

# BUDGET SUMMARY 2003

This year's budget sees very few tax changes, but there are some issues which may be of relevance. We have highlighted below those areas which we feel will be of most interest to you.

## **BUSINESS TAX**

### **Corporation Tax**

No significant changes were announced in respect of the taxation of limited companies. The basic rate remains at 19% for taxable profits of less than £300,000 and those with less than £10,000 of profits continue to pay no corporation tax.

### **Capital Allowances**

The availability of 100% first year allowances for purchases of computer equipment has been extended to cover purchases up to 31st March 2004. The chancellor is also giving 100% Capital Allowances on purchases of equipment that can reduce water usage (such as water meters) and improve water quality.

### **VAT**

\*The registration threshold rises to £56,000 from 10<sup>th</sup> April 2003.

\* An amnesty has been announced for traders who should have registered for VAT but have not yet done so. The amnesty period extends to 30<sup>th</sup> September 2003; traders will still be liable for all the back tax but will not incur late registration penalties.

\*The details required to be shown on invoices and credit notes are to be standardised throughout Europe by 1<sup>st</sup> January 2004. This may mean some amendments to your stationery. The final details will be announced later during 2003. There will be simplified invoices for small businesses and low value transactions.

### **Other Matters**

The generous tax credits available to limited companies for research and development can now be claimed once the expenditure reaches £10,000 p.a (previously £25,000).

## **PERSONAL TAX**

### **Income Tax**

The personal allowance has been frozen at £4,615 for those aged under 65. Income tax rates stay the same but the bandings rise with inflation. This means the 40% income tax rate starts once your total income exceeds £35,115.

### **Employee Tax issues -**

\*The new rules for taxing car fuel benefit came into force on 6<sup>th</sup> April 2003; this is now linked to the cars CO<sub>2</sub> emissions using the same tables as those for the main car benefit.

\*The annual amount that can be spent per head by an employer on staff parties and outings has been doubled from £75 to £150 - so cancel the day out in Brighton and book that trip to Paris.

\*If you do any of your work at home, you can now claim £2 per week (£104 p.a.) without any evidence of the amount spent, more can be claimed but you might be required to provide details to justify the higher amount.

### **Child Trust Fund**

All children born from September 2002 onwards will have £250 (£500 for those from low income families) put into an endowment fund on their behalf by the government. Families can add to this by up to £1,000 p.a. Children will be able to access the funds at age 18.

### **Capital Gains Tax**

The annual exemption rises to £7,900. There will be some simplification in the need to declare Capital Gains on your tax return when no tax is actually payable.

### **Stamp Duty**

From 1<sup>st</sup> December 2003 there will be no duty on transfers of non-residential property where the value is less than £150,000 (the residential property zero rate band remains at £60,000).

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