

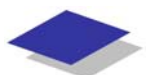
The 2003 Budget Report

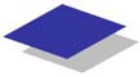


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**The Budget
changes
proposed by
Gordon Brown,
the Chancellor of
the Exchequer, on
9 April 2003**





Quick Overview - Expectations

Gordon Brown was expected to cut his predictions for economic growth as he unveiled his seventh Budget. In advance of the Budget, analysts said Mr Brown would have to admit that his predictions for growth announced last November were too optimistic - particularly on borrowing requirements for the financial year 2003-4 (estimated last November at £24bn).

What he said

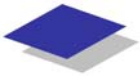
It is 50 years since a Budget has been delivered during a period of armed conflict. When he spoke (just under one hour and with masses of statistics), the Chancellor said that debt will be at 32.2% and was in the Maastricht criteria for joining the euro - an assessment by the Government on the single currency would be made by the first week of June 2003. He predicted a Government surplus at £32bn and said it was "right and prudent" to borrow at this stage of the economic cycle. Mr Brown said there was an 8% deficit in borrowing 10 years - this year was 2.5%. The UK was on track to meet the Government's target for a 25% cut in child poverty.

A summary of the main points mentioned and measures proposed is as follows:



























- ◆ Every child born since September 2002 will get a child trust fund worth an initial £500 for the poorest. Parents will be able to contribute to the trust funds. Designed to strengthen the saving habit of future generations, there will be an initial endowment at birth of £250, rising to £500 for the poorest families.
- ◆ No section of the UK had contributed more to the NHS than the elderly and he would end the pensions deductions they currently endured when in hospital.
- ◆ The Chancellor has extended, to 52 weeks, the period over which all pensioners in hospital receive their full state pension. Since the introduction of the welfare state, hospital inpatients, including pensioners, have seen their benefits and state pension reduced after just six weeks, leading to financial insecurity and distress. This reform is intended to provide greater financial security for all those who experience longer stays in hospital.

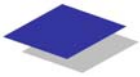
- ◆ An extra £100 a year, on top of the existing £200 winter fuel payment, is being made available to households with a pensioner aged 80 or over.
- ◆ A new personal tax exemption for foster carers receiving less than £10,000 a year per residence plus an additional amount per child, to facilitate recruitment and retention of carers.
- ◆ £3bn is being made available for the armed forces, along with £240m for humanitarian work in Iraq. Extra cash - £330m - was being made available for counter-terrorism measures in the UK.
- ◆ A review will be undertaken of the incentives to help national and regional galleries and museums to acquire works of art.
- ◆ Longer-term fixed rate mortgages were being investigated.
- ◆ Stamp Duty will be frozen.
- ◆ Planning processes will be reformed to help towards stability.
- ◆ Enhanced capital allowances to encourage energy saving measures are to be made available.
- ◆ A package of support for new and growing businesses was announced - including proposals to improve access to finance, simplify tax and reduce regulatory burdens, and measures for the 2,000 Enterprise Areas.
- ◆ Income tax rates and tax allowances remain the same.
- ◆ Cigarettes go up by 8p per pack of 20.
- ◆ Car tax will go up by inflation but lorry and motorbike tax remain the same.
- ◆ Fuel duty rises will be frozen until October 2003.
- ◆ Small business investment companies would be created - as private sector vehicles.
- ◆ 3m businesses will qualify for allowances as an extra help to upgrade their IT - the ICT scheme has been extended for a further 12 months.
- ◆ Automatic fines for late payment of VAT will be abolished.
- ◆ Bingo tax will be abolished on 4 August 2003.
- ◆ There is a 4p increase in duty on wine and 1p on beer but all duties on spirits are frozen.





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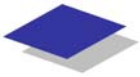
-  Rates on the climate levy are frozen.
-  On Europe, Mr Brown said that no change to regulations in Europe should risk British job creation. He said that Europe's competition authorities should investigate barriers to competition starting with financial services. He added that the productivity gap with Germany had fallen to 4% and was 16% compared with France.
-  On cutting red tape, the Chancellor said that he would scrap a raft of regulation and that consultation would be undertaken with CBI and others to identify redundant restrictions.
-  The UK has averaged 2% growth over last two years and Mr Brown said growth this year would be 2-2.5%. Mr Brown said British growth would rise by 3-3.5% in 2004-5 which was unchanged from previous forecasts.
-  On growth, employment, interest rates and on debt and deficit Britain was doing better than in the past and compared favourably with its major trading partners.
-  The number of people claiming employing unemployment benefit was under 1 million.
-  There are 1.5m more people in work since 1997.
-  On inflation, the target for the financial year for inflation was 2.5%.
-  Steady economic leadership was essential to cope with a post-conflict world economy which was still fragile but poised for growth.
-  The Government had steered a course between deflation and inflation despite global pressures.
-  In 2003 because of the monetary regime introduced in 1997 Britain had a symmetric inflation rate of 2.5%.
-  There would be 25,000 more doctors, 80,000 more nurses by 2008.
-  The Chancellor said business research and development was just a ninth in the north of what it had reached in the south-east.
-  Funds would be provided for training, travel and particular measures to help Britain's ethnic minorities into work.
-  Local job centres would get discretionary powers so they could match local unemployed people to local jobs.
-  Increased revenues from new business creation in the regions would also be shared with local authorities by the Inland Revenue.
-  Fast-track planning approval, the removal of Stamp Duty and other measures would encourage local economies.
-  The Chancellor said the UK was closer to full employment than for 30 years and the Budget would advance that goal. The British economy had grown uninterrupted for six years and was enjoying record low inflation and record low interest rates.
-  There would be new help for British industry and commerce.
-  Even in difficult world conditions the UK was able to meet its obligation to world peace and domestic security while still having enough to fund health and education.
-  Mr Brown pledged to target crime by helping young offenders straight into work as they left prison and provide training while they are detained.
-  From April 2004, people taking on jobs will not be required to submit new housing benefit claims.
-  Trade union learning fund will be expanded by £3m in 2005.
-  Measures to help foreign nationals who qualify in areas of skills shortages to stay in the UK.
-  Lone parent employment had risen to 54% - the Chancellor said that lone parents who looked actively for work through jobsearch would get an extra £20 a week.
-  Mr Brown said that the Government's measures had seen massive investment in health and education, tackled unemployment and still met its fiscal rules.



Support for SMEs

The Chancellor said that the Government is committed to building an enterprise society in which people from all backgrounds and all areas of the country consider and act upon enterprise opportunities. Budget 2003 announces further action to support small and growing businesses, including:

- Proposals to improve access to finance for small businesses, with consultation on Small Business Investment Companies, reforms to the Enterprise Investment Scheme and Venture Capital Trust provisions, and tax relief for the incidental costs incurred by SMEs in issuing equity. Further details of the Government's proposals are set out in a new document, "Bridging the finance gap: a consultation on improving access to growth capital for small businesses" which is published alongside the Budget;
- Deregulatory reforms to ease the regulatory burden on small businesses, including amendment of the Company Law definition of small- and medium-sized companies to increase the turnover thresholds to the maxima allowed under EU law. Legislation to establish the new definitions will be introduced as soon as the new EU maxima come into force later this year;
- Further steps to promote research and development (R&D) activity by business, including reforms to improve the operation of existing R&D tax credits to ensure that more businesses can claim a wider range of relief and consultation on improving the definition of R&D used for the tax credits to ensure it remains consistent with technological developments and is competitive internationally;
- Further proposals to help businesses in Enterprise Areas, including a second community development venture fund and enhanced capital allowances. From 10 April 2003, all non-residential transactions in these areas are exempt from Stamp Duty, regardless of value;
- £16 million over two years to fund Enterprise Advisers to work alongside headteachers in around 1,000 secondary schools in deprived areas to ensure that pupils gain better knowledge of business and enterprise. Budget 2003 also launches a new £1 million Enterprise Promotion Fund, to support private and voluntary sector creativity in promoting enterprise;
- A new package of training support for SMEs delivered in partnership with high street banks. The package will use the banks' existing communication networks to stimulate demand for advice and training;
- A series of measures to simplify VAT for businesses, including an increase in the registration threshold in line with inflation and extension of the optional flat rate and annual accounting schemes to businesses with turnover of up to £150,000;
- Further reform of capital gains tax (CGT), including an extension of business assets taper relief to improve access to let property for unincorporated traders and new measures to simplify the CGT regime;
- A package of measures to simplify employee share schemes, to enable and encourage companies to offer them to their employees;
- An extension of 100 per cent first year capital allowances for small businesses investing in information and communication technologies for one further year;
- The abolition of Petroleum Revenue Tax from 1 January 2004 on all new third party tariffing business under contracts completed on, or after, Budget day relating to the use of pipelines and other infrastructure in the UK and on its continental shelf;
- The launch of a new compliance and enforcement package designed to strengthen the Inland Revenue's ability to target its compliance activity towards high-value and high-risk areas and to produce £1.6 billion in total additional revenue over the next three years. An additional £66 million is being provided to the Inland Revenue to implement the package, which will focus on three high risk areas, including the non-payment of tax and national insurance debts from failure to file tax returns, the use of offshore accounts, and avoidance of corporation tax and national insurance contributions;
- Immediate action to close loopholes in the direct tax system. Measures announced today will save up to £250 million per annum in future years, reducing burdens on compliant taxpayers and protecting revenue for investment in public services; and
- A package of further measures to reduce VAT fraud and avoidance, building on the first ever concerted strategy for tackling VAT revenue losses launched at the time of the 2002 Pre-Budget Report.



SME access to finance

To improve access to finance for SMEs, Budget 2003 launches a new consultation, *Bridging the Finance Gap: a consultation on improving access to growth capital for small business*, to examine the scope for:

- ♦ applying the highly successful US Small Business Investment Company model to the UK;
- ♦ further enhancing the effectiveness of the Enterprise Investment Scheme, Venture Capital Trusts and the Small Business Firms Loan Guarantee; and
- ♦ improving the tax treatment of the incidental costs of equity finance.

Supporting business and entrepreneurship

A package of reforms to the business tax system to enhance the competitive UK business environment, promote investment and innovation, improve access to finance for SMEs and encourage enterprise in disadvantaged communities, was announced.

To encourage innovation, investment and training by small businesses, Budget 2003:

- ♦ Introduces improvements to research and development (R&D) tax credits for all companies, including a review of the R&D definition, the reduction of the minimum expenditure threshold to £10,000 and extension of the coverage of the large company scheme, making it easier for SMEs in particular to access the credits;
- ♦ A new package in partnership with high street banks to support advice and training by small businesses, including the creation of a web-based training directory;
- ♦ More details on the extension of Employer Training Pilots to six further Learning and Skills Councils areas, as announced in the 2002 Pre-Budget Report; and
- ♦ The establishment of the employer-led task force on Modern Apprentices, to ensure that the MA scheme meets the needs of firms across a range of sectors, of all sizes.

Modernising and simplifying the tax system

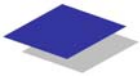
Budget 2003 announces further action to modernise and simplify the tax system, including:

- ♦ There will be a major reform of Stamp Duty, announced in Budget 2002, to tackle avoidance by companies and reduce distortions in the charge applying to leases, while protecting small businesses and paving the way for e-conveyancing. From December 2003, subject to further consultation, the existing charge applying to leases will be replaced with a single one per cent charge on the total value of rental payments, and a new exemption for all commercial transfers under £150,000 will be introduced, lifting many small business purchases and leases out of Stamp Duty;
- ♦ Further steps are proposed to modernise the taxation of gambling, replacing the existing bingo duty with a single 15 per cent tax on the gross profits of bingo companies from 4 August 2003. The Government will also consult shortly on reform of Amusement Machine Licence Duty; and
- ♦ There is to be a review of the residence and domicile rules as they affect the tax liabilities of individuals. As the next steps in this review, a background paper was published alongside the Budget to provide a framework for further analysis and discussion and ensure that any specific options for reform are based on the widest possible understanding of their effect.

Enterprise in disadvantaged areas

The Government wants to encourage enterprise and investment in all regions of the UK. Building on the removal of Stamp Duty on all commercial property transactions in Enterprise Areas, the Government will:

- ♦ Invest £16 million over two years to fund Enterprise Advisers, to work alongside headteachers in around 1,000 secondary schools in deprived areas. Enterprise Advisers will



complement the Davies Review pilots to investigate how best to provide pupils with five days of enterprise experience in their school career. These will begin in 2003 and cover around 250 secondary schools, including a number of schools in the 2,000 Enterprise Areas. Rigorous evaluation of the pilots will inform a national roll-out from 2005-06;



Introduce a new £1 million Enterprise Promotion Fund, to support private and voluntary sector creativity in promoting enterprise awareness across schools, business and the wider non-business community. The Fund will offer resources to projects meeting specific enterprise objectives and demonstrating significant private sector support;



Improve services available to SMEs with action by HM Customs & Excise for businesses in Enterprise Areas to increase awareness of its services and the piloting of enhanced forms of support to businesses;



Evaluate investment in a new community venture capital fund, building on the positive beginning of the Bridges Community Development Venture Fund, to make investments in growth enterprises in disadvantaged communities; and



Consider how enhanced capital allowances for particular types of expenditure in Enterprise Areas could tackle specific market failures to encourage business investment in these areas.

To help support development by enterprise in disadvantaged areas, the Government will also participate in a series of events planned by NatWest and the Royal Bank of Scotland for Enterprise Areas, which will bring together local stakeholders such as local authorities and RDAs, as well as the private sector, to review the channels through which local economic activity can contribute to wider neighbourhood renewal.

Strengthening the savings habit of future generations

The Child Trust Fund (CTF) will be introduced to benefit children across the UK by:



Providing an initial endowment at birth for every child of £250, rising to £500 for children from low-income families who also qualify for full Child Tax Credit – around a third of all children;



Allowing additional contributions to be made by parents, family members and friends, up to an annual limit of £1,000;

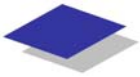


Being accessible when children reach 18 years of age, whereupon there will be no restriction of the use of assets; and



Being delivered through open market competition, with accounts expected to be available by 2005, enabling a wide range of authorised providers to offer the CTF.

The Government will publish further details of the CTF in summer 2003 including product specifications, sales regulation, limits on investment risk, the default investment option and the extent of any incentives for contributions into the CTF. This will ensure that providers and other stakeholders have the opportunity to comment on the detailed implementation plans.



Enhanced Capital Allowances (ECAs)

Water efficient technologies.

The Government announced that 100% ECAs would be available to all businesses for investments in designated water efficient technologies. The qualifying technology categories will be meters, flow controllers, leakage detection equipment, efficient taps and efficient toilets. The specific technologies that qualify will be published in the Water Technology List following Royal Assent of the 2003 Finance Bill.

Capital allowances may be claimed for qualifying investments made on or after 1 April 2003.

Energy efficiency

On energy efficiency, the Government also announced that it will introduce further ECAs for investments in automatic metering and monitoring equipment. The existing boiler, compressed air and refrigeration technologies will also be expanded. Work to define precise performance standards for these technologies is continuing and the Government expects to add these groups to the lists of qualifying technologies during the summer, subject to state aids approval.

Information and communication technology






The Chancellor has extended 100 per cent first-year capital allowances for information and communication technology until 31 March 2004, to encourage up to 3.7 million businesses to invest in information technology and succeed in the knowledge economy.

Modernising the Taxation of Property


Budget 2003 confirms the details of and changes to a package of reforms to the taxation of residential, commercial and investment property. These reforms are a major step towards modernising the tax treatment of UK property, and will close loopholes, remove distortions and enhance

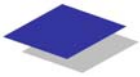
the sector's contribution to economic growth, development and regeneration.

The Budget confirmed the details of and changes to the modernised regime for Stamp Duty announced in Budget 2002, including:

-  Rolling out the modernised Stamp Duty regime for UK land and buildings, including new compliance and enforcement powers, tougher anti-avoidance measures, and a proposed new regime for leases, from 1 December 2003;
-  Subject to further consultation, the existing charge applying to leases will be replaced with a single one per cent charge on the net present value of rental payments, and a new exemption for commercial leases under £150,000 will be introduced;
-  Further consultation on the Stamp Duty treatment of complex commercial transactions including on property held through partnerships, to ensure the charge is levied fairly;
-  From 15 April 2003, changes to strengthen the anti-avoidance measures involving group and acquisition relief clawbacks in the existing Stamp Duty regime;
-  Retrospectively exempting from Stamp Duty tenancy agreements between Registered Social Landlords and tenants entered into under arrangements with housing authorities to house the homeless;
-  From 1 December 2003, ensuring that property purchases by individuals funded through alternative financing arrangements are put on a level footing for Stamp Duty purposes with purchases funded through conventional mortgages;
-  From 1 December 2003, abolition of Stamp Duty on transactions involving property other than land, shares and interests in partnerships; and
-  From 6 April 2004, a more generous capital gains tax regime for let property used in a business, extending business assets taper relief to let property used by unincorporated traders.

There are significant changes for commercial property transactions, including:

-  From 10 April 2003, relieving Stamp Duty on all non-residential property transactions in the 2,000 Enterprise Areas;



From 1 December 2003, an increased zero rate band upper threshold of £150,000 for commercial property transfers and leases; and

A commitment to consider the commercial and residential markets separately in future decisions on Stamp Duty.

Protecting the Environment

The Chancellor announced further steps in the Government's strategy to protect the environment, whilst continuing to ensure the competitiveness of UK industry. These included:

A new lower carbon dioxide VED band from 1 May 2003 for the most environmentally-friendly cars. Alongside the standard revalorisation and the rounding, an increase in the VED rate for cars and vans by £5, this increases the VED differential between the least and the most polluting cars to £110 per annum;

A lower level of emissions for the minimum company car tax charge in 2005-06 – 5 grams lower at 140 grams per kilometre of carbon dioxide.

Anti-Avoidance

A package of reforms to tackle tax fraud and avoidance was unveiled in Budget 2003. The reforms will produce additional revenue, deliver significant savings and ensure that the burden of tax does not fall unfairly on taxpayers who play by the rules.

Central to today's reform is the launch of a new compliance and enforcement package for direct tax and national insurance contributions (NICs). The package is the first step in a new strategic approach for Inland Revenue compliance work, and is part of the Government's ongoing commitment to create a modern and fair tax system. The additional resources will be deployed in three areas:

Protecting the Exchequer from non-payment of tax and NICs debts and from failure to file tax returns;

Tackling fraud involving concealment of undeclared income or profits offshore; and

Countering avoidance of corporation tax and of NICs and tax on employment income.

To complement this package, Budget 2003 also announced a range of further measures to tackle instances of direct tax avoidance, including:

Action to prevent tax and NICs avoidance through the payment of share-based remuneration;

Measures to close loopholes in the chargeable gains regime for second-hand life policies and prevent avoidance of capital gains tax through complex transactions using offshore trusts;

Steps to tackle avoidance through sale and repurchase agreements;

New measures to close loopholes in the loan relationships and derivative contracts regimes; and

As announced in March 2003, action to counter tax avoidance using relevant discounted securities and to prevent exploitation of the 100 per cent allowances for small business investment in information and communications technology (ICT).

Budget 2003 also restored the tax treatment of capital gains and losses on the exercise of options to that which was generally understood to apply before the judgement in the case of *Mansworth v Jelley*. The change will apply to options exercised on or after 10 April 2003.

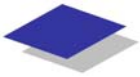
Specific VAT anti-fraud measures




To protect indirect tax revenue, the Government is introducing new VAT anti-fraud measures designed to:

Impose, subject to safeguards, joint and several liability for payment of VAT on both the supplier and the recipient of supplies of specified goods and services;

Allow Customs and Excise to deny recovery of VAT in circumstances where the taxpayer holds an invalid tax invoice and cannot further prove the bona fide nature of the transaction;

Extend existing security powers so that security can be required from any business involved in a VAT supply chain where there is evidence of actual or potential fraud or evasion;








-  Prevent avoidance of VAT in relation to the private and non-business use of land and buildings;
-  Prevent businesses from delaying, sometimes indefinitely, accounting for VAT on certain on-going supplies to connected businesses; and
-  Following consultation announced in Budget 2002, prevent VAT losses through avoidance and leakage from the sale of face-value vouchers.

Capital allowances

Some businesses have attempted to exploit the capital allowances rules by entering into artificial transactions which depressed the market value of their qualifying assets on a sale. The effect of this device was to accelerate the remaining capital allowances on those assets, so that the businesses could obtain a tax advantage. The new anti-avoidance legislation blocks this device by denying a balancing allowance if the proceeds from a "balancing event" (such as a sale) are less than they would otherwise have been as a result of a tax avoidance scheme.

The new rules apply to capital allowances for:

-  Industrial buildings;
-  Mineral extraction;
-  Flat conversions;
-  Agricultural buildings; and
-  Assured tenancies.

CGT and Offshore Trusts

New legislation was announced by the Chancellor and published last year at the 2002 Pre-Budget Report. It applies to events occurring on or after 27 November 2002.

The measure will protect substantial revenues at risk from an avoidance scheme designed to allow beneficiaries to receive payments from offshore trusts tax free by exploiting anti-avoidance legislation introduced by the Government in 2000.

The measure is effective for capital payments made by trustees to beneficiaries from 9 April 2003.

Sale and Repurchase agreements

The changes are primarily anti-avoidance measures. They tackle contrived "repo"

transactions that create artificially increased deductions for tax purposes, or that reduce the amount of taxable receipts. They also clarify some uncertainties in the legislation to give greater certainty about its application.

The changes apply to repo deals agreed on or after 9 April 2003, apart from one change which applies to manufactured payments deemed to be made on or after 9 April 2003.

Employer-provided Vans


The tax charge for the private use of an employer provided van has been in place since 1993. A flat rate charge of £500, or £350 for vans that are 4 or more years old, is applied where an employee has the exclusive use of a van. This includes any private fuel provided. Where vans are shared by two or more employees the charge is divided between all participating employees. If more than one shared van is available there is generally a maximum charge of £500 per employee but there is no restriction if an employee has a mixture of shared and exclusive vans. Employees can opt for a daily charge of £5 instead of the flat rate charge.

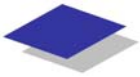
The Government will be consulting on proposals to reform the tax treatment of employer provided vans, to take into account environmental benefits, fairness and modern working practices.

Home-working

When an employer contributes to additional household costs incurred by an employee, who works some or all of the time at home, the employee would normally be chargeable to income tax on the payment. This measure means that employers will be able to meet some or all of the incidental household costs incurred by employees who work at home without it giving rise to a tax charge. Such payments can already be made without giving rise to an NIC liability.

The proposal announced in Budget 2003 will introduce a specific exemption covering such payments from 6 April 2003:

-  To minimise the need for record-keeping employers will be able to pay up to £2 per week (£104 per year)



without supporting evidence of the costs the employee has incurred.



If an employer pays more than that amount, the exemption will still be available but the employer must provide supporting evidence that the payment is wholly in respect of additional household expenses incurred by the employee in carrying out his duties at home.

Employee benefits

Employers (and others) who pay for and employees who receive the following benefits will be affected by the changes announced in the Budget.



Long service awards;



Annual parties;



A gift from a third party, i.e. not the employer; and



Meals or refreshments provided on cycle to work days.

Long Service awards

At present an employer can make a tax-free award such as a clock, watch etc. (but not cash) to an employee in recognition of the length of service. The employees have to have a minimum of 20 years with the employer, and the gift can be valued at up to £20 for each year of service. Thereafter an additional tax-free gift can be awarded for each further period of 10 years service. It is intended to increase the limit from £20 to £50 for each year of service. The qualifying period will remain the same.

Annual Party

An annual party or similar celebration paid for by an employer and open to employees generally is exempt where the cost is not more than £75 per head per annum. It is intended to increase this amount to £150.

Third Party Gifts

An employee who receives a gift (but not cash) from a third party can receive that gift free of tax if its value is £150 or less. It is intended to increase this amount to £250.

Meals for participants in cycle to work days

The requirement to report a benefit in kind when an employer provides a meal or

refreshments as an incentive to employees to participate in cycle to work days was removed with effect from 6 April 2002. The legislation limits the number of occasions on which an employer can provide meals or refreshments to 6 a year. It is planned to remove this limit. The criteria setting out when these meals or refreshments can be provided tax free remains unchanged i.e. that they have to be provided as part of official cycle to work days.

All of these changes will reduce reporting and record keeping requirements for employers and will take place as soon as amending regulations come into force.

Pensions earnings cap

Contributions to Personal Pension schemes which are limited to an age-related percentage of earnings, are subject to the pensions earnings cap. This stood at £97,200 for 2002-03 and is increased to £99,000 for 2003-04.

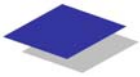
Research and development

Research and Development (R&D) tax credits for companies that are small or medium-sized enterprises (SMEs) were introduced in Finance Act 2000. After consultation, similar credits for large companies were introduced in Finance Act 2002.

Based on experience with the credits so far, the Government now proposes to make a number of changes to the qualifying rules. These will make it easier for companies, especially small companies, to qualify.

The Government has also announced that there will be consultation on the definition of R&D.

The changes to the rules will be included in the Finance Bill. For SMEs, they will then take effect as soon as approval has been received from the European Commission. These will therefore commence from a date yet to be announced.



The changes to those rules applicable to large companies will take effect from 9 April 2003.

Under general tax principles companies, of whatever size can claim the whole cost of most of their current R&D expenditure against taxable income - a deduction of 100%. The R&D tax credits give SMEs a further deduction of 50% of their qualifying R&D expenditure, making 150% in all. Large companies are entitled to an additional 25% deduction, making 125%. SMEs which make losses can surrender the deduction to the Treasury in exchange for a payment (a credit) of 16% of the loss (equivalent to 24% of the original expenditure).

£25,000 minimum expenditure

Companies claiming the R&D tax credits are required to spend a minimum of £25,000 on qualifying R&D in an accounting period. It is now proposed to reduce this to £10,000. This will help small companies in particular to claim the relief.

Staffing costs

Qualifying expenditure consists of the R&D related costs of staff and of consumable stores (and also on certain costs of subcontracted R&D work).

The current definition of "staffing costs" focuses on staff employed by the company carrying out the R&D. It does not include workers paid through a third party and not taken on by the R&D company. The Government now proposes to include the costs of such workers.

20%-80% rule

Under the present rules, if an employee spends less than 20% of their time on R&D, the company cannot claim for their costs. For someone who spends more than 80% of their time on R&D, the company can claim 100% of the costs. To simplify the relief (and prevent small amounts of work from being disqualified) it is now proposed to abolish this rule and simply apportion staff costs.

Extending the coverage of the large company scheme

The SME tax credit is a state aid, approved by the European Commission. To avoid the amount of state aid that a company receives exceeding the maximum permitted, when an

SME gets another state aid (usually a grant) for a project, it cannot claim the SME credit. This means that it receives no extra R&D relief.

A large company in the same situation would be able to claim the large company tax credit, as that is not a state aid. There are already limited circumstances in which an SME can claim the large company credit, and it is now proposed to extend these to include the situation described above.

Definition of Research and Development

The definition of R&D currently used is set out in guidelines produced by the DTI, under S837A ICTA 1988. This definition was introduced, after consultation, in 2000 at the same time as the SME credit.

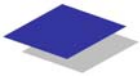
The SME tax credit has now been operating for nearly three years. In that time a number of SMEs have commented on areas where the definition could be clearer or more accurately encapsulate the innovative activities they undertake. The introduction of the large company credit has provided the opportunity for further useful dialogue between R&D companies, their representatives and Government.

The DTI and Treasury will shortly issue a formal consultation document, focusing in particular on such areas as: the development end of 'R&D'; innovative elements of design; the uniqueness of the R&D being undertaken; software development; and how best to define 'consumable stores'.

Software licences

Many R&D companies are dependent in their work on short life, advanced software, the cost of which does not, at present, qualify for the R&D tax credits. The Government now proposes to extend the reliefs to cover this sort of software, subject to consultation with industry on a satisfactory definition for such software.

This will form part of the consultation on the R&D definition, and the consultation document will therefore also address the issue of software licences.



Lloyd's Underwriters

The Lloyd's insurance market is undergoing a programme of reforms. As part of these reforms no new underwriting members will be admitted on the basis of unlimited personal liability. Tax rules do not currently permit Lloyd's underwriters to carry forward unused trading losses when they convert to limited liability underwriting. This is different to the position for other traders who transfer a business to a company. To remove this potential obstacle to the reform of the market, discussions are currently taking place with Lloyd's with a view to bringing forward measures in the 2004 Finance Bill to allow Names to carry forward unused trading losses. Discussions will also explore whether the capital gains tax reliefs that are available when businesses are transferred to a company work effectively in the case of Lloyd's underwriters. The Finance Bill 2004 measures will help underwriting members operating with unlimited personal liability to convert to limited liability status without tax obstacles.

Employee Benefit Trusts (EBTs)

The 2002 Pre-Budget Report announced immediate legislation to counter the avoidance of tax and National Insurance contributions (NICs) through the abuse of EBTs. The draft EBT legislation was published on the Inland Revenue website on 27 November 2002.

The new legislation will defer the contributing employer's corporation tax deduction until a payment is made out of the EBT in a form that gives rise to a liability to income tax and NICs. It will not affect deductions that are allowable:

- For contributions under retirement benefit, personal pension or accident benefit schemes; or
- Under the new statutory corporation tax deduction for employee share schemes.

The new rules apply to the computation of profits for periods ending on or after 27 November 2002, in respect of deductions for employee benefit contributions made on or after that date.

The published legislation provides a comprehensive set of rules for determining when an employer, in computing taxable profits for a period, can make a deduction in respect of contributions made to the trustees of an EBT (or other third party) to hold or use to provide benefits to its employees. The new rules replace those in Sections 43 and 44 Finance Act 1989 which deal with the timing of deductions for potential emoluments held by an intermediary.

The published legislation will appear in the Finance Bill in Tax Law Re-write style and updated to take account of the Income Tax (Pensions and Earnings) Act 2003.

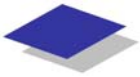
Simplifying Employee Share Schemes

Together with the anti-avoidance and reform measures, also announced in Budget 2003, a further package of measures will be introduced to simplify employee share schemes legislation and reduce the administrative and regulatory burden on employers. The measures will:

- Modernise both Company Share Option Plan (CSOP) and Save As You Earn (SAYE or Sharesave);
- Simplify the Share Incentive Plan (SIP) and provide increased flexibility for employers and employees;
- Extend the time limit for employees to reimburse PAYE to their employers. In addition National Insurance contributions (NICs) rules will be changed so that this new time limit applies to NICs charges that arise if the PAYE has not been reimbursed; and
- Ease the regulations relating to recovery of employees' NICs on share based remuneration so that employers can administer the 1% NICs increase effectively.

Removing the 3-year rule (change effective from 9 April 2003)

Currently, CSOP tax relief is dependent on exercising an option after three years from grant and three years from a previous tax relieved CSOP exercise. Removal of the second "three year rule" will allow tax-free exercise of a CSOP option within three years



of a previous tax relieved CSOP exercise.

"Good Leavers"

(change effective from 9 April 2003)

Under SAYE and SIP, employees are exempt from tax and NICs if their participation ends through injury, disability, redundancy or retirement (known as "good leavers"). The change will extend the same treatment to CSOP schemes where the employer grants CSOP options and these are exercised within three years of date of grant by good leavers.

Acceptable features of scheme

(change effective from 9 April 2003)

Arrangements for funding the exercise price and dealing with the payment of PAYE and NICs have, up to now, been regarded as features which are not essential, or reasonably incidental, to the purpose of providing share options. In future, these arrangements will be acceptable for CSOP purposes as long as they do not give a right to receive cash. This administrative change will simplify and speed up the approvals process.

Market value

(change effective from 9 April 2003)

In future CSOP rules will be allowed to specify "market value" by reference to published prices on Recognised Investment Exchanges in terms similar to those for shares listed on the London and New York Stock Exchanges. This administrative change will mean that companies will be able to quickly agree the basis of valuation of shares in such cases with Inland Revenue's Share Valuation Division.

Under the current process, sight of the document which establishes a scheme (usually a certified copy of a company or director's resolution) is required before approval is given. This can lead to delay in issuing formal approval. In future, companies will be advised, when giving informal approval to draft schemes, that formal approval is effective from the moment the scheme is established provided there are no changes to the form of the scheme, the legislation or the circumstances of the company in the interim.

Company Share Option Plans and SAYE Options

(change effective from date of Royal Assent)

The definition of "material interest" in CSOP differs from that in SAYE and SIP. These will be aligned so that they are all consistent.

Currently even minor changes to SAYE and CSOP plans must be submitted to the Inland Revenue for approval. In future the need for approval will be limited to changes made to key features only.

The right to exercise SAYE options is currently lost where an employee loses their job following injury, disability, redundancy, or retirement following a move between associated companies, usually after a takeover or a restructuring. The measure will provide for the right of exercise in such circumstances.

Share Incentive Plans

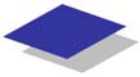
(change effective from date of Royal Assent)

On Share Incentive Plans, currently, employees can only purchase partnership shares through deductions of up to £125 or 10%, whichever is lower, from monthly salary. A new measure will allow employees to purchase up to the annual limit of partnership shares at any time within the year.

Currently, employers have to use total salary when calculating the maximum percentage that can be spent on partnership shares. This causes practical administrative difficulties because of monthly variations in overtime payments and bonuses. The new measure will allow employers to decide whether all or part of an employee's salary will be used when calculating the maximum percentage of salary to be spent on partnership shares.

Currently, employees are unable to participate in two SIPs run by connected companies in the same year. This is unnecessarily restrictive where a group restructures and the employee transfers to another company within the group. The new measure will remove this restriction and allow continuity of SIP participation in such circumstances.

Employees can currently reinvest dividends from SIP shares into more shares, called dividend shares - up to £1500 each year - and must hold the shares for three years to qualify for tax reliefs. This holding period is



shorter than the normal five years and the differing periods makes administration difficult. A new measure will change the holding period for dividend shares to align with the holding period for the base shares.

"Unapproved Schemes"

(For tax, change effective from 9 April 2003 and, for NIC, after date of Royal Assent)



Employees must refund the PAYE on their share option gains to their employer within 30 days of exercising the option. Missing the deadline can involve an effective surcharge of 16% on the gain. The deadline will be extended to 90 days and NICs rules will be changed so that this 90 day period will also apply to any Class 1 NICs liabilities where the tax has not been reimbursed.

Administering the 1% NICs increase on share-based earnings

To help employers cope more easily with the April 1% NICs increase, the existing limit on the amount that may be recovered each month from an employee is being abolished. And the period over which recovery may be made is being extended into the following tax year.

Second-hand life insurance policies

The measure will correct two defects in the current tax rules which apply where policies or contracts which, at some stage, have been bought second-hand, are disposed of (on maturity or surrender, or otherwise):





-  Capital losses will be restricted to the amount of any real economic loss; and
-  Capital gains will not escape tax simply because the person making the disposal had received the policy or contract as a gift.

The measure will also ensure that policies or contracts which are free from a capital gains charge remain tax-free if they are transferred between husbands and wives, or between ex-spouses as part of a divorce settlement, or within a group of companies.

The operative date of the changes is for disposals on or after 9 April 2003.

CGT Simplification

This note covers the following aspects of CGT simplification:

-  Reporting requirements for chargeable gains;
-  Taper relief: definition of business assets;
-  Carry back of losses on rights to unascertainable deferred consideration;
-  Treatment of certain "earn-out" rights as securities; and
-  Monthly savings schemes for company shares and units in unit trusts.

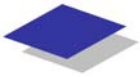
Legislation on the first four items will be introduced in Finance Bill 2003.

Reporting requirements

There will be fewer circumstances where the Capital Gains pages of a tax return need to be filled in. Individuals will not normally have to fill them in for any tax year in which the total of their chargeable gains, after any taper relief has been applied, does not exceed the annual exempt amount (AEA) unless either their proceeds from disposing of assets which are not CGT-exempt in the year exceed four times that amount, or they have allowable losses to set off against their gains for that year. Corresponding rules will apply for personal representatives and trustees of settlements.

Taper Relief

The rules which determine whether assets other than shares or securities qualify as business assets for CGT taper relief purposes are to be relaxed so that a wider range of assets will qualify (the new definition has effect in relation to periods of ownership from 6 April 2004 onwards and applies to disposals on or after that date). Assets used wholly or partly for the purposes of trades carried on by individuals, trustees of settlements, personal representatives or certain partnerships will qualify as business assets irrespective of whether the owner of the asset is involved in carrying on the trade concerned.



Loss Carry-Back

Taxpayers will be able, in certain circumstances (for losses arising on or after 10 April 2003), to set off allowable losses arising on disposals of rights to unascertainable deferred consideration against certain chargeable gains made in one or more tax years ending before the one in which the loss in question arises. The measure will not apply where the right was obtained second-hand, and will not apply at all to rights acquired by companies within the charge to corporation tax on their chargeable gains.

Earn-out rights

At present, an election can be made for an earn-out right which is obtained in exchange for shares or debentures in certain circumstances to be treated as a security for the purposes of the TCGA 1992. This is so that a capital gains "rollover treatment" can apply. To the extent that this roll-over treatment applies no charge to tax on chargeable gains is crystallised on the exchange of the shares or debentures: the earn-out right is instead treated as being the same asset as those shares or debentures. Under the proposed measure the earn-out right will automatically be treated as a security if the circumstances apply except where an election is made for it not to be treated in this way. The change applies to companies within the charge to corporation tax in respect of chargeable gains as well as to persons within the charge to CGT.

The new rules will apply for rights conferred on or after 10 April 2003.

Monthly Savings Schemes for company shares and units in Unit Trusts

New guidance will be available to help with the calculation of CGT liabilities when disposals are made of shares or units acquired through such a scheme.

The guidance will be published on the Inland Revenue web-site in time for people who need to report their gains and losses for the tax year 2002-03. In due course it will be revised and published as a CGT Help Sheet to accompany the guidance for completing the Capital Gains pages of the tax return for the tax year 2003-04.








Giving Self-Assessment repayments to Charity

Individual self-assessment (SA) taxpayers due for tax repayments will be able to nominate a charity on their SA tax return to receive all or some of the repayment as a Gift Aid donation.

This scheme is being developed and legislative changes will be introduced in due course as required.

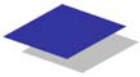
Other changes

Budget 2003 contained various other changes which are not detailed here and include:

-  Competitiveness of UK-authorized collective investment schemes;
-  Treasury shares for companies listed on the main List or AIM market;
-  Changes to tax rules affecting companies in liquidation and administration;
-  Businesses making contributions towards the running costs of Urban Regeneration Companies;
-  People with funds held in court common investment funds;
-  Companies carrying out general insurance business and Lloyd's underwriters; and
-  Shipping companies and companies providing lease finance to them.

Tax Tables

On the following pages, you will find Tax Tables - they will provide a useful reference source throughout the 2003-04 tax year.

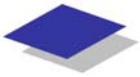


The 2003 Budget Report

VAT Rates: Years from 1 April	2002	2003
<i>Standard rate</i>	17.5%	17.5%
<i>VAT fraction</i>	7/47ths	7/47ths
<i>Registration limit at</i>	£55,000	£56,000
<i>Deregistration limit at</i>	£53,000	£54,000
<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	2003
Companies earning less than £50,000:		
<i>Starting rate (on profits up to £10,000)</i>	0%	0%
<i>Lower Marginal rate (excess over £10,000)</i>	23.75%	23.75%
Companies earning between £50,000 and £300,000:		
<i>All at</i>	19%	19%
Companies earning between £300,000 and £1.5million:		
<i>First £300,000</i>	19%	19%
<i>Upper Marginal rate (excess over £300,000)</i>	32.75%	32.75%
Companies earning over £1.5million:		
<i>Main rate</i>	30%	30%

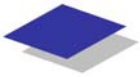
Inheritance Tax: Years from 6 April	2002	2003
<i>IHT tax rate</i>	40%	40%
<i>Chargeable lifetime transfers</i>	20%	20%
<i>Exempt band (within 7 years of death)</i>	£250,000	£255,000
<i>Business property relief</i>	100%	100%
<i>Agricultural property relief</i>	50-100%	50-100%
<i>Gifts out of income</i>	no limit	no limit
<i>Annual exemption per donor</i>	£3,000	£3,000



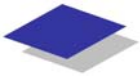
Personal Pensions - Contribution Limits	2002-2003	2003-2004
Age at start of tax year	% Limit of net relevant earnings	
<i>Under 35</i>	<i>17.5</i>	<i>17.5</i>
<i>36 to 45</i>	<i>20.0</i>	<i>20.0</i>
<i>46 to 50</i>	<i>25.0</i>	<i>25.0</i>
<i>51 to 55</i>	<i>30.0</i>	<i>30.0</i>
<i>56 to 60</i>	<i>35.0</i>	<i>35.0</i>
<i>61 to 74</i>	<i>40.0</i>	<i>40.0</i>
Pensions cap	£97,200	£99,000

Retirement Annuity - Contribution Limits	2002-2003	2003-2004
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	2003
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	0.5%	0.5%



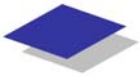
National Insurance	2002-2003	2003-2004
Class 1		
<i>Main rate - employer</i>	11.8%	12.8%
<i>Main rate - employee</i>	10%	11%
<i>Threshold income</i>	£89 pw	£89 pw
<i>Employee's primary Class 1 rate on earnings above upper earnings limit</i>	Nil	1%
<i>Upper earnings limit</i>	£585 pw	£595
Class 1A		
<i>On car and fuel benefit (employer)</i>	11.8%	12.8%
<i>Other benefits (employer)</i>	11.8%	12.8%
Class 2 (Self-Employed)		
<i>Rate per week</i>	£2.00	£2.00
<i>Earnings limit for exception</i>	£4,025 pa	£4,095 pa
Class 3 (Voluntary)		
<i>Per week</i>	£6.85	£6.95
Class 4 (Self-Employed)		
<i>Rate</i>	7%	8%
<i>Lower limit</i>	£4,615 pa	£4,615 pa
<i>Upper limit</i>	£30,420 pa	£30,940 pa
<i>On earnings above upper earnings limit</i>	Nil	1%
Maximum Class 2 & 4 for Self-Employed	£1,910.35	£2,106 + 1% on earnings above £30,940



Personal Tax Rates	2002-2003	2003-2004
Lower rate band	£1,920	£1,960
(Tax rate)	10%	10%
Basic rate band (next)	£27,980	£28,540
(Tax rate)	22%	22%
(Savings Income rate)	20%	20%
(Dividend Income rate)	10%	10%
Higher rate band - income over	£29,900	£30,500
(Tax rate)	40%	40%

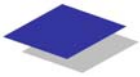
Income tax personal and age-related allowances	2002-2003	2003-2004
Personal allowance (age under 65)	£4,615	£4,615
Personal allowance (age 65-74)	£6,100	£6,610
Personal allowance (age 75 and over)	£6,370	£6,720
Married couple's allowance* (aged less than 75 and born before 6 April 1935)	£5,465	£5,565
Married couple's allowance* (age 75 and over)	£5,535	£5,635
Married couple's allowance* - minimum amount	£2,110	£2,150
Aged income limit	£17,900	£18,300
Children's tax credit	£5,290	Replaced by Child Tax Credit
Children's tax credit - baby rate	£10,490	Replaced by Child Tax Credit
Blind person's allowance	£1,480	£1,510
* Married couple's allowance given at the rate of 10%		

Tax Shelters etc	2002-2003	2003-2004
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 and larger corporates.		



Capital Gains Tax (1)	2002-2003	2003-2004
<i>Tax rate</i>	<i>See note</i>	<i>See note</i>
<i>Trusts etc</i>	<i>34%</i>	<i>34%</i>
<i>Annual Exemption</i>		
- <i>Individuals</i>	<i>£7,700</i>	<i>£7,900</i>
- <i>Settlements</i>	<i>£3,850</i>	<i>£3,950</i>
<i>Retirement exemption - first</i>	<i>£50,000</i>	<i>Nil</i>
- <i>50% of next</i>	<i>£150,000</i>	<i>Nil</i>
Note: For 2003-2004, gains up to £1,960 in excess of the annual exempt amount (£7,900) are taxed at 10%, taxable gains between £1,960 and £30,500 are taxed at 20%, and above the basic rate limit of £30,500 are taxed at 40%. Personal allowances are unavailable to offset CGT.		

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 2002-2003 and later years		
Complete years since 5 April 1998	% of gain chargeable	Effective CGT rate % (for higher-rate taxpayer)
<i>0</i>	<i>100</i>	<i>40</i>
<i>1</i>	<i>50</i>	<i>20</i>
<i>2</i>	<i>25</i>	<i>10</i>

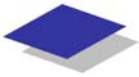


Capital Gains Tax (3)

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



The 2003 Budget Report



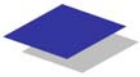
Vehicle Benefits	2002-2003 onwards
<p>From 6 April 2002 the tax charge is based on a percentage of the car's price graduated according to the level of the car's carbon dioxide (CO₂) emissions.</p> <p>The charge builds up from 15 per cent of the car's price, for cars emitting 165 grams per kilometre (g/km) 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:	2002/03
Size of car engine:	
<i>Up to 1,400cc</i>	<i>£2,240</i>
<i>1,401-2,000cc</i>	<i>£2,850</i>
<i>Over 2,000cc</i>	<i>£4,200</i>
	2003/04
<p>A percentage is calculated based on the carbon dioxide emissions with a 3% supplement for diesels and a 3% discount for alternative fuelled cars. Percentages range from 15-35%. The car fuel benefit is determined by that percentage against a set figure (£14,400 for 2003/04). Where an employee opts out of free fuel during a year, a proportionate taxable benefit will arise but if an employee opts back in within the same tax year, the benefit will apply to the whole year.</p>	<p>From 6 April 2003, a new fuel scale charge is linked directly to the carbon dioxide emission of the car.</p>

CO ₂ emissions in grams per kilometre			% of car's price taxed
2002/03	2003/04	2004/05	
165	155	145	15
170	160	150	16
175	165	155	17
180	170	160	18
185	175	165	19
190	180	170	20
195	185	175	21
200	190	180	22
205	195	185	23
210	200	190	24
215	205	195	25
220	210	200	26
225	215	205	27
230	220	210	28
235	225	215	29
240	230	220	30
245	235	225	31
250	240	230	32
255	245	235	33
260	250	240	34
265	255	245	35

Notes:

- For diesel cars, add a 3% supplement but not so as to exceed the maximum charge of 35%.
- If the CO₂ figure doesn't end in a 5 or 0 round down to the nearest 5 grams per kilometre.
- Discounts will apply to certain environmentally extra friendly cars, eg electric cars and those running on LPG.



Car Mileage Rates

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:

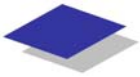
2002/03 and 2003/04

Cars and vans	Rate per business mile
<i>Annual business mileage up to 10,000 miles</i>	40p
<i>Each additional mile over 10,000 miles</i>	25p
<i>Each passenger making same business trip</i>	5p
Motor cycles	24p
Bicycles	20p
Enhanced Capital Allowances for Low Emission Cars	

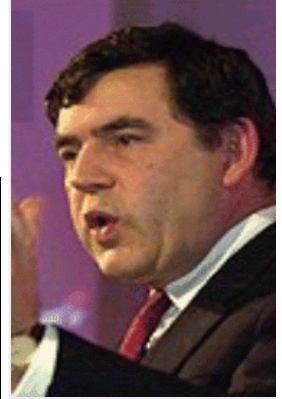
All businesses can claim 100% enhanced capital allowances (first year allowances) on buying new low-emission cars. The definition of these cars is as follows:

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

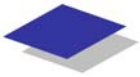
Low emission cars are also removed from the special capital allowance rules for cars whose retail price exceeds £12,000.



2003/04 Tax Calendar

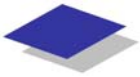


April 2003	
6	First day of 2003/04 tax year
9	Budget Day
14	Due date for income tax for the CT61 period to 31 March 2003
19	Quarter 4 2002/03 PAYE remittance due Interest will begin to accrue on unpaid PAYE/NI for 2002/03
30	Normal annual adjustment for VAT partial exemption calculations (monthly returns)
May 2003	
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 - 2002/03 PAYE returns, without incurring penalties. Last day for filing contractors returns, including CIS36
31	Issue 2002/03 P60s to employees
June 2003	
30	End of CT61 quarter Last day for UK businesses to reclaim EC VAT chargeable in 2002 Annual adjustment for VAT partial exemption calculations (March VAT year end)
July 2003	
5	File Tax Credit Claims (actual or protective) for 2003/04 to avoid any loss of benefit.
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 2002/03.
14	Due date for income tax for the CT61 period to 30 June 2003
19	Quarter 1 2003/04 PAYE remittance due Final date for payment of 2002/03 Class 1A NICs on relevant benefits provided to employees
31	Second self assessment payment on account for 2002/03 Annual adjustment for VAT partial exemption calculations (April VAT year end) Liability to 2nd £100 penalty arises for 2002 Tax Return still not filed Failure to pay any balance of 2001/02 tax leads to an additional 5% automatic surcharge
August 2003	
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 2003	
30	Deadline for submission of the 2003 tax return if you wish the Inland Revenue to calculate the tax, or, if you are an employee, you wish to have a 2002/03 balancing payment of less than £2,000 collected through your 2004/05 PAYE code. End of CT61 quarterly period
October 2003	
1	Due date for payment of Corporation Tax for period ended 31 December 2002
5	Individuals/trustees must notify the Revenue of new sources of income/chargeability in 2002/03 if a tax return has not been received
14	Due date for income tax for the CT61 quarter to 30 September 2003
19	Quarter 2 2003/04 PAYE remittance due
November 2003	
1	Please ensure you are retaining your documents for the 2004 tax return
2	Last day for notifying car changes in quarter to 5 October - P46 (car)



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December 2003	
31	Last day for non-EC traders to reclaim recoverable UK VAT suffered in the year to 30 June 2002 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 2002
January 2004	
1	Due date for payment of Corporation Tax for period ended 31 March 2003
14	Due date for income tax for the CT61 quarter to 31 December 2003
19	Quarter 3 2003/04 PAYE remittance due
31	First self assessment payment on account for 2003/04 Balancing payment - 2002/03 income tax income tax/class 4 NICs Capital gains tax payment for 2002/03 Last day to file the 2003 tax return Last day to pay personal pension premiums and elect for carry back to 2002/03
February 2004	
1	£100 penalty if 2003 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 2002/03 tax leads to an automatic 5% surcharge
March 2004	
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 2003
April 2004	
5	Last day of 2003/04 tax year Deadline for 2003/04 contributions to ISAs.



Further Information

This Budget Report was prepared immediately after the Chancellor's Budget Statement on 9 April 2003 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 Budget 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 publication.

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Important Notice

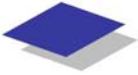
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