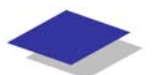


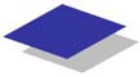
The 2002 Budget Report

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**The Budget
changes
proposed by
Gordon Brown,
the Chancellor of
the Exchequer, on
17 April 2002**

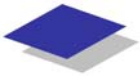




Quick Overview - The main points of Chancellor Gordon Brown's 2002 Budget

- Economy growth in 2004 from 2.5% to 3%; growth rising in 2003 to between 3% and 3.5%; UK growth will be between 2 and 2.5% this year; Britain grew by 2.2% in 2001
- UK steering a 'steady course of stability'
- Lowest interest rates for 40 years
- Highest growth rate of major competitors last year
- Debt interest will fall to £21bn this year, 2% of national income
- Extra £4bn for public spending next year
- Small companies starting rate cut from 10% to zero
- Small companies tax cut by 20p to 19p with immediate effect
- Plan to extend flat rate VAT to more small firms from next April
- Capital gains tax cut
- Extra £30m for small firms training needs
- Direct cash help to small firms filing tax returns online
- Automatic relief for VAT on bad debts for small firms
- Abolish automatic fines for late VAT payment for 700,000 small firms
- Abolish stamp duty relief for business transactions in poor areas
- Exempt green electricity from climate change levy
- Cut of £55 in licence fee for least polluting vans
- Road tax cut for least polluting cars and motorbikes
- Exempting bingo players from tax
- Abolish royalty on North Sea Oil
- Village pubs and small breweries duty paid on own beer halved, a cut worth 14p off each pint - in time for this year's World Cup
- Review tax rules on foreign domiciled individuals
- Changes to the tax regime for British qualifying films
- Close tax avoidance loopholes on stamp duty
- New measures to help long-term unemployed
- Extending "step up" scheme for unemployed
- Lone parents guaranteed £179 a week and help with childcare
- Guaranteed income of £237 a week for working families with children
- £400 a year more a year for single pensioners
- Single disabled person in work guaranteed £194 a week
- Age related tax allowance raised to £6,610
- Tax breaks for amateur sports clubs
- £25 more a year for single people in low incomes
- £53 more for working people without children
- Pensions up by £3 a week for single OAP and £4,80 for couples
- £2.5bn extra for working families
- First year of child's life new tax credit will be available to families earning up to £66,000 a year
- New child tax credit available for families earning up to £58,000 a year
- Families with two children earning up to £35,000 will receive up to £50 a week help with childcare
- Child credit will be raised with earnings for rest of parliament - £54.25 for the first child and £92.75 for two child family
- Direct payments to headteachers to go up to £114,000 per school this year
- NHS - more choice for patients; new financial incentives for hospitals; independent audits and scrutiny of NHS treatments; no free way of increasing health service spending'; local reports showing how health money has been spent; annual report to parliament by independent auditor; a five year financial settlement for the NHS to increase health spending by 7.4% a year; 43% rise in NHS spending over five years – the Chancellor rules out 'social insurance' funding for NHS. He said that the NHS is best funded out of general taxation and is free at the point of need
- Extra £1bn in 2002/3 for NHS through cash savings elsewhere
- 1% increase in National Insurance contributions across the board
- Freeze on fuel duty
- 6p on a packet of cigarettes
- Freeze duty on beer, spirits and wine
- Freeze on vehicle road tax













Support for SMEs

The Chancellor said that his 2002 Budget is a Budget for enterprise - small businesses received a further boost as a package of measures were announced to cut taxes and reduce compliance costs, promoting entrepreneurial spirit and supporting new business start-ups.

The package will offer reductions in tax and compliance cost burdens for up to 900,000 businesses in the UK. It includes:

-  cutting the corporation tax starting rate from 10 per cent to zero - meaning that 150,000 companies will no longer pay any corporation tax;
-  cutting the small companies' rate from 20 per cent to 19 per cent - benefiting over 335,000 additional companies;
-  measures to ease the impact of VAT on small business including: an increase in the VAT registration threshold to £55,000, keeping 4,000 businesses out of the VAT net; an optional flat rate scheme, which will allow 500,000 small firms to cut their compliance costs by up to £1,000, and will be extended to 200,000 more small firms with turnovers up to £150,000 next April; the removal of automatic penalties for all those firms with turnovers of up to £150,000, who will instead first be offered help and advice when they are late with their VAT payments; reforms designed to make it easier for businesses to join the VAT annual accounting scheme, and to recover VAT on bad debts; and the introduction next year of a targeted scheme to allow approved importers to delay accounting for VAT on their imports, significantly cutting compliance costs and improving cashflow.
-  implementing a three-stage move towards universal electronic filing of employer PAYE returns, with financial incentives to encourage small employers to make greater use of IT, as recommended by the Carter Review of Payroll Services;
-  a cut in beer duty for small brewers from June 2002, offering a 50 per cent cut in duty for those producing up to half a million litres and duty savings worth over £120,000 for breweries producing up to 3 million litres of beer per year. In total, 9 out of 10 breweries will benefit from the scheme;

-  providing greater flexibility for Venture Capital Trusts (VCTs) by enabling VCTs to merge or be wound up without investors losing tax reliefs;
-  announcing successful bidders for pilot projects to help small firms get 'investment ready' by improving their ability to attract external finance to meet their growth aspirations;
-  modernising the way the Construction Industry Scheme deductions are set off against tax liabilities during the year to improve the cash flow of around 20,000 companies in the construction industry - from 6 April 2002 companies operating as subcontractors in the Construction Industry Scheme (CIS) who receive payments net of CIS deductions will benefit from new arrangements that will improve their cash flow. Companies who have deductions made from their income as subcontractors will no longer have to wait until the end of their accounting period before they can set off these deductions against other liabilities. The deductions can now be set off against PAYE and NICs and any CIS liabilities due from employees and subcontractors they engage.



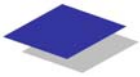
Income tax rates and allowances

The rate of tax applicable to savings income in section 1A, ICTA 1988, other than dividends, is 20 per cent for income falling between the starting rate and basic rate limits. The rates of tax applicable to dividends are 10 per cent for income below the basic rate limit and 32.5 per cent above it.

The rate of relief for the continuing married couple's allowance and maintenance relief for people born before 6 April 1935, and for the children's tax credit, is 10 per cent.

As announced in Budget 2001, a baby rate of children's tax credit has been introduced from April 2002. This will mean that for these families CTC will be worth up to £1,049 in the tax year of the child's birth.

For 2003-04, the income tax personal allowance for those aged under 65 will be frozen. The personal allowance for those aged 65 - 74 will be increased to £6,610, and for those aged 75 or over it will be increased to £240 above statutory indexation.



Inheritance tax

The value of estates above the threshold is taxed at 40 per cent. The threshold is being increased by £3,000 more than statutory indexation. The estimated number of taxpaying estates in 2002-03 will be about 24,000. This is around 4 in 100 deaths.

Pension schemes earnings cap

The main effect of the cap is to set a ceiling on the contributions that can be paid to, and the benefits that can be paid by, tax approved pension schemes. It generally applies to people who contribute to a personal pension scheme, joined an occupational scheme set up since 14 March 1989, or joined any occupational scheme from 1 June 1989 that was set up before 14 March 1989. From 6 April 2001 the cap will apply to people who contribute to stakeholder pension schemes.

Corporation tax

The corporation tax starting rate is reduced from 10 per cent to zero for companies with taxable profits below £10,000.

The small companies' rate is reduced from 20 to 19 per cent for companies with taxable profits between £50,000 and £300,000.

Marginal relief eases the transition from the starting rate to the small companies' rate for companies with profits between £10,000 and £50,000. The fraction used in the calculation of this marginal relief will be 19/400.

Marginal relief also applies to companies with profits between £300,000 and £1,500,000. The fraction used in the calculation of this marginal relief will be 11/400.

The profits limits may be reduced for a company which is part of a group or has associated companies. The lower rates and marginal reliefs do not apply to close investment holding companies.

NICs

The Chancellor announced an increase in the rates of National Insurance contributions (NICs) which will be introduced in 2003-04. There will be an additional 1 per cent national insurance contribution (NIC) by employers, employees and the self-employed on all earnings above the NICs threshold of £89 per week. This is in addition to existing rates of contribution below the upper earnings limit for employees and the upper profits limit for the self-employed.

This means that the starting point for both employers' and employees' NICs in 2003-04 will be £89 per week and no employee will pay NICs on earnings below this amount.

New Tax Credits: A £2.7 Billion Boost for Families and the Low Paid

Two new tax credits - the Child Tax Credit and the Working Tax Credit - will be introduced from April 2003 providing an additional £2.7 billion to support families with children, tackle poverty and make work pay.



Child Tax Credit will combine all income-related support for children and will be paid direct to the main carer, usually the mother, creating one system of support spanning welfare and work;



The Working Tax Credit will provide a guaranteed income from full-time work for those aged 25 or over without children or a disability of £183 per week for couples and £154 per week for single people;



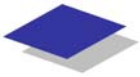
The Child Tax Credit will provide a total of £13 billion in support, benefiting around 5.75 million families;



For the first child, universal Child Benefit and the Child Tax Credit will provide £54.25 a week to all families with incomes less than £13,000 while all families with incomes less than £50,000 are guaranteed £26.50 a week;



Child Tax Credit will be extended to some who are currently excluded from all but Child Benefit such as students and student nurses;



From April 2004, the child elements of the Child Tax Credit will be updated at least in line with earnings rather than prices for the rest of the Parliament.

The Child Tax Credit brings together the various strands of support for families with children - the child elements in Income Support, Jobseeker's Allowance, Working Families' Tax Credit (WFTC), Disabled Person's Tax Credit (DPTC) and the Children's Tax Credit - into one streamlined system.

The Working Tax Credit will broadly replicate the adult support in WFTC and extend the principles of WFTC and DPTC to adults without children to create one transparent instrument to make work pay, paid through the wage packet. It will also include support with the costs of childcare, building on the success of the existing childcare component of WFTC and DPTC

Stamp Duty

The Chancellor today announced a package of measures to tackle current avoidance of stamp duty on commercial property transactions and launched major reform to modernise stamp duty on land and buildings in the UK.

Tackling avoidance

Legislation will be included in Finance Bill 2002 to discourage a range of techniques currently used to avoid stamp duty on high-value property deals. Left unchecked, this activity represents a major threat to the Exchequer. The Government says it is determined to take steps to ensure stamp duty is paid on the full range of transactions in UK property. These measures bring forward a fundamental part of the longer-term modernisation of stamp duty.

Modernising stamp duty

The main reforms are set out in a consultative document, which seeks views on the detail of the modernised regime. Legislation will be included in the Finance Bill 2003 to reform stamp duty. The reform will build on the 2002 measures to tackle avoidance, and will:



Support the Government's e-business agenda, in particular the introduction of paperless electronic Conveyancing;

and



Update the framework of the tax, bringing it into line with more modern taxes.

Impact of the Changes

For the vast majority of individual house-buyers, tenants and their agents, and for most businesses, stamp duty will continue to be payable on transactions in the usual way, though there will be changes to the administration of the tax. Modernisation will pave the way for future changes to the house-buying process, in particular, the introduction of electronic documents that will, over time, replace the current paper-based systems. For more complex, higher-value commercial transactions, the revised regime will be less open to abuse and will provide a streamlined approach to assessing and collecting any stamp duty due. The consultation will invite views on the detail of how this will work in practice.

The reformed stamp duty charge will apply to all transactions in respect of interests in UK land and buildings. So, as now, it will apply to purchases of freeholds and leaseholds over £60,000, and to certain new leases. The reform will not have any significant impact on either the stamp duty, or the main stamp duty reserve tax (SDRT), charge on shares.

It is anticipated that all existing reliefs and provisions will be carried forward to the revised regime, unless they are no longer needed or could be exploited to undermine that regime. In particular, the stamp duty relief for land and property in disadvantaged areas will be carried forward.

New reliefs

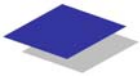
The revised regime will not apply to:



Transfers of and agreements to transfer, goodwill. These will be exempted from stamp duty with effect from 23 April 2002. This change puts goodwill on a consistent footing with other intellectual property, and will bring immediate benefit to sales of UK businesses.



Transfers of debts. These will be removed from the scope of the modernised stamp duty regime with effect from late 2003 and will make it easier for companies to raise finance through debt factoring and the issue of bonds secured on debt portfolios.



Alcohol and Tobacco Duties

Duty on beer and wine will be frozen, while tobacco duties will rise in line with inflation.

Spirits duty will be frozen for the fifth Budget in succession - the longest period without an increase since the 1950s - to strengthen the international competitiveness and domestic base of the UK spirits industry. Without those freezes, a bottle of spirits would be 73 pence more expensive than it is today. The Government also decided against the introduction of tax stamps on bottles of spirits, which would have significantly increased industry costs, and instead announced plans to work with the spirits industry to tackle the problems of fraud.

Small breweries

A radical reform of beer duty will be introduced in June 2002 to support the nation's traditional small brewing industry, with reduced rates of duty worth more than £120,000 for breweries producing up to 3 million litres of beer per year, and a 50 per cent cut in duty for those producing up to half a million litres, equivalent to £40 off each barrel they produce. In total, 9 out of every 10 UK breweries will benefit from the scheme.

Other alcohol duties

Duties on wine and the beer produced by larger brewers will also be frozen for the second Budget in succession. Duty on spirits-based coolers - which has until now been set at a concessionary low rate - will be brought into line with spirits. Duty on cider will be cut by half a penny per pint in real terms.

Tobacco

Tobacco duties will rise in line with inflation to maintain the real cost of cigarettes and thereby support the Government's objectives to reduce smoking. Tax on a packet of 20 cigarettes will go up by 6 pence.

Works Buses

The exemption that allows employees to travel from home to work tax and NICs free on an employer provided bus with 12 passenger seats or more, is to be extended to minibuses with 9-11 passenger seats.

Fuel Charge

Who is likely to be affected?

Employees who have a company car and receive free fuel for private mileage and their employers who provide free fuel for private mileage.

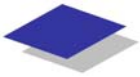
General description of the measure

The Chancellor announced in the Budget, proposals for a new fuel scale charge that will, like the new company car benefit charge, be linked directly to the CO₂ emissions of the company car. A percentage will be calculated, based on the level of CO₂ emissions of the car, with a 3 per cent supplement for diesels and discounts for alternative fuelled cars. The percentages for petrol and diesel range from a minimum of 15 to a maximum of 35 per cent. The percentage for alternative fuels and hybrid cars can be below 15 per cent with discounts. This same percentage figure will be used to calculate the tax and Class 1A National Insurance contributions due on both car and fuel benefits. To calculate the tax due on free fuel the percentage figure will be multiplied against a set figure for the year.

Where an employee opts out of free fuel during the tax year, it is proposed that they will be entitled to pay only the proportion of the full annual tax charge related to the part of the year in which they received free fuel. The amount of Class 1A NICs due will also be proportionally reduced. However, opting back into free fuel later in the same tax year will result in a full year's tax and Class 1A NICs charge becoming due.

Operative date



6 April 2003.



Energy-Friendly 100 Per Cent Enhanced Capital Allowances

Who is likely to be affected?

All businesses can claim 100 per cent enhanced capital allowances (first-year allowances) on the amount they spend on the purchase of:




-  New low-emission cars for use in their business or by their employees; and
-  Equipment for refuelling vehicles with natural gas or hydrogen fuel.

Businesses may now claim 100 per cent enhanced capital allowances on their spending on designated energy-saving technologies for leasing, letting or hire.

General description of the measure

Low emission cars

Expenditure incurred on a new car can qualify for 100 per cent enhanced capital allowances if:

-  it is registered on or after 17 April 2002; and
-  either emits not more than 120gm/km CO₂; or
-  it is electrically propelled.

The CO₂ emissions figure comes from the car's EC certificate of conformity or UK approval certificate. The figure can be found on the car's registration document.




Low emission cars are also removed from the special capital allowance rules for cars whose retail price exceed £12,000, that restrict the amount of capital allowances and lease rentals a business can deduct in computing its profits for tax.

Natural gas/ hydrogen fuel infrastructure

Expenditure incurred on plant and machinery to refuel vehicles with natural gas or hydrogen fuel can qualify for 100 per cent enhanced capital allowances. The eligible equipment can include items such as storage tanks, compressors, pumps, controls, gas connections and filling equipment.

Assets for leasing

Expenditure incurred on certain assets for leasing can qualify for 100 per cent enhanced capital allowances. The assets comprise

-  low emission cars,
-  natural gas/hydrogen refuelling equipment, and
-  energy-saving equipment within the ECAs scheme introduced last year.

Operative dates

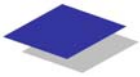
The measures will apply to expenditure incurred from Budget day, 17 April 2002. The schemes for qualifying cars and refuelling infrastructure run to 31 March 2008. The scheme for energy-saving investments is open-ended.

British Qualifying Films

The Chancellor announced intended changes to the tax regime for British qualifying films to restrict relief to films intended for theatrical release at the commercial cinema. Subject to discussion with the industry on the details of implementation, films completed on or after 17 April 2002 that do not meet the criterion will not be eligible for relief. Those completed before 1 January 2002, but not certified as British qualifying by the Department of Culture, Media and Sport before 17 April 2002, will also not be eligible for relief.

The changes to film tax relief will include a measure to restrict the main tax relief, for British qualifying films with budget not exceeding £15 million, to production expenditure which has been paid at the time the film is completed, or is unconditionally payable within four months of the date the film is completed.

This measure counteracts arrangements where the relief was claimed prior to the expenditure being paid for.



Charitable Donations

Who is likely to be affected?

Charities, their donors and tax advisers.

General description of the measure

New incentives to encourage taxpayers to give to charity when they make their annual tax return. The main incentives are:

- Advertising the facility on the tax return and making it easy for taxpayers to donate;
- Allowing higher rate taxpayers to carry back their portion of Gift Aid relief (18 per cent) to the previous year; and
- Allowing taxpayers to nominate a charity to receive all or part of a tax repayment that is due to them.

Operative date

The new incentives will take effect from 2003 and 2004.

Gifts of Real Property to Charities

Who is likely to be affected?

Any individual or company who wishes to give land or buildings to charity.

General description of the measure

The measure will provide an income or corporation tax relief for individuals or companies who give land or buildings to a charity. The relief will be available for gifts of freehold or leasehold property, which a charity agrees to accept.

Operative date

1 April 2002 for gifts made by companies and 6 April 2002 for gifts made by individuals.

Community Amateur Sports Clubs (CASCs)

Who is likely to be affected?

Any sports clubs which meets the statutory definition as:

- open to the whole community;
- organised on an amateur basis; and
- providing facilities for, and promoting participation in, one or more eligible sports.

General description of the measure

The measure will provide a range of tax reliefs for qualifying CASCs and some incentives for individuals to support their local CASC through donations. CASCs will enjoy exemption from:

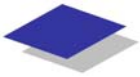
- corporation tax on interest;
- corporation tax on any trading income up to £15,000;
- corporation tax on income from property up to £10,000; and
- capital gains tax on disposals of assets.

Donors to CASCs will be able to give using the following reliefs:

- Gift Aid for individuals;
- inheritance tax;
- gifts of assets to a CASC on a no gain/no loss basis for capital gains purposes for both individuals and businesses; and
- gifts of trading stock and plant and machinery by businesses.

Operative date

1 April 2002 for the reliefs for CASCs themselves and 6 April 2002 for incentives for individuals to donate to them.



Life Assurance Policy Gains

Who is likely to be affected?

The measure will benefit owners of life insurance products who assign the whole of a policy or contract for consideration and the owners of certain qualifying life insurance policies.



General description of the measure

The provision will ensure that the gain on a whole assignment for consideration is properly calculated for the future. It does this by excluding from the calculation the value of any assignment by way of gift of a share of a policy or contract which was not itself taxable.

The provision will also ensure that the protection from higher rate tax given historically to owners of qualifying policies is not limited by the changes made in last year's Finance Act.

Operative date

The different parts of the measure have different operative dates:

-  The part dealing with assignments of insurance products is to have effect for all whole assignments for consideration made on or after 6 April 2002, and
-  The part dealing with chargeable events on qualifying policies is to have effect for all policy years beginning on or after 6 April 2001.

Capital Gains Tax (CGT)


The annual exempt amount is increased to £7,700 for individuals, trustees of settlements for the disabled, and personal representatives of the estate of a deceased person, and £3,850 for other trustees. For individuals, the amount chargeable to CGT is added to the income liable to income tax and is treated as the top part of that total. CGT is charged at the following rates: below the starting rate limit at 10 per cent, between the starting rate limit and basic rate limit at 20 per cent, and above the basic rate limit at 40 per cent.

Rates for trusts

The rate applicable to trusts remains unchanged at 34 per cent for 2002-03 and the Schedule F trust rate remains unchanged at 25 per cent.

CGT Simplification

The Budget press releases provide details of the following aspects of CGT simplification:

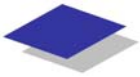
-  An opt out for incorporation relief
-  Same day share acquisitions by employees
-  Deemed securities and taper relief
-  Corporate reconstructions and exchanges of securities
-  Trading losses and taper relief
-  Taper relief: anti-avoidance provisions
-  Personal losses and amounts attributed to settlors in respect of trust gains
-  Definitions for taper relief
-  Elections in respect of variations of wills (which also affects Inheritance Tax (IHT)).
-  The measures are subject to legislation to be introduced in Finance Bill 2002.

An opt out for incorporation relief

This is likely to affect individuals and trustees who incorporate a business that they previously carried on and dispose of the shares in the new company soon after.

A person will be able to elect that incorporation relief does not apply. This could be advantageous for their entitlement to taper relief.

Operative date - transfers of business on or after 6 April 2002. Election generally to be made within two years of 31 January following the end of the year of assessment in which the business was transferred. A shorter time limit to apply when all the shares in the company that were received on the transfer are disposed of in the tax year of transfer or the following tax year.



Same Day Share Acquisitions by Employees

This is likely to affect individuals who acquire shares under different employee share schemes on one day and then dispose of some of them.

People will be able to elect that shares with a smaller capital gain are disposed of in priority to those that would give rise to a larger capital gain.

Operative date - disposals on or after 6 April 2002 of shares acquired on or after that date. The election must be made on the earliest disposal of any of the shares acquired on the day in question.

Deemed Securities and Taper Relief

This is likely to affect individuals and trustees disposing of certain debentures that had been received in exchange for shares or securities.

Debentures that, while not securities, are treated as securities under some CGT rules will also be treated as securities for taper relief. This means that they can qualify for the more generous rules for business asset taper relief that apply to shares and securities.

Operative date - disposals on or after 6 April 2001 and for holding periods from 6 April 1998. However, for these debentures, taper relief anti-avoidance and revenue protection measures that apply to securities will not apply to disposals before 17 April 2002, or in relation to events and holding periods before 17 April 2002.

Corporate Reconstructions and exchanges of securities

This is likely to affect companies that reconstruct, divide, or amalgamate, and the share and debenture holders in those companies.

Transactions currently treated as reconstructions under Inland Revenue Statement of Practice SP 5/85 will be treated as such by primary legislation. The rules which apply where shares or debentures in one company are issued in exchange for

those in another company will be extended to apply to companies without share capital.

Operative date - where the issue of shares or debentures under the reconstruction etc takes place on or after 17 April 2002.

Trading Losses and Taper Relief

This is likely to affect anyone who claims relief for the trading losses of an unincorporated business against gains chargeable to CGT

Eligible trading losses may be set against the gains chargeable to CGT before taper relief is applied.

Operative date - this measure will apply in relation to trading losses sustained in tax years from 2004-05 onwards. For losses sustained in 2002-03 or 2003-04 a taxpayer can elect for the new rules to apply. The time limit for such elections is 31 January 2005 and 2006 respectively.

Taper Relief: Anti-Avoidance Provisions

This is likely to affect those holding shares in close companies where there has been a relevant change of activity or which have been 'inactive'.

The 'anti-enveloping' rule will be repealed. Any period of time where a close company is not active will not count for taper relief on shares in that company.

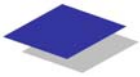
Operative date - disposals from 17 April 2002; holding periods from 6 April 1998.

Personal Losses And attributed Trust Gains

This is likely to affect settlors and trustees of settlor-interested resident and non-resident trusts.

Settlors will be able to set personal losses against amounts attributed to them in respect of certain trust gains.

Operative date - the new provision will apply in respect of gains treated as accruing to any person in 2003-04 and later years of assessment. Settlors will be able to elect for the new provision to apply in respect of gains



arising in the tax years 2000-01, 2001-02 or 2002-03. If an election means that trustees would have to reimburse the settlor a greater amount in respect of 2000-01, 2001-02 and 2002-03 taken together than under the current rules, then the election would need to be made jointly by the settlor and the trustees of the settlement. The time limit for an election in respect of any of these tax years will be 31 January 2005.

Definitions for taper relief

This is likely to affect holders of shares or securities.

Some definitions for taper relief will be changed.

Operative date - the new definitions will apply for disposals on or after 17 April 2002 and for periods of holding from 17 April 2002.

Elections in respect of variations of Wills etc

This is likely to affect people who vary their entitlement to share in a deceased person's estate, and such an estate's executors. In future the variation will automatically apply for CGT purposes if the people making it specify in the variation that it is to have that effect. The same applies for Inheritance Tax (IHT) purposes. A further election to the Inland Revenue will not be necessary.

Operative date - for variations made on or after 1 August 2002.

CGT – Business Assets Taper Relief

Who is likely to be affected?

Employees, entrepreneurs, venture capitalists and others who dispose of business assets.

General description of the measure

The maximum rate of business assets taper relief will be available after assets have been held for two years, not four.

Operative date

The new provision will apply to disposals made on or after 6 April 2002 (i.e. not just to disposals of assets held for more than two years after 6 April 2002):

Example

Bill bought an asset on 5 May 2000 and sold it on 10 June 2002. It was a business asset throughout. Because it had been held for more than two whole years at the time of disposal, 25 per cent of the gain is chargeable to tax.

Taxation of Intellectual Property, Goodwill and other Intangibles

Who is likely to be affected?

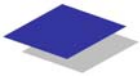
All companies within the scope of corporation tax are potentially affected by this reform.

General description of the measure

The new regime provides for companies to obtain tax relief for the cost of intangible assets, in most cases based on the amortisation reflected in their accounts. There is also provision for tax allowances at a fixed rate of 4 per cent per annum to provide for relief in the case of indefinite or longer-life assets.

The new rules apply to expenditure on the creation, acquisition and enhancement of intangible assets (including abortive expenditure), as well as expenditure on their preservation and maintenance. Relief under the new regime will therefore be available for the cost of internal development, as well as acquisition, of intangible assets.

Payments for the use of intangibles will also be within the scope of the new regime. The charge on income rules will no longer apply to royalty payments and relief will be given in line with the accounting treatment. The taxation of royalty receipts will also follow the accounts.



Disposals of intangible assets will be taxed on an income basis under the new regime. A roll-over relief will apply where disposal proceeds are reinvested in new intangible assets within the regime.

Intangible assets that companies hold at commencement will generally be taxed under current law, subject to the changes in roll-over relief described below.

Capital gains on the disposal of intangible assets held at commencement will qualify, where appropriate, for roll-over relief under the new arrangements for intangible assets.

Disposals by companies of goodwill and agricultural and fishing quotas held at commencement will not qualify for capital gains roll-over relief, except where reinvestment under the capital gains rules took place before 1 April 2002 and within the 12-month period prior to the disposal.

Purchases of goodwill and quotas after commencement are no longer qualifying acquisitions for the purpose of capital gains roll-over relief.

Operative date

The new regime takes effect from 1 April 2002.

Research & Development Tax Credits

Who is likely to be affected?

Companies spending money on research and development (R&D), including those which subcontract work to universities, charities, scientific research organisations, NHS bodies and certain Government funded research establishments.

General description of the measure






An R&D tax credit for companies which are small and medium enterprises (SMEs) was introduced in 2000. This scheme will continue as before, but in addition, the new measure extends a credit to all other companies ("large" companies).

Large companies will be entitled to an additional deduction from their taxable income of 25 per cent of their current spending on qualifying R&D, in addition to the normal 100 per cent deduction.

For example, if a company spends £100,000 on qualifying R&D it will be able to deduct £100,000 from its taxable income under ordinary tax rules and an additional £25,000 under the R&D tax credit. For a company paying the main rate of corporation tax at 30 per cent the credit would therefore give a reduction in tax of £7,500.

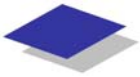
The definition of "research and development" used for the new credit is the same definition as that used for the SME R&D tax credit, at Section 837A ICTA 1988. An activity will qualify as R&D for tax purposes if it would be treated as R&D under normal accounting practice for companies in the UK (Statement of Standard Accountancy Practice 13, SSAP13), as qualified by the "Guidelines on the Meaning of Research and Development for Tax Purposes" issued by the Secretary of State for Trade and Industry. These guidelines are available on the Internet at www.dti.gov.uk/support/taxcredit_b.htm

Companies will not, in general, receive credit for work which they subcontract to others. However they will be able to claim the credit for R&D work which they subcontract to:

-  universities and other higher education institutions;
-  charities;
-  scientific research organisations;
-  NHS bodies; and,
-  individuals or partnerships of individuals.

Companies will also be able to claim credit for contributions made to the same organisations to cover work which is not actually "subcontracted" and from which the company will not, therefore, necessarily gain direct benefit.

There is no requirement that a company making a claim retains intellectual property rights (IPR) from the R&D. And companies will be able to claim the credit for work which has been subcontracted to them by others.



The exception to this is that where a SME company subcontracts work to a large company. The SME will continue, as at present, to receive credit under the existing scheme, at a higher rate of 50 per cent. To prevent double counting, the large company will not be able to claim.

Conversely, where a large company subcontracts R&D work to a SME, the SME, which cannot claim credit under the existing scheme, will be able to claim credit under the new rules - ie at a rate of 25 per cent instead of 50 per cent.

Where the principal and the subcontractor are members of the same group, expenditure of the subcontractor will be considered to be R&D if the payment made by the principal is itself R&D. This will prevent spending by the subcontractor being disallowed if the subcontractor is merely carrying on a routine activity as part of some wider project of the group.

Operative date

Companies will be entitled to R&D tax credit on qualifying expenditure incurred on or after 1 April 2002.

No Tax Relief for Bribes

Who is likely to be affected?

Businesses that make inducement payments overseas.

General description of the measure

The law is being amended to ensure a business cannot take a tax deduction on expenditure incurred on the making of a payment, which would be a criminal payment if made in the UK.

Operative date

The change applies to expenditure incurred on or after 1 April 2002.

Taxation of UK Branches of Foreign Companies

Who is likely to be affected?

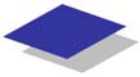
Mainly foreign companies operating in the UK through a branch rather than a subsidiary. This measure will affect the way the taxable profits for the branch are measured and it is likely to impact most significantly in the banking sector, because it is primarily banks that operate through branches. Where UK companies operate abroad through branches, then the new rules may alter the amount of double taxation relief that they will be able to claim.

The measure is aimed at modernising the UK tax regime by eliminating a weakness in the existing rules, and so bringing the UK more into line with other major industrialised countries, such as France, Germany, and the USA. Recent work by the OECD has highlighted the fact that the UK is out of step with other major countries, and the changes here will make the UK approach similar to that seen elsewhere. The new measure is also flexible enough to accommodate new approaches agreed by the OECD in the future, if the UK government wishes to do so.

The existing method of calculating branch profits can lead to significant differences between the tax payable by companies operating in the UK through a branch and others which operate through a subsidiary. And the change will bring much greater commonality of approach.

General description of the measure

The new rules ensure that a branch will be treated as having the amount of equity and other capital that it would need if it was a separate company operating in the United Kingdom, in the same or similar conditions and circumstances as the branch. This will effectively limit the amount of debt the branch will have, and therefore restrict the deduction for interest that can be claimed for tax purposes. At the same time it modernises the terminology used in UK domestic tax legislation, changing the taxation of "branches" to the taxation of "permanent



establishments" which is more commonly used in our double taxation agreements. Finally, if there is international consensus for changing the way branches or permanent establishments profits are measured in future, then these rules enable the UK to keep in line with such developments, if the Government chooses to follow them.

Operative date

The measure will apply to accounting periods starting on or after 1 January 2003.

UK-Controlled Foreign Companies

Who is likely to be affected?

The measure gives the Treasury the reserve power if necessary to designate jurisdictions in which all CFCs would automatically fall within the charge to tax made by the CFC rules. The tax rules for CFCs would therefore only be affected if the Treasury were to exercise the reserve power, which would require the express consent of Parliament.

General description of the measure

The aim of this measure is to protect the UK where necessary against harmful tax practices where they continue to be prevalent. The measure gives the Treasury the reserve power to specify jurisdictions for which the CFC exemptions will not apply.

The measure reflects the Chancellor's determination to promote fair tax competition and to take effective action where jurisdictions do not remove harmful tax regimes. The reserve power will not be used where appropriate action is being taken to remove harmful tax practices.

Operative date

The CFC rules operate by reference to accounting periods of the CFC concerned. The earliest date on which the Treasury would be authorised to make regulations will be the date on which the Finance Bill is passed. Exclusion from the exemptions would apply, in respect of CFCs located in a particular jurisdiction, to CFC accounting periods beginning on or after the date on

which regulations were made specifically designating the relevant jurisdiction.

VAT and Excise Duties

Amusement Machine Licence Duty (AML D)

From 30 April 2002, the annual cost of a Category C licence will increase from £680 to £695. The annual cost of a Category E licence will increase from £1815 to £1860. The cost of licences for all other categories will be frozen.

The current exemption for machines which are not gaming machines will change. All amusement machines that are not gaming machines will be exempt from AMLD if the cost does not exceed 50 pence per player, per play.

Gaming Duty: changes to duty bands

The gross gaming yield (ggy) threshold for each duty band will be increased. The new duty bands are shown below:

The first £488,000 of ggy	2.5%
The next £1,083,500 of ggy	12.5%
The next £1,083,500 of ggy	20%
The next £1,897,000 of ggy	30%
The remainder	40%

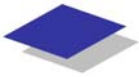
The changes to the duty bands come into effect for accounting periods starting on or after 1 April 2002.

Sic Bo and three card poker will come within the scope of gaming duty from midnight on 23 April 2002.

Reform of Pool Betting Duty (PBD)

Pool Betting Duty (PBD) was previously charged on stake money received by a pool promoter (plus certain expenses and profits) at a rate of 17.5 per cent. The changes announced in the Budget alter the structure, rate and scope of the duty.

The new duty rate is 15 per cent of a promoter's gross profits. In addition, some bets will now be exempt from PBD. Where a community society generates income by



running pool betting, or a person does so on its behalf but passes all the benefits accruing to the society, then there will be no liability to duty. To qualify, a community society must be established and conducted:



for charitable purposes only; or



wholly or mainly for the support of athletic sports and games (and not for private gain).

The changes will have effect from 31 March 2002.

General Betting Duty: change of definition of spread bet

The measure introduces a new definition of a 'spread bet'.

The change is necessary because the current definition in section 63 of the Financial Services Act 1986 has been repealed and replaced by section 412 of the Financial Services and Markets Act 2000.

The change will come into effect on the day immediately following Royal Assent to the Finance Bill 2002.

General Betting Duty: extension of advertising ban to cover bet brokers

The measure introduces a new section into the Betting and Gaming Duties Act 1981 to cover bet brokers and makes it an offence for any person in the UK to issue, circulate or distribute, or have in his possession for those purposes, any advertisement or other document that promotes overseas bet-broking services.

The change will come into effect on the day immediately following Royal Assent to the Finance Bill 2002.

Landfill tax: changes to the standard rate

The standard rate of landfill tax is being increased from £12 per tonne to £13 per tonne.

As announced in the 1999 Budget, the standard rate of landfill tax will increase by an additional £1 per tonne each year until at least 2004, bringing the standard rate of tax to £15 per tonne.

The new £13 rate will apply to any standard rated disposal made, or treated as made, on or after 1 April 2002.

Climate Change Levy (CCL): annual accounting scheme

Businesses registered for CCL must submit returns and payments for accounting periods which are normally three months in length. From 1 June 2002 businesses will be able to account for and pay the levy on an annual basis, provided:



they have been registered for CCL for at least 12 months; and



their CCL liability is not expected to exceed £2,000 per annum.

Climate Change Levy (CCL): bad debt relief

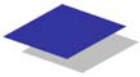
Currently, businesses registered for CCL making claims for bad debt relief must calculate the relief based on actual supplies to each customer. A trial scheme will be introduced on 1 June 2002 for a minimum of a year to enable businesses to use a simplified method to calculate their bad debt relief entitlement. Bad debt claimants will be able to base calculations on the average debt for each class of customer in any accounting period, rather than on actual supplies to individual customers.

The change will come into effect on 1 June 2002.

VAT: changes to the annual accounting scheme for small businesses

The annual accounting scheme allows businesses to make one VAT return a year instead of the usual four. It is optional and open to businesses with a taxable turnover of up to £600,000. Currently, the conditions of the scheme include a requirement for applicants to be VAT registered for 12 months, and interim payments are calculated in several ways, depending on turnover and tax due.

The measure removes the 12 months qualifying period for businesses with a taxable turnover of up to £100,000 so that they can now join the scheme as soon as they are registered for VAT. The measure also rationalises the calculation of interim payments so that businesses will normally



make nine interim payments before the balance of the year's VAT is due with the annual return. There will, however, be an option for businesses to pay three larger interim instalments.

The measure will come into effect on 25 April 2002.

VAT: Increased turnover limits for registration and deregistration

The measure increases the annual taxable turnover limit which determines whether a person must be registered for VAT from £54,000 to £55,000. This means that a person will have to apply for registration if:



at the end of any month, the value of the taxable supplies made in the past 12 months or less has exceeded £55,000; or



at any time there are reasonable grounds for believing that the value of the taxable supplies to be made in the next 30 days alone will exceed £55,000.

If at the end of any month, a person's taxable turnover in the past 12 months or less exceeds £55,000 but Customs are satisfied that it will not exceed £53,000 in the next 12 months, that person will not have to be registered.

The taxable turnover limit which determines whether a person may apply for deregistration will be increased from £52,000 to £53,000. The existing conditions for determining entitlement or liability to VAT cancellation remain unchanged.

The VAT registration and deregistration limits for acquisitions from other European Union Member States will also be increased from £54,000 to £55,000.

The changes will come into effect on 25 April 2002.

VAT: A new optional flat rate scheme

The flat rate scheme is a simplification measure which enables businesses to calculate their net tax due simply by applying a flat rate percentage to their tax inclusive turnover, (the total turnover generated, including all reduced, zero rate and exempt income). The flat rate percentage will depend

upon the trade sector into which a business falls for the purposes of the scheme.

The aim of the scheme is to ease the administrative burden on small businesses. Businesses opting to use the scheme, in most cases, can work out the net VAT due to Customs by simply recording their tax inclusive turnover and applying the appropriate flat rate percentage for their trade sector. Businesses will still need to issue tax invoices to their VAT registered customers, but will not have to record all the details of the invoices issued or purchase invoices received to calculate their VAT.

Businesses applying to join the scheme after 1 May 2002 will still be able to use the scheme to calculate their net VAT on their first return ending after 25 April 2002.

The new scheme will come into effect on 25 April 2002.

VAT Invoice Requirements

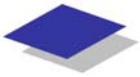
This measure is part of the implementation of the EC Invoicing Directive. The Directive aims to simplify, modernise and harmonise the conditions laid down for VAT invoicing and to remove barriers to electronic storage and transmission of invoices across the European Union. The Directive will be implemented in the UK in phases, with all elements in place by 1 January 2004.

VAT: abolition of self-supply of printed matter

Currently, a partly VAT exempt business which produces printed matter for its own use must account for VAT when the value of the printed matter produced in a year exceeds the VAT registration limit. This is known as "self-supply".

The measure abolishes the requirement to account for VAT on self-supplied printed matter.

There is a transitional provision to counter businesses exploiting this change by enhancing their input tax recovery by pre-paying for abnormally large quantities of materials before the change is implemented. It requires that standard-rated printed matter produced from goods supplied on or after 1 June 2002, but paid for or invoiced in advance, will continue to be subject to the self-supply.



The change will come into effect on 1 June 2002.

VAT: changes in fuel scale charges

The measure amends the VAT scales for taxing private use of road fuel to reflect changes in fuel prices. Businesses must use the new scales from the start of their first accounting period beginning on or after 1 May 2002

Check with us for details of the revised scale charges and output tax payable in each accounting period.

VAT: aligning treatment for acquisitions and imports

Currently, certain goods imported into the UK from outside the European Union are subject to a relief from import VAT, under the provisions of the VAT (Imported Goods) Relief Order 1994. Details of the types of goods entitled to the VAT relief are available from the National Advice Service and local Business Centres.

The measure provides for relief from VAT for goods coming into the UK from other European Union Member States, where there is currently the relief from import VAT outlined above.

The relief will be available where there is a supply of such goods by a taxable person in one European Union Member State to a taxable person in the UK, or where there is a deemed supply of a transfer of a taxable person's own goods from one European Union Member State to the UK. To qualify for the reliefs the goods must move between the two states.

The change will come into effect on Royal Assent to the Finance Bill 2002.

VAT: Simplification of bad debt relief

Currently a business that claims bad debt relief is required to write to their debtor customer advising them that a claim for bad debt relief has been made. This Budget measure will remove this requirement.

In addition, any business that has made a claim for input tax on a supply, but has not paid the supplier of the goods or services

within six months of the date of the supply (or the date on which payment is due, if later), must repay any such input tax. The input tax is repaid by making an adjustment to the input tax that the business claims on the VAT return for the accounting period in which the end of the six months falls. A further measure will confirm an administrative concession introduced on 6 December 2001. It alters the way in which payments are attributed between a supply of goods and a supply of credit made under HP, conditional sale agreements and credit sale agreements. Previous arrangements allocated payments to the supply of credit only once sufficient payments had been received to cover the goods, in reverse of the normal commercial practice. The current treatment, as confirmed by this measure is that suppliers can allocate each payment received from defaulting customers to goods and to credit in the same ratio as the total cost of goods and the total cost of credit to the customer.

The above measures will come into effect on a date to be announced following Royal Assent.

VAT: Zero-rating of new annexes partly for charitable use

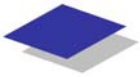
Currently, a new annex can only qualify for zero-rating if it is to be used solely for a relevant charitable purpose. There can be no tax relief if only part of the annex is to be used for such a purpose. The result is that the whole of the annex is either entirely standard-rated or zero-rated.

The measure will allow the construction of a new annex to be apportioned so that the zero rate can be applied to a discrete part of the annex that is to be used for a relevant charitable purpose. As a result, annexes will be treated in the same way as new buildings.

The measure will come into effect on 1 June 2002.

VAT: Charitable and residential buildings – value of self-supply on change of use

Certain buildings can be acquired zero-rated on the basis that they are for non-business charitable or residential use. If the use of the building is changed to a non-qualifying use



within ten years, VAT becomes payable by the owner on the full value of the building at the time it was acquired. This is known as a “self-supply”.







The measure introduces a new method for calculating the value of the self-supply, which will reduce the value, and therefore the VAT due, in proportion to the number of complete years of qualifying use which have passed when the change of use of the building occurs. The charity or other owner will thus be charged VAT only for the period for which the building will not be used as originally intended.

The measure will come into effect on 1 June 2002.

VAT: reduced rate for residential conversions and renovations

The reduced VAT rates for residential conversions and renovations introduced in the 2001 Budget were targeted at services where a price cut would have the most effect on the regeneration and renewal of the UK’s housing stock.

The scope of the reduced 5% VAT rate will be extended to the costs of:

-  converting a non-residential property into a care home (or other qualifying building used solely for a ‘relevant residential’ purpose);
-  converting a non-residential property into a multiple occupancy dwelling, such as bed-sit accommodation;
-  converting a building used for a ‘relevant residential’ purpose into a multiple occupancy dwelling;
-  renovating or altering a care home (or other qualifying building used solely for a ‘relevant residential’ purpose) that has not been lived in for 3 years or more;
-  renovating or altering a multiple occupancy dwelling that has not been lived in for 3 years or more; and
-  constructing, renovating or converting a building into a garage as part of the renovation of a property that qualifies for the reduced rate.

The measure will come into effect on 1 June 2002.

VAT: reduced rate for the grant-funded installation of heating equipment

Currently the 5% reduced rate of VAT is applied to the grant-funded installation of certain heating equipment in households.

The measure extends the 5% reduced rate to the installation of factory-insulated hot water tanks, micro combined heat and power systems, and heating systems that use renewable energy, to the extent that the costs of installation are funded by government grants and equivalent local authority schemes. The extension in scope of the reduced rate reflects changes to the installation work eligible for grant funding.

The measure will come into effect on 1 June 2002.



VAT: partial exemption – standard method override

In principle, tax on purchases used in making taxable supplies is deductible but tax on purchases used in making exempt supplies is not. In cases of residual input tax (i.e. input tax which cannot be attributed directly to taxable or exempt supplies) the standard method seeks to achieve this by apportioning residual input tax according to the values of taxable and exempt supplies made in a period.

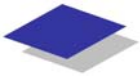
The Budget measure introduces a new rule requiring businesses to override the standard method in cases where the result does not reflect the use made of the purchases, including cases of deliberate abuse.

Businesses will be required to adjust the input tax deductible under the standard method at the end of their tax year if that amount is substantially different from an attribution based on the use of purchases.

“Substantially” is here defined as:

-  £50,000 or greater; or
-  50% or more of the value of the residual input tax, but not less than £25,000.

Where the amount of residual input tax is less than £50,000 per year no over-ride calculation is required and businesses can rely purely on the standard method. There is one exception to this: businesses that are



defined as group undertakings by the Companies Act 1985, will have to follow this new rule where their residual input tax is greater than £25,000 per year.

The measure comes into effect from midnight on Budget day and applies to input tax incurred after Budget day. No adjustment will be required under this measure in respect of input tax incurred up to and including Budget day.

VAT: revised rules for using the margin scheme for second-hand goods (including cars), works of art, antiques and collectors' items

Currently, as long as certain other conditions are met, eligible goods obtained as the result of an assignment can be sold under the margin scheme. To counter avoidance, an additional condition for using the margin scheme will be that the goods sold were obtained from a person who himself could have sold the goods under the margin scheme.

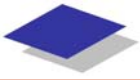
The measure will also define the purchase price to be used when calculating the margin on goods eligible to be sold under the revised rule. The definition will be the same as that which currently applies when goods obtained on the transfer of a going concern are sold under the margin scheme. This will be the purchase price paid by the person making the assignment. If there have been a number of assignments, the purchase price will be the price paid by the last person to acquire the goods, other than by way of an assignment or transfer of a going concern.

Final details of the measure are dependant on the result of consultation with interested trade associations. These include details of the sales which the measure will apply to following its implementation. The results of this consultation will be publicised by a press release available through HM Customs and Excise website at www.hmce.gov.uk and from the National Advice Service.

Subject to consultation, the measure will come into effect on 1 July 2002.

VAT – Removal of Automatic late payment penalties

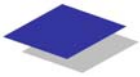
The Budget proposes the removal of automatic penalties for all those firms with turnovers of up to £150,000, who will instead first be offered help and advice when they are late with their VAT payments.



VAT Rates: Years from 1 April	2002	2001
<i>Standard rate</i>	17.5%	17.5%
<i>VAT fraction</i>	7/47ths	7/47ths
<i>Registration limit at</i>	£55,000	£54,000
<i>Deregistration limit at</i>	£53,000	£52,000
<i>Cash accounting turnover limit</i>	£600,000	£600,000
<i>Annual accounting turnover limit</i>	£600,000	£600,000

Corporation Tax Rates: Years from 1 April	2002	2001
Companies earning less than £50,000:		
<i>Starting rate (on profits up to £10,000)</i>	0%	10%
<i>Lower Marginal rate (excess over £10,000)</i>	23.75%	22.5%
Companies earning between £50,000 and £300,000:		
<i>All at</i>	19%	20%
Companies earning between £300,000 and £1.5million:		
<i>First £300,000</i>	19%	20%
<i>Upper Marginal rate (excess over £300,000)</i>	32.75%	32.5%
Companies earning over £1.5million:		
<i>Main rate</i>	30%	30%

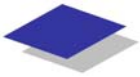
Inheritance Tax: Years from 6 April	2002	2001
<i>IHT tax rate</i>	40%	40%
<i>Chargeable lifetime transfers</i>	20%	20%
<i>Exempt band (within 7 years of death)</i>	£250,000	£242,000
<i>Business property relief</i>	100%	100%
<i>Agricultural property relief</i>	50-100%	50-100%
<i>Gifts out of income</i>	no limit	no limit
<i>Annual exemption per donor</i>	£3,000	£3,000



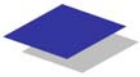
Personal Pensions - Contribution Limits	2002-2003	2001-2002
Age at start of tax year	% Limit of net relevant earnings	
<i>Under 35</i>	<i>17.5</i>	<i>17.5</i>
<i>36 to 45</i>	<i>20.0</i>	<i>20.0</i>
<i>46 to 50</i>	<i>25.0</i>	<i>25.0</i>
<i>51 to 55</i>	<i>30.0</i>	<i>30.0</i>
<i>56 to 60</i>	<i>35.0</i>	<i>35.0</i>
<i>61 to 74</i>	<i>40.0</i>	<i>40.0</i>
Pensions cap	£97,200	£95,400

Retirement Annuity - Contribution Limits	2002-2003	2001-2002
Age at start of tax year	% Limit of net relevant earnings	
<i>Under 35</i>	<i>17.5</i>	<i>17.5</i>
<i>36 to 45</i>	<i>17.5</i>	<i>17.5</i>
<i>46 to 50</i>	<i>17.5</i>	<i>17.5</i>
<i>51 to 55</i>	<i>20.0</i>	<i>20.0</i>
<i>56 to 60</i>	<i>22.5</i>	<i>22.5</i>
<i>61 to 74</i>	<i>27.5</i>	<i>27.5</i>
Pensions cap	Not applicable	Not applicable

Stamp Duty: Years from 6 April	2002	2001
Land and Property:		
<i>Starting point</i>	<i>Over £60,000</i>	<i>Over £60,000</i>
<i>£60,001 to £250,000</i>	<i>1%</i>	<i>1%</i>
<i>£250,001 to £500,000</i>	<i>3%</i>	<i>3%</i>
<i>Over £500,000</i>	<i>4%</i>	<i>4%</i>
Stock transfers	<i>0.5%</i>	<i>0.5%</i>



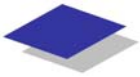
National Insurance	2003-2004	2002-2003	2001-2002
Class 1			
<i>Main rate - employer</i>	12.8%	11.8%	11.9%
<i>Main rate - employee</i>	11%	10%	10%
<i>Threshold income</i>	£89 pw	£89 pw	£87 pw
<i>Employee's primary Class 1 rate on earnings above upper earnings limit</i>	1%	Nil	Nil
<i>Upper earnings limit</i>	Not separately announced	£585 pw	£575 pw
Class 1A			
<i>On car and fuel benefit (employer)</i>	12.8%	11.8%	11.9%
<i>Other benefits (employer)</i>	12.8%	11.8%	11.9%
Class 2 (Self-Employed)			
<i>Rate per week</i>	£2.00	£2.00	£2.00
<i>Earnings limit for exception</i>	£4,025 pa	£4,025 pa	£3,955 pa
Class 3 (Voluntary)			
<i>Per week</i>	£6.85	£6.85	£6.75
Class 4 (Self-Employed)			
<i>Rate</i>	8%	7%	7%
<i>Lower limit</i>	£4,615 pa	£4,615 pa	£4,535 pa
<i>Upper limit</i>	£30,420 pa	£30,420 pa	£29,900 pa
<i>On earnings above upper earnings limit</i>	1%	Nil	Nil
Maximum Class 2 & 4 for Self-Employed	£1,910.35+ 1% on earnings above £30,420	£1,910.35	£1,879.55



Personal Tax Rates	2002-2003	2001-2002
Lower rate band	£1,920	£1,880
(Tax rate)	10%	10%
Basic rate band (next)	£27,980	£27,520
(Tax rate)	22%	22%
(Savings Income rate)	20%	20%
(Dividend Income rate)	10%	10%
Higher rate band - income over	£29,900	£29,400
(Tax rate)	40%	40%

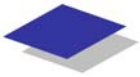
Income tax personal and age-related allowances	2002-2003	2001-2002
Personal allowance (age under 65)	£4,615	£4,535
Personal allowance (age 65-74)	£6,100	£5,990
Personal allowance (age 75 and over)	£6,370	£6,260
Married couple's allowance* (aged less than 75 and born before 6 April 1935)	£5,465	£5,365
Married couple's allowance* (age 75 and over)	£5,535	£5,435
Married couple's allowance* - minimum amount	£2,110	£2,070
Aged income limit	£17,900	£17,600
Children's tax credit	£5,290	£5,200
Children's tax credit - baby rate	£10,490	-
Blind person's allowance	£1,480	£1,450
* Married couple's allowance given at the rate of 10%		

Tax Shelters etc	2002-2003	2001-2002
Venture Capital Trusts	£100,000	£100,000
EIS	£150,000	£150,000
Tax-free employment termination	£30,000	£30,000
Tax-free "rent-a-room" income £4,250	£4,250	£4,250
Film Partnerships *	Unlimited	Unlimited
ISAs	£7,000	£7,000
* Not actually a tax shelter but more a deferral scheme. Effective for 40% taxpayers.		



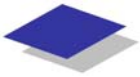
Capital Gains Tax (1)	2002-2003	2001-2002
<i>Tax rate</i>	<i>See note</i>	<i>See note</i>
<i>Trusts etc</i>	34%	34%
<i>Annual Exemption</i>		
- <i>Individuals</i>	£7,700	£7,500
- <i>Settlements</i>	£3,850	£3,750
<i>Retirement exemption - first</i>	£50,000	£100,000
- <i>50% of next</i>	£150,000	£300,000
<p>Note: For 2001-2002, gains up to £1,880 in excess of the annual exempt amount (£7,500) are taxed at 10%, taxable gains between £1,880 and £29,400 are taxed at 20%, and above the basic rate limit of £29,400 are taxed at 40%. Personal allowances are unavailable to offset CGT. For 2002-2003, gains up to £1,920 in excess of the annual exempt amount (£7,700) are taxed at 10%, taxable gains between £1,920 and £29,900 are taxed at 20%, and above the basic rate limit of £29,900 are taxed at 40%. Personal allowances are unavailable to offset CGT.</p>		

Capital Gains Tax (2)		
Taper Relief – Business Assets		
Indexation (except for companies) ceased at 5 April 1998. Since then, Taper Relief has applied:		
Disposals in 2001-2002		
Complete years since 5 April 1998	% of gain chargeable	Effective CGT rate % (for higher-rate taxpayer)
0	100	40
1	87.5	35
2	75	30
3	50	20
4 or more	25	10
Disposals in 2002-2003 and later years		
Complete years since 5 April 1998	% of gain chargeable	Effective CGT rate % (for higher-rate taxpayer)
0	100	40
1	50	20
2	25	10



Capital Gains Tax (3)		
Taper Relief – Non-Business Assets		
Indexation (except for companies) ceased at 5 April 1998. Since then, Taper Relief has applied:		
Complete years since 5 April 1998	% of gain chargeable	Effective CGT rate % (for higher-rate taxpayer)
0	100	40
1	100	40
2	100	40
3	95	38
4	90	36
5	85	34
6	80	32
7	75	30
8	70	28
9	65	26
10 or more	60	24

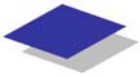
Vehicle benefits (1)	2001-2002
Business mileage Under 2,500:	
<i>Vehicle under 4 years old</i>	35%
<i>Vehicle over 4 years old</i>	26.25%
Business mileage 2,500-17,999:	
<i>Vehicle under 4 years old</i>	25%
<i>Vehicle over 4 years old</i>	18.75%
Business mileage over 18,000:	
<i>Vehicle under 4 years old</i>	15%
<i>Vehicle over 4 years old</i>	11.25%
Van benefit:	
<i>Vehicle under 4 years old</i>	£500
<i>Vehicle over 4 years old</i>	£350
Note: The percentages above are of the list price of the vehicle when new.	



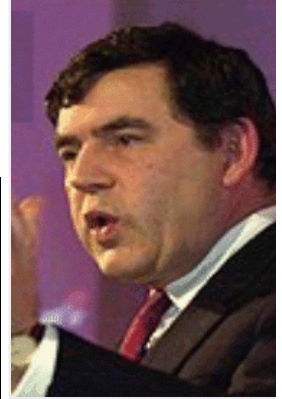
Vehicle Benefits (2)	2002-2003
<p>From 6 April 2002 the tax charge is based on a percentage of the car's price graduated according to the level of the car's carbon dioxide (CO₂) emissions.</p> <p>The charge builds up from 15 per cent of the car's price, for cars emitting 165 grams per kilometre (g/km) CO₂, in 1% steps for every additional 5g/km over 165g/km. The maximum charge is on 35 per cent of the car's price.</p> <p>The business mileage discounts have been abolished.</p>	

Fuel Benefit: Years from 6 April	2002	2001
Size of car engine:		
<i>Up to 1,400cc</i>	<i>£2,240</i>	<i>£1,930</i>
<i>1,401-2,000cc</i>	<i>£2,850</i>	<i>£2,460</i>
<i>Over 2,000cc</i>	<i>£4,200</i>	<i>£3,620</i>

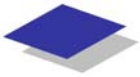
Car Mileage Rates		
<p>From 6 April 2002 Authorised Mileage Rates (AMRs) have been simplified and are not dependent on the size of the car's engine. The rates are:</p>		
2002-2003		
Cars and vans	Rates per business mile	
<i>Annual business mileage up to 10,000 miles</i>	<i>40p</i>	
<i>Each additional mile over 10,000 miles</i>	<i>25p</i>	
<i>Each passenger making same business trip</i>	<i>5p</i>	
Motor cycles	<i>24p</i>	
Bicycles	<i>20p</i>	
2001-2002		
<p>The AMRs which applied for business mileage in the year 2001/02, were:</p>		
Size of car engine:	Under 4,000 miles	Over 4,000 miles
<i>up to 1,500 cc</i>	<i>40p</i>	<i>25p</i>
<i>1,501cc - 2,000 cc</i>	<i>45p</i>	<i>25p</i>
<i>over 2,000 cc</i>	<i>63p</i>	<i>36p</i>



2002/03 Tax Calendar

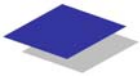


April 2002	
6	First day of 2002/03 tax year
14	Due date for income tax for the CT61 period to 31 March 2002
19	Quarter 4 2001/02 PAYE remittance due Interest will begin to accrue on unpaid PAYE/NI for 2001/02
30	Normal annual adjustment for VAT partial exemption calculations (monthly returns)
May 2002	
3	Last day for notifying car changes in quarter to 5 April - P46 (car)
19	Last day for filing forms P14, P35, P38 and P38A - 2001/02 PAYE returns, without incurring penalties. Also last day for filing contractors returns, including CIS36
31	Issue 2001/02 P60s to employees
June 2002	
30	End of CT61 quarter Last day for UK businesses to reclaim EC VAT chargeable in 2001 Annual adjustment for VAT partial exemption calculations (March VAT year end)
July 2002	
6	Last date to file Taxed Award Scheme Returns, P11Ds and P9Ds. Issue copies of P11Ds or P9Ds and car mileage details and/or FPCS details to employees. Deadline for relevant third parties to give non-employees information on benefits/expenses they have provided to them in 2001/02
14	Due date for income tax for the CT61 period to 30 June 2002
19	Quarter 1 2002/03 PAYE remittance due Final date for payment of 2001/02 Class 1A NICs on relevant benefits provided to employees
31	Second self assessment payment on account for 2001/02 Annual adjustment for VAT partial exemption calculations (April VAT year end) Liability to 2nd £100 penalty arises for 2001 Tax Return still not filed
August 2002	
2	Last day for notifying car changes in quarter to 5 July - P46 (car)
31	Annual adjustment for VAT partial exemption calculations (May VAT year end)
September 2002	
30	Deadline for submission of the 2002 tax return if you wish the Inland Revenue to calculate the tax, or, if you are an employee, you wish to have a 2001/02 balancing payment of less than £2,000 collected through your 2003/04 PAYE code. End of CT61 quarterly period
October 2002	
1	Due date for payment of Corporation Tax for period ended 31 December 2001
5	Individuals/trustees must notify the Revenue of new sources of income/chargeability in 2001/02 if a tax return has not been received
14	Due date for income tax for the CT61 quarter to 30 September 2002
19	Quarter 2 2002/03 PAYE remittance due
November 2002	
1	Please ensure you are retaining your documents for the 2003 tax return
2	Last day for notifying car changes in quarter to 5 October - P46 (car)
December 2002	
31	Last day for non-EC traders to reclaim recoverable UK VAT suffered in the year to 30 June 2001 End of relevant year for taxable distance supplies to UK for VAT registration purposes End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes End of CT61 quarterly period Filing date for Corporation Tax Return Form CT600 for period ended 31 December 2001



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January 2003	
1	Due date for payment of Corporation Tax for period ended 31 March 2002
14	Due date for income tax for the CT61 quarter to 31 December 2002
19	Quarter 3 2002/03 PAYE remittance due
31	First self assessment payment on account for 2002/03 Balancing payment - 2001/02 income tax income tax/class 4 NICs Capital gains tax payment for 2001/02 Last day to file the 2002 tax return Last day to pay personal pension premiums and elect for carry back to 2001/02
February 2003	
1	£100 penalty if 2002 Tax Return not yet filed
2	Last day for notifying car changes in quarter to 5 January - P46 (car)
28	Failure to pay any balance of 2001/02 tax leads to an automatic 5% surcharge
March 2003	
31	End of corporation tax financial year End of CT61 quarterly period Filing date for Corporation Tax Return Form CT600 for period ended 31 March 2002
April 2003	
5	Last day of 2002/03 tax year Deadline for 2002/03 contributions to ISAs.



Further Information

This Budget Report was prepared immediately after the Chancellor's Budget Statement on 17 April 2002 and is based on official press releases and supporting documentation. The Budget proposals are subject to amendment before the Finance Act receives Royal Assent. This Report is for guidance only, and professional advice should be obtained before acting on any information contained herein. No responsibility can be accepted by the publishers or by any webmaster for loss occasioned to any person as a result of action taken or refrained from in consequence of the contents of this Information Pack.

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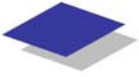
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