in 2012/13) and £53,319 (£52,854.60 in 2012/13) on first £150,000 if full 10% band is available.

** Up to the first £1,000 of gross income is generally taxed at the standard rate, ie. 20% or 10% as appropriate.

Car Benefits

The charge is based on a percentage of the car's "price". "Price" for this purpose is the list price at the time the car was first registered plus the price of extras.

For cars first registered after 31 December 1997 the charge, based on the car's "price", is graduated according to the level of the car's approved CO2 emissions.

For petrol cars with an approved CO_2 emission figure.

CO_2 g/km	% of price subject to tax		CO_2 g/km	% of price subject to tax		CO_2 g/km	% of price subject to tax	
	11-12	12-13		11-12	12-13		11-12	12-13
75 or less	5	5	130–4	17	18	180–4	27	28
76−94	10	10	135–9	18	19	185–9	28	29
95–99	10	11	140–4	19	20	190–4	29	30
100-4	11	12	145–9	20	21	195–9	30	31
105-9	12	13	150–4	21	22	200–4	31	32
110-4	13	14	155–9	22	23	205–9	32	33
115-9	14	15	160–4	23	24	210–4	33	34
120	15	15	165–9	24	25	215–9	34	35
121-4	15	16	170–4	25	26	220+	35	35
125–9	16	17	175–9	26	27			

Notes

1. The exact CO2 emissions figure should be rounded down to the nearest 5 g/km for levels of 95g/km or more (100g/km or more in 2012/13).
2. For all diesels add 3%, subject to maximum charge of 35%.
3. There is no charge for any car which cannot produce CO2.

Car Fuel Benefits

For cars with an approved CO2 emission figure, the benefit is based on a flat amount of £21,100 (£20,200 for 2012/13). To calculate the amount of the benefit the percentage figure in the above car benefits table (that is from 10% to 35%) is multiplied by £21,100. The percentage figures allow for a diesel fuel surcharge. For example, in 2013/14 a petrol car emitting 147 g/km would give rise to a fuel benefit of 21% of £21,100 = £4,431.

Inheritance Tax

	Cumulative chargeable transfers [gross]		tax rate on death %	tax rate in lifetime* %
	2012/13 (£)	2013/14 (£)		
Nil rate band**	325,000	325,000	0	0
Excess	No Limit	No Limit	40∞	20

* Chargeable lifetime transfers only.
** On the death of a surviving spouse on or after 9 October 2007, their personal representatives may claim up to 100% of any unused proportion of the nil rate band of the first spouse to die (regardless of their date of death).
∞ 36% where at least 10% of net estate before deducting the charitable legacy is left to charity.

Capital Gains Tax

Main exemptions and reliefs

	2012/13 (£)	2013/14 (£)
Annual exemption	10,600*	10,900*
Principal private residence exemption	No limit	No limit
Chattels exemption	£6,000	£6,000
Entrepreneurs' relief	Lifetime cumulative limit £10,000,000. Gains taxed at 10%	Lifetime cumulative limit £10,000,000. Gains taxed at 10%

**Reduced at least by 50% for most trusts.*

Rates of tax
– Individuals: 18% on gains within basic rate band, 28% for gains in higher and additional rate bands
– Trustees and personal representatives: 28%

Stamp Duty And Stamp Duty Land Tax

Residential	Commercial	Rate
£125,000* or less	£150,000 or less	Nil
Over £125,000 up to £250,000	Over £150,000 up to £250,000	1%
Over £250,000 up to £500,000	Over £250,000 up to £500,000	3%
Over £500,000 up to £1,000,000	Over £500,000	4%
Over £1,000,000 up to £2,000,000	N/A	5%
Over £2,000,000	N/A	7%*
*15% for purchases by certain non-natural persons		
Stamp Duty (including SDRT): stocks and marketable securities		**0.5%**

No charge unless the duty exceeds £5

Corporation Tax

Year Ending 31 March	2013	2014
Main rate	24%	23%
Small profits rate*	20%	20%
Small profits limit*	£300,000	£300,000
Upper marginal level	£1,500,000	£1,500,000
Effective marginal rate	25%	23.75%

** Formerly the small companies' rate/limit*

Tax-Privileged Investments – ISA

	2012/13 (£)	2013/14 (£)
Overall per tax year:	11,280	11,520
Cash component:	5,640	5,760
Stocks and shares component: Balance up to	Balance up to 11,280	Balance up to 11,520
Maximum in cash for 16 and 17 year olds	5,640	5,760
Junior ISA (from 1 November 2011)	3,600	3,720
Enterprise Investment Scheme (30% income tax relief)	1,000,000*	1,000,000*
Maximum carry back to previous tax year for income tax relief	1,000,000	1,000,000
Seed Enterprise Investment Scheme (50% income tax relief and CGT reinvestment exemption)	100,000**	100,000**
Venture Capital Trust (30% income tax relief)	200,000	200,000

**No limit for CGT reinvestment relief. **100% CGT reinvestment exemption in 2012/13 and 50% exemption in 2013/14*

Tax-Privileged Investments – Pensions

	2012/13 (£)	2013/14 (£)
Lifetime allowance*	1,500,000	1,500,000
Lifetime allowance charge: Excess drawn as cash Excess drawn as income	55% of excess 25% of excess	
Annual allowance	50,000	50,000
Annual allowance charge	20%-50% of excess	20%-45% of excess
Maximum relievable personal contribution	100% relevant UK earnings or £3,600 gross if greater	

**May be increased under 2006 or 2012 transitional protection provisions*

National Insurance Contributions

Class 1 Employee Not Contracted Out of State Second Pension (S2P)	2012/13		2013/14	
	Employee	Employer	Employee	Employer
Main NIC rate	12%	13.8%	12%	13.8%
No NICs on first	£146 pw	£144 pw	£149 pw	£148 pw
Main NIC charged up to	£817 pw	No limit	£797 pw	No limit
Additional NIC rate on earnings over	2% £817 pw	N/A	2% £797 pw	N/A
Certain married women	5.85%	13.8%	5.85%	13.8%

Contracted Out Rebates	2012/13		2013/14	
Rebate on	£107.01 – £770 pw		£109.01 – £770 pw	
Salary-related scheme	3.4%	1.4%	3.4%	1.4%

Limits and Thresholds	2012/13		2013/14	
	Weekly £	Yearly £	Weekly £	Yearly £
Lower earnings limit	107	5,564	109	5,668
Secondary earnings threshold	144	7,488	148	7,696
Primary earnings threshold	146	7,605	149	7,755
Upper accrual point	770	40,040	770	40,040
Upper earnings limit	817	42,475	797	41,450

Self-employed and non-employed	2012/13	2013/14
Class 2		
Flat rate Small earnings exception	£2.65 pw £5,595 pa	£2.70 pw £5,725 pa
Class 4 *(Unless over state pension age on 6 April)*		
On profits	£7,605 – £42,475 pa: 9% Over £42,475 pa: 2%	£7,755 – £41,450 pa: 9% Over £41,450 pa: 2%
Class 3 (Voluntary)		
Flat rate	£13.25 pw	£13.55 pw

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