



Serenity

Financial planning for the life you want.

A Guide to **BUDGET 2012**

"Creating a stable economy, a fairer, more efficient and simpler tax system, and further reforms to support growth."

- Chancellor George Osborne

London City office: 1 Ropemaker Street, Moorgate, London, EC2Y 9HT
North London office: 76 Capel Road, Barnet, Herts, EN4 8JF
Tel: 020 8440 4788 Mob: 07976 306543 Fax: 0870 458 1986
Email: tina@serenityfp.com Web: www.serenityfp.com

www.serenityfp.com

Registered in England and Wales number 5800712. Serenity Financial Planning is a trading name of Financial Weeks Ltd which is authorised and regulated by the Financial Services Authority.

A Guide to Budget 2012

What the Chancellor had to say

Welcome to 'A Guide to Budget 2012'. The Chancellor of the Exchequer, George Osborne, presented his third Budget speech to Parliament on, 21 March 2012. It maintained the government's strategy to reduce the deficit, contained far-reaching tax reforms and support for growth and reward for work.

The Chancellor set out the actions the government will take in three areas - creating a stable economy, a fairer, more efficient and simpler tax system and further reforms to support growth.

CUTTING THE TAX RATE

Mr Osborne announced he would be cutting the tax rate for earnings over £150,000, saying in his Budget it raised "next to nothing." He is also going to raise the threshold at which people start paying tax to £9,205 which it is estimated will leave millions of working people over £200 better off, but 4.4 million pensioners will be worse off next year when age-related tax allowances are frozen and come to an end.

Presenting his Budget speech, the Chancellor said: "This Budget supports working families and helps those looking for work.

UNASHAMEDLY BACKING BUSINESS

"It unashamedly backs business. And it is on the side of aspiration: those who want to do better for themselves and for their families."

He defended the decision to cut the top rate of tax by saying five times as much would be raised from the wealthiest by other tax and anti-avoidance measures being brought in.

He said the rate was the highest among G20 countries and damaged competitiveness. A report into the highest rate had found it had raised just a third of the £3bn initially predicted, Mr Osborne said. "No Chancellor can justify a tax rate that damages our economy and raises next to nothing."

He also said a further £1,100 rise in the threshold at which income tax is paid from next year would benefit "every working person on low or middle incomes" and amounted to an extra £220 a year each - or £170 after inflation.

Biggest cash increase in the state pension ever
Allowances are currently more generous for the over-65s - at £10,500 up to age 74 and £10,660 after that. But they will be frozen, and stopped for anyone turning 65 after 5 April 2013. Mr Osborne said it would 'simplify' allowances and no pensioner would lose out "in cash terms". He pointed to April's "biggest cash increase in the state pension ever" of £5.30 a week.

HM Revenue and Customs figures also show that 300,000 people will be drawn into paying the 40% higher rate tax from 2013/14 because of a reduction in the threshold to £41,450.

A new 7% rate of stamp duty land tax would be charged on residential properties worth more than £2m - and anyone trying to buy a £2m home through a company would face a punitive 15% stamp duty rate.

AVOIDING A "CLIFF EDGE" EFFECT

Child benefit had been due to be removed from all families with at least one parent paying the higher, 40% rate, of income tax - about £43,000 - from January 2013.

But Mr Osborne said he wanted to avoid a "cliff edge" effect - so it would now only be withdrawn when someone in a household earned more than £50,000, at a rate of 1% of the benefit for every £100 up until £60,000, when it would be cut entirely.

TO DISCUSS HOW THE BUDGET 2012 CHANGES COULD HAVE IMPACTED ON YOUR FINANCIAL PLANS, PLEASE CONTACT US FOR FURTHER INFORMATION.

Contents

04 ECONOMY AND PUBLIC FINANCES
Unwavering commitment to deal with Britain's record debt

06 BUDGET 2012 AT A GLANCE
The key announcements from the Chancellor's third Budget speech

08 BUDGET 2012 BRIEFING
Income tax rates

08 BUDGET 2012 BRIEFING
Income tax personal allowance 2012/13

08 BUDGET 2012 BRIEFING
Income tax age-related allowances

08 BUDGET 2012
Who can expect to be 'better' off following George Osborne's Budget speech?

09 BUDGET 2012
Who can expect to be 'worse' off following George Osborne's Budget speech?

10 WHAT THE NUMBERS MEAN TO YOU
2012/13 Taxation and Allowances guide

12 CURRENT 50P TOP TAX RATE WILL BE CUT TO 45P
£16 billion of income was deliberately shifted into the previous tax year – at a cost to the taxpayer of £1 billion

13 BUDGET 2012 BRIEFING
Tax evasion and aggressive tax evasion

13 BUDGET 2012 BRIEFING
Inheritance Tax matters

14 "SIMPLIFYING" THE TAX SYSTEM AND SPREADING TAX RELIEF ACROSS EVERYONE
Extra allowance will gradually reduce for pensioners, whose taxable income is between £24,000 and about £29,000

16 COMBINING THE TWO STATE PENSIONS INTO ONE SIMPLIFIED PENSION
Pensioners will receive a flat-rate state pension, initially it is estimated that it will be worth about £140 a week

17 GOVERNMENT PLANS TO WITHDRAW CHILD BENEFIT FROM PARENTS WHO EARN HIGHER LEVELS OF INCOME
"All sections of society must make a contribution to dealing with the deficit"

18 BUDGET 2012 BRIEFING
Pension contributions for spouses or family members

18 BUDGET 2012 BRIEFING
Income tax rules on interest

18 BUDGET 2012 BRIEFING
Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCTs)

19 BUDGET 2012 BRIEFING
Enterprise Management Incentives (EMI)

19 BUDGET 2012 BRIEFING
Anti avoidance: Life insurance policies

20 A BUDGET FOR BUSINESS
Changes that could greatly affect the UK's small and medium-sized enterprises

21 BUDGET 2012 BRIEFING
Changes to Registered Overseas Pension Scheme rules members

Economy and public finances

Unwavering commitment to deal with Britain's record debt

The UK economy will grow more quickly this year than previously forecast, Chancellor George Osborne announced during his Budget speech. The independent Office for Budget Responsibility (OBR) forecasts growth of 0.8% in 2012, compared with its autumn estimate of 0.7%.

The OBR also now estimates that the government will borrow £1bn less than previously forecast this year. Mr Osborne said his Budget signalled the government's "unwavering commitment to deal with Britain's record debt."

Total borrowing up to the tax year 2016/17 will be £11bn less than forecast last autumn, Mr Osborne said. The OBR confirmed that the government was on course to eliminate the structural current deficit by 2016/17.

AVOIDING A TECHNICAL RECESSION

The UK economy shrank by 0.2% in the fourth quarter of last year, but Mr Osborne said the OBR expected the UK to avoid a technical recession - defined as two consecutive quarters of contraction - and forecast positive growth for the first three months of this year.

However, while slightly better economic growth is expected this year,

the growth forecast for 2013 was revised down. The OBR now projects 2% growth in 2013, down from the 2.1% it estimated in November.

In 2014 the economy is expected to grow by 2.7%, while growth of 3% is projected in both 2015 and 2016, in line with the previous forecast.

Mr Osborne said that the crisis in the eurozone remained a major risk to the OBR's forecast, while another risk came from a "further spike in oil prices".

Earlier, figures from the Office for National Statistics showed that the government borrowed much more than expected in February. Its estimate for 2012/13 remains at £120bn, excluding the transfer of assets from the Royal Mail pension fund to the government.

Its forecasts further ahead were also lowered. It now expects borrowing of £98bn in 2013/14 (compared with £100bn forecast in November), £75bn in 2014/15 (£79bn), £52bn in 2015/16 (£53bn) and £21bn in 2016/17 (£24bn).

LOOKING AHEAD

Inflation, which has been falling steadily over the past few months and currently stands at 3.4% (February 2012) on the Consumer Prices Index (CPI) measure, is now expected to fall to 2.8% this year and 1.9% in 2013.

Unemployment expectations were unchanged, with a jobless rate of 8.7% forecast for this year, 8.6% in 2013, 8.0% in 2014 and 7.2% in 2015. The unemployment rate for 2016 was revised up slightly from 6.2% to 6.3%.

The OBR forecast one million more jobs in the economy over the next five years and it revised its estimate for the claimant count - the number of people claiming Jobseeker's Allowance - down by about 100,000 for each of the next four years. It is now expected to peak at 1.67 million this year, rather than 1.8 million.

Total borrowing up to the tax year 2016/17 will be £11bn less than forecast last autumn, Mr Osborne said. The OBR confirmed that the government was on course to eliminate the structural current deficit by 2016/17.



The key announcements from the Chancellor's third Budget speech

ECONOMY

- The Chancellor Mr Osborne said he would deliver a "strategy where financial services are strong but not the only backbone to the economy"
- He cited key risks to economy as UK exports to eurozone and high oil prices
- Office of Budget Responsibility (OBR) expects the British economy to avoid a technical recession
- Inflation expected to fall to 1.9% next year
- Growth forecast 2% next year, 2.7% in 2014, 3% in 2015/16
- Gold holdings have risen to £11 billion

THE UK DEFICIT

- Deficit expected to fall – state was borrowing 1 in 4 of every pound it spends
- Deficit is falling and forecast to reach 7.6% this year
- On course for debt reduction by 2016/17
- Government is borrowing at cheapest prices than at any time in 400 years
- Borrowing this year is to come in at £126 billion

EMPLOYMENT

- OBR forecasts unemployment to peak this year at 8.7% before falling each year to 6.3% by 2016/17
- One million new jobs will be created in the next 5 years
- Exploring idea of enterprise loans for young people to start own businesses

TAXATION

- The additional rate of tax has been reduced from 50% to 45% from April 2013

- Higher rate tax band frozen at £42,475, reducing the basic rate tax band from £35,000 to £34,370
- Tax-free allowance band rises to £9,205 in April 2013
- From April 2012 corporation tax will fall to 24%, in 2014 it will be 22%
- New cap on tax reliefs set at 25% of total income for anyone claiming more than £50,000 in a year, but no significant change to pensions relief
- Age-related allowances for the 65s and over will increase from £9,940 to £10,500
- Age-related allowances will eventually be withdrawn once the rates align with the personal allowance
- From 2014 taxpayers will receive personal statements, detailing what they have paid and where the money is going
- A general anti-evasion law to come into place

PENSIONS

- Automatic review of state pension age to ensure it keeps pace with increasing life spans
- Self-assessment forms for pensioners scrapped
- New single-tier state pension for future pensioners to be set at about £140 and based on contributions
- £5.30 increase in state pension

BENEFITS

- Child benefit – will only be withdrawn when someone in the household has more than £50,000 income, and will be withdrawn slowly – keeping some benefits
- People with income of £60,000 or more will not receive any child benefit

PROPERTY

- New stamp duty of 7% on residential properties worth £2 million or more
- Extra funding to help construction firms building new homes
- Residential properties worth £2 million or more bought via a company will attract stamp duty of 15%

TRANSPORT

- Above-inflation full rises will only come into place if oil is \$75 or higher
- No changes on fuel
- Vehicle excise frozen for hauliers

ENERGY

- £3 billion new field allowance in oil and gas in North Sea along with £3 billion new field allowance west of Shetland
- Carbon reduction commitment - will seek major savings in costs borne by businesses or replace with different tax

FINANCIAL SERVICES

- Bank levy to be increased to 0.105% from January 2013 "to ensure that corporation tax cuts do not benefit the banks"

TECHNOLOGY

- UK to become "Europe's technology centre" – starting with digital.
- £50 million will be made available for broadband in smaller cities - plans to have 90% with access to super-speed broadband, funding ultra-fast in 10 UK cities

MILITARY

- Government spending lower than expected in Afghanistan - the cost of operations is £2.4 billion lower over this parliament

- Doubling rate of council tax relief for military families
- There will be an extra £100 million to improve accommodation for the armed forces families

PUBLIC SECTOR

- Information to be published on a case for regional public sector pay. Option for government departments to move to regional pay structures for civil servants when current freeze ends

*The Chancellor
Mr Osborne said
he would deliver a
“strategy where financial
services are strong but
not the only backbone
to the economy”*

BUSINESS

- Simpler tax system for businesses to navigate
- Simplified tax system for small firms with a turnover of up to £77,000
- Mid-cap businesses fund increased by 20%
- Enterprise finance guarantee to be expanded
- £70 million development fund to attract new businesses and new jobs
- Tax credits for television programming, games industry and animation
- Enhanced capital allowances for businesses setting up in new Scottish enterprise zones in Dundee, Irvine and Nigg - a Welsh enterprise zone to be created in Deeside
- Government support for £150 million of tax increment financing to help councils promote development and an extra £270 million for the Growing Places fund



BUDGET 2012 BRIEFING

Income tax rates

Income tax rates are unchanged for the tax year 2012/13. For 2013/14, the main rates of income tax will be 20% basic rate, 40% higher rate and a lower additional rate of 45% (reduced from 50%).

The additional tax rate for dividends from April 2013 will also be reduced from 42.5% to 37.5%. The trust rate of tax will be reduced from 50% to 45% and the dividend trust rate from 42.5% to 37.5%.

BUDGET 2012 BRIEFING

Income tax personal allowance 2012/13

As announced in the 2011 Budget, the income tax allowance, for those aged under 65, will increase by £630 to £8,105, with an equivalent decrease in the basic rate tax limit to £34,370. The level at which 40% tax will become payable will remain unchanged in 2012/13 at £42,475. This has not increased since 2010/11 resulting in more taxpayers being subject to higher rates of tax.

BUDGET 2012 BRIEFING

Income tax age-related allowances

From 6 April 2013 the age-related personal allowances will be frozen. In addition, eligibility will be restricted to those born on or before:

- 5 April 1948 for the £10,500 allowance
- 5 April 1938 for the £10,660 allowance

People born on or after 6 April 1948 will only be entitled to the personal allowance of £9,205 for 2013/14, despite being aged 65.

The government wishes to create a standard tax-free personal allowance irrespective of age, with the effect that some pensioners will pay more tax as their allowances are brought into line with those of younger taxpayers.



Budget 2012

Who can expect to be 'better' off following George Osborne's Budget speech?

Parents, low and middle earners and council tax bills came out better off in Chancellor George Osborne's 2012 Budget.

LOW AND MIDDLE EARNERS

The personal allowance – the first tier of earnings on which no tax is due – is to rise next year from £8,105 to £9,025, an increase of more than £1,000. Millions could be more than £200 a year better off.

The centre piece of Budget 2012, the move will cut the tax bills for anyone earning less than £100,000 and will potentially lift two million people out of paying tax. The tax-free allowance is set rise again to £10,000 in April 2014 – saving most taxpayers another £250 annually. This is a year earlier than planned.

HIGH EARNERS

The top rate of tax will be cut from 50p to 45p in the pound from April 2013. This is paid by people earning more than £150,000. The Chancellor said that a rate of 50p had not made a huge difference to the tax take.

PARENTS

Plans to end child benefit for higher-rate taxpayers have been changed. The Chancellor said he wanted to avoid a "cliff edge" – so instead of withdrawing it all at once, the benefit will start to be withdrawn only when an earner brings in more than £50,000 a year, rather than at about £42,000, and it will be withdrawn gradually – 1% of benefit for every £100 earned over £50,000. As a result, an extra 750,000 people will keep some or all of this benefit; only those earning more than £60,000 will lose it altogether.

TAX TREATMENT

From 2014 taxpayers will receive a personal tax statement detailing how much of their tax bill goes to pay for services such as health care and education.

COUNCIL TAX

85% of local authorities will be freezing or reducing their council tax next year.

Budget 2012

Who can expect to be 'worse' off following George Osborne's Budget speech?

Wealthy property buyers, drinkers, smokers and pensioners have been targeted in Budget 2012.

PENSIONERS

The Chancellor George Osborne insisted that nobody would lose any money, but inflation means some pensioners will potentially see their household budgets squeezed in future years. More than four million people will be £83 worse off by 2014, while 360,000 people aged 65 will lose £285.

At the moment around five million people over the age of 65 pay income tax on their pensions and other earnings.

They are currently not taxed on at least the first £10,500 of their income. This will now be frozen in future years, saving the Treasury an estimated £360 million next year, £670 million in 2014, £1 billion in 2015 and £1.25 billion in 2016.

£2M RESIDENTIAL PROPERTY BUYERS

There will be a new stamp duty land tax rate of 7% on residential properties worth more than £2m, the Chancellor announced in the Budget. Previously the top rate was 5%. Unlike other taxes, stamp duty land tax is paid at the applicable rate on the whole price, not just the portion above the threshold for the highest rate.

Mr Osborne has also introduced a 15% stamp duty land tax charge on residential property held in company shelters.

THOSE EARNING MORE THAN £116,210

The Prudential has calculated that individuals with an income above £116,210 (2012/13) will have zero personal allowance and will lose £82 per year (£126 minus £44).

SMOKERS

Tobacco duty increased by 5% above inflation, putting 37p on the price of a packet of 20 cigarettes.

DRINKERS

Alcohol duty rates increased at 2% above the Retail Prices Index.

PARENTS

Families with one person earning £60,000 or more a year will lose all of their child benefit.

MOTORISTS

Fuel duty will rise by 3p a litre in August despite petrol prices rising to a record high, the Chancellor, George Osborne, announced in the Budget.

POST BUDGET 2012 PLANNING TIPS

What action should you take now?

Income tax rates will be unchanged for next year. However, the government have recognised that the 50% rate has been a deterrent to inward investment and entrepreneurship as well as encouraged more aggressive tax avoidance, and acted to reduce this to 45% from April 2013.

You should be thinking now about whether and how to defer taxable income recognition and accelerate allowances and reliefs; for example, pension contributions.

There will be a new stamp duty land tax rate of 7% on residential properties worth more than £2m, the Chancellor announced in the Budget.

Taxation and Allowances Guide 2012/13

Income tax		
Bands	2012/13	2011/12
The first: £0-£34,370 (£0-£35,000)	20%	(20%)
£34,371-£150,000 (£35,001-£150,000)	40%	(40%)
Over: £150,000 (£150,000)	50%	(50%)

Dividends are taxed at 10% (10%), 32.5% (32.5%) or 42.5% (42.5%) as the top slice of total income.

Other savings income, primarily bank and building society interest, is taxed at 10 up to £2,710 (£2,560). This 10% rate is not available if taxable non-savings income exceeds £2,710 (£2,560).

There are special rules for trusts, and also for individuals with income assessable on the remittance basis.

From 6 April 2013, the 50% rate of income tax is expected to reduce to 45%.

From 7 January 2013, an additional tax charge will apply to claw back child benefit where one income in a household exceeds £50,000.

Personal allowances		
	2012/13	2011/12
Personal	£8,105	(£7,475)
Income limit for personal allowance (a)	£100,000	(£100,000)
Age allowance (age at end of tax year) (b):		
Personal: age 65-74	£10,500	(£9,940)
Personal: age 75 or over	£10,660	(£10,090)
Married couple's (c)	£7,705	(£7,295)
Income limit for age allowances	£25,400	(£24,000)
Blind person's allowance	£2,100	(£1,980)

- (a) The personal allowance is reduced by £1 for each £2 by which income exceeds £100,000, irrespective of age.
- (b) Age-related allowances first reduce by £1 for each £2 by which income exceeds the income limit, reducing to a minimum of the personal allowance. Such allowances can be reduced further under (a).
- (c) Relief is limited to 10%, and extends to civil partnerships. At least one spouse/partner must have been born before 6 April 1935. The allowance is reduced where income exceeds the income limit, subject to an absolute minimum of £2,960 (£2,800). In certain circumstances couples may determine how the allowance may best be used.

Pensions		
	2012/13	2011/12
Lifetime allowance (a)	£1,500,000	(£1,800,000)
Equivalent to defined benefit pension	£90,000	(£90,000)
Maximum contribution annual allowance (b)	£50,000	(£50,000)
Tax on excess Marginal rate (marginal rate)		
Normal minimum pension age	55 (55)	

- (a) Special rules can apply to individuals with larger benefits at 5 April 2006, and for those with benefits over £1,500,000 on 5 April 2012. Excess over the lifetime allowance may be subject to a 25% charge plus income tax on balances drawn, or 55% for lump sum benefits.
- (b) Unused allowances from the previous three years (by reference to a limit of £50,000 p.a.) may be carried forward, potentially increasing the current year's allowance in 2012/13 and subsequent tax years.

Company cars – annual benefits

The annual benefit is a percentage of list price, with the percentage dependent on the level of CO2 emissions. The minimum benefit is **5%** for emissions of **75g/km or less**. For emissions of over **75 and up to 99g/km**, the rate is **10%**. For emissions of **100-104g/km**, the rate is **11%** and increases by **1%** for each additional full 5g/km up to a maximum charge of **35%** for emissions of **220g/km** or more. Emission levels are rounded down to the nearest multiple of five. List price includes certain accessories, but is reduced for capital contributions of up to **£5,000**.

There is a diesel supplement of **3%** for all bands, subject to a maximum charge of **35%**.

For vans, the taxable benefit for significant private use is **£3,000** (£3,000). The benefit charge for electric cars and vans is nil until 5 April 2015.

Fuel: if fuel is provided for private use in a company car, the car benefit percentage is applied to **£20,200** (£18,800).

The benefit for fuel provided for a van with significant private use is **£550** (£550).

National insurance contributions (NIC)		
Class 1 employees:		
Weekly earnings	Contracted in	Contracted out
Up to £107 (£102)	Nil (nil)	Nil (nil)
£107.01-£146 (£102.01-£139)	Nil (nil) Rebate	1.4% (1.6%)
£146.01-£770 (£139.01-£770)	n/a 10.6%	(10.4%)
£770.01-£817 (£770.01-£817)	n/a	12% (12%)
£146.01-£817 (£139.01-£817)	12%	(12%) n/a
Over £817 (over £817)	2% (2%)	2% (2%)

Class 1 employers:		
Weekly earnings	Contracted in	Contracted out
Up to £107 (£102)	Nil (nil)	Nil (nil)
£107.01-£144 (£102.01-£136)	Nil (nil)	Rebate 3.4% (3.7%)
£144.01-£770 (£136.01-£770)		n/a 10.4% (10.1%)
£770.01-£817 (£770.01-£817)		n/a 13.8% (13.8%)
£144.01-£817 (£136.01-£817)	13.8%	(13.8%) n/a
Over £817 (over £817)	13.8% (13.8%)	13.8% (13.8%)

Other:

Class 1A (employers only): **13.8%** (13.8%) based on the amounts of taxable benefits.

Class 1B (employers only): **13.8%** (13.8%) in respect of amounts in a PAYE settlement agreement and the income tax thereon.

Class 2 (flat rate for self-employed): **£2.65** (£2.50) per week.

Class 3 (voluntary): £13.25 (£12.60) per week.

Class 4 (self-employed): 9% (9%) of profits between **£7,605** (£7,225) and £42,475 (£42,475) per annum and 2% (2%) on profits above **£42,475** (£42,475).

Bank levy	
Annual tax on certain short-term chargeable liabilities and long-term chargeable equity and liabilities above an aggregate of £20 billion of most UK based banks.	
Short-term liabilities	0.078%
Long-term equity and liabilities	0.039%
Lower rates applied prior to 1 January 2012.	

From 1 January 2013, the rates will increase to 0.105% and 0.0525% for short-term liabilities and long-term equity and liabilities respectively.

Insurance premium tax	
Standard rate	6%
Higher rate	20%

Capital gains tax		
	2012/13	2011/12
For standard rate taxpayers	18%	(18%)
For trustees and higher /additional rate taxpayers	28%	(28%)
Annual exempt amount – individuals	£10,600	(£10,600)
Annual exempt amount – trusts	£5,300	(£5,300)
Entrepreneurs' relief lifetime limit	£10,000,000	£10,000,000
Entrepreneurs' rate	10%	(10%)

Inheritance tax

Nil rate band: up to £325,000	(£325,000) – 0% (0%)
Over £325,000	(£325,000) – 40% (40%).

Reduced charge on lifetime gifts within seven years of death applies. A surviving spouse or civil partner may claim the unused proportion of an earlier deceased spouse's or civil partner's nil rate band up to the current nil rate band.

From 6 April 2012, a reduced rate of **36%** applies when **10%** or more of a net estate is left to charity.

Tax-efficient investments

	2012/13	2011/12
ISA investment limit	£11,280	(£10,680)
Cash ISA maximum investment	£5,640	(£5,340)
Junior ISA investment limit cash or shares (a)	£3,600	(£3,600)

(a) From 1 November 2011, for children aged under 18 without a Child Trust Fund.

Venture capital trusts (VCTs): income tax relief at up to **30%** on investment up to **£200,000**.

Enterprise investment scheme (EIS): income tax relief at up to **30%** on qualifying share subscription between **£500** and **£1,000,000** (£500,000).

Seed enterprise investment scheme (SEIS): income tax relief of **50%** on investment up to **£100,000**, together with rollover of gains made in 2012-13 into the subscription.

Corporation tax

From 1 April	2012	2011
Small profits rate	£0-£300,000 20%	(£0-£300,000 20%)
Marginal rate	£300,001-£1,500,000 25%	(£300,001-£1,500,000 27.5%)
Main rate (a)	Over £1,500,000 24%	(Over £1,500,000 26%)
(a) The main rate will further decrease by 1% in each year until financial year 2014 when the main rate will be 22%.		

Capital allowances

Expenditure on:	2012/13	2011/12
Plant and machinery: (a)	18%	(20%)
Plant and machinery in enterprise zones	100%	(n/a)
Motor cars on or after April 2009 – CO2 emissions < 110g/km	100%	(100%)
110g/km-160g/km (a)	18%	(20%)
> 160g/km (a)	8%	(10%)
Motor cars pre April 2009 (a) (b)	18%	(20%)
New and unused zero emission goods vehicles	100%	(100%)
Long life assets/features in buildings (a)	8%	(10%)
Patent rights and know-how (a) (c)	25%	(25%)
Mines, oil wells, mineral rights (a) (d)	25%	(25%)
Research and development	100%	(100%)
Energy-saving and water efficient machinery	100%	(100%)
Renovation of premises (disadvantaged areas)	100%	(100%)

There is a 100% annual investment allowance on the first £25,000 (£100,000), per group of companies or related entities, of capital expenditure on plant and machinery including long life assets and integral features, but excluding cars.

- (a) These allowances are given on a reducing balance basis.
- (b) Subject to a maximum allowance of £3,000 p.a. per vehicle.
- (c) For expenditure from April 2002 accounting write downs (and not capital allowances) are allowable deductions for tax.
- (d) Acquisition of mineral deposits and rights qualify for 10% p.a.

Stamp duties

	2012/13	2011/12
Stamp duty land tax on non-residential land and buildings (a) (b):		
£0-£150,000	0%	(0%)
£150,001-£250,000 (£150,001-£250,000)	1%	(1%)
£250,001-£500,000 (£250,001-£500,000)	3%	(3%)
Over £500,000 (over £500,000)	4%	(4%)
Stamp duty land tax on residential land and buildings (a) (b) (c):		
£0-£125,000 (£0-£125,000) (d) (e)	0%	(0%)
£125,001-£250,000 (£125,001-£250,000) (d) (e)	1%	(1%)
£250,001-£500,000 (£250,001-£500,000)	3%	(3%)
£500,001-£1,000,000 (£500,001-£1m)	4%	(4%)
£1,000,001-£2,000,000 (over £1,000,000)	5%	(5%)
Over £2,000,000 (f)	7%	(5%)

- (a) All figures are calculated inclusive of any VAT. Rates apply to the full amount.
- (b) On leases, the rate is (broadly) 1% of the discounted rental values under the lease over the £150,000/£125,000 limit.
- (c) For new zero carbon homes, including flats, the 0% threshold extends to £500,000 until 30 September 2012; for such properties over £500,000 there is a £15,000 reduction.
- (d) For residential property in disadvantaged areas, the 0% threshold extends to £150,000.
- (e) The 0% threshold extended to £250,000 for first time buyers only for purchases where the date of completion was between 25 March 2010 and 24 March 2012.
- (f) Rate applies from 22 March 2012. Where residential property over £2 million is purchased by a company (or similar entity), a 15% rate applies.

Stamp duty – shares and securities	0.5%	(0.5%)
Stamp duty reserve tax	0.5%/1.5%	(0.5%/1.5%)

Value added tax

Standard rate	20%
Lower rate	5%
Zero rate	0%

Registration threshold (changes from 1 April 2012): taxable supplies at the end of any month exceed £77,000 (£73,000) in the past 12 months, or will at any time exceed £77,000 (£73,000) in the next 30 days. These thresholds also apply for supplies from other EU Member States.

Air passenger duty

Air passenger duty is a departure tax levied on air travel. Rates per passenger:

	Reduced rate	Standard rate
From 1 April 2012 (a)		
Band A (0-2,000 miles from London) (b)	£13 (£12)	£26 (£24)
Band B (2,001-4,000 miles from London)	£65 (£60)	£130 (£120)
Band C (4,001-6,000 miles from London)	£81 (£75)	£162 (£150)
Band D (over 6,000 miles from London)	£92 (£85)	£184 (£170)
(a) Flights from airports in the Scottish Highlands and Islands are exempt.		
(b) Includes all long haul flights from Northern Ireland.		

Climate change levy

Electricity 0.509p (0.485p) per kWh **Gas** 0.177p (0.169p) per kWh
Coal, lignite, coke and semi-coke 1.387p (1.321p) per kg **Liquid petroleum gas** 1.137p (1.083p) per kg
 Climate change levy is a single stage tax on supplies of various fuels to industrial and commercial consumers.

Current 50p top tax rate will be cut to 45p

£16 billion of income was deliberately shifted into the previous tax year – at a cost to the taxpayer of £1 billion

The Chancellor George Osborne confirmed during his Budget 2012 speech that the current 50p top tax rate will be cut to 45p from April 2013. Those earning £150,000 or more have been subject to the 50% rate since April 2010, when it was brought in by the Labour government.

MASSIVE DISTORTIONS

Mr Osborne said that the 50p tax rate would only be justified if it raised a significant amount of money but evidence from HM Revenue and Customs (HMRC) showed that the rate caused 'massive distortions.'

He said: 'HMRC found that an astonishing £16 billion of income was deliberately shifted into the previous

tax year – at a cost to the taxpayer of £1 billion, something that the previous government's figures made no allowance for.'

Mr Osborne also argued that the increase to 50p in 2010 raised about a third of the £3 billion the government hoped it would raise, and cutting it to 45p would only cost the government £100 million.

SCRAPPED ALTOGETHER

There are currently around 300,000 people in the UK who earn £150,000 or more; of those 14,000 earn over £1 million a year.

It was widely predicted the tax would be reduced from 50p to 45p rather than being scrapped altogether but senior

officials refused to say if the 45p band for those earning over £150,000 will be merely 'temporary.'

Mr Osborne said that the 50p tax rate would only be justified if it raised a significant amount of money but evidence from HM Revenue and Customs (HMRC) showed that the rate caused 'massive distortions.'





BUDGET 2012 BRIEFING

Inheritance Tax matters

The government will consult on legislation to increase the Inheritance Tax (IHT) exempt amount that a UK domiciled individual can transfer to their non UK domiciled spouse or civil partner. The government similarly proposes to allow individuals who are domiciled outside the UK and who have a UK domiciled spouse or civil partner to elect to be treated as domiciled in the UK for the purposes of IHT. Legislation will be in Finance Bill 2013.

OFFSHORE TRUSTS

Legislation will be introduced in Finance Bill 2012 to amend the excluded property and settled property provisions in order to close an avoidance scheme involving the acquisition of interests in offshore trusts by UK-domiciled individuals. The changes will ensure that any reduction in the value of a person's estate as a result of the arrangements is charged to IHT.

The changes will largely replicate the tax treatment that a UK-domiciled individual using such a scheme would incur if the assets within the offshore trust had instead been transferred to a UK trust. This measure took effect from 21 March 2012.

CHARITABLE LEGACIES – REDUCED RATE OF IHT

Legislation will be introduced in Finance Bill 2012 which will apply a reduced rate of IHT to estates where a minimum of 10% of the estate is left to charity.

Budget 2012 briefing

Tax evasion and aggressive tax evasion

The Chancellor said he would implement a general anti-abuse rule from April 2013 to tackle abuses by business seeking to divert profits to low-tax havens or devise schemes to evade taxes. He said the Treasury would spend the next year consulting interested parties before deciding on the fine detail.

Changes to the rules on tax paid by UK companies will allow them to cut the amount they pay on profits made by their foreign subsidiaries. The aim is to allow firms to pay local taxes without a surcharge by the Treasury to bring the corporation tax rate up to UK levels.

Mr Osborne said: 'I regard tax evasion and aggressive tax evasion as morally repugnant.'

The Treasury will follow the Aaronson recommendations by implementing a GAAR targeting 'artificial and abusive'

tax avoidance schemes. The government will consult with a view to bringing forward legislation in the Finance Bill 2013.

The Treasury will follow the Aaronson recommendations by implementing a GAAR targeting 'artificial and abusive' tax avoidance schemes. The government will consult with a view to bringing forward legislation in the Finance Bill 2013.

“Simplifying” the tax system and spreading tax relief across everyone

Extra allowance will gradually reduce for pensioners, whose taxable income is between £24,000 and about £29,000

The amount of income that is not taxed will be frozen for those aged over 65, affecting the financial plans for those approaching retirement. From April 2013, those reaching age 65 will no longer receive a higher personal allowance than people of working age.

This will save the government £1bn by 2015, Budget documents have revealed. The government said it wanted to “simplify” the tax system and spread tax relief across everyone, regardless of age.

IN BRIEF

- The amount of income that is tax-free - the personal allowance - is greater at present for most people aged over 65
- The system will be changed so eventually, everyone will have the same personal allowance
- Some 4.41 million people will be worse off in real terms in 2013/14, losing £83 on average
- Within that, 360,000 people aged 65 lose an average of £285

Source: HM Revenue and Customs (HMRC)

For those aged between 65 and 74, the personal allowance, the amount of income that is tax-free, has been set at £10,500 from April. For those aged 75 and over, the allowance will be £10,660.

This extra allowance gradually reduces for pensioners, whose taxable income is between £24,000 and about £29,000. It disappears for any

pensioner earning more than £29,000. There is also a gradual withdrawal of the basic personal allowance for everyone with income above £100,000, regardless of age.

THE WAY TAX IS CALCULATED

In a major shift in the way tax is calculated, already dubbed a “granny tax” on Twitter, Chancellor George Osborne has said that income tax personal allowances will change in the following way:

- The under 65s’ personal allowance will increase to £9,205 in April 2013 - that relates to people born after 5 April 1948
- A personal allowance of £10,500 will be restricted to most people born after 5 April 1938, but before 6 April 1948
- The personal allowance of most people born before 6 April 1938 will be £10,660

NO ENTITLEMENT TO THE HIGHER PERSONAL ALLOWANCE

The change means that as people turn 65, they will not be entitled to the higher personal allowance set aside for most pensioners.

Instead, they will receive the same as everyone else. As time goes on, more and more people will fall into this group. As a result, in 2013/14, some 4.41 million people will be worse off in real terms with an average loss of £83, HM Revenue and Customs (HMRC) said.

Within the total, 360,000 individuals aged 65 lose an average £285. Some 230,000 people will be brought into income tax. So this will save the government £360m in the year it is introduced, rising to £1.25bn a year by 2016/17.

PENSION AGE

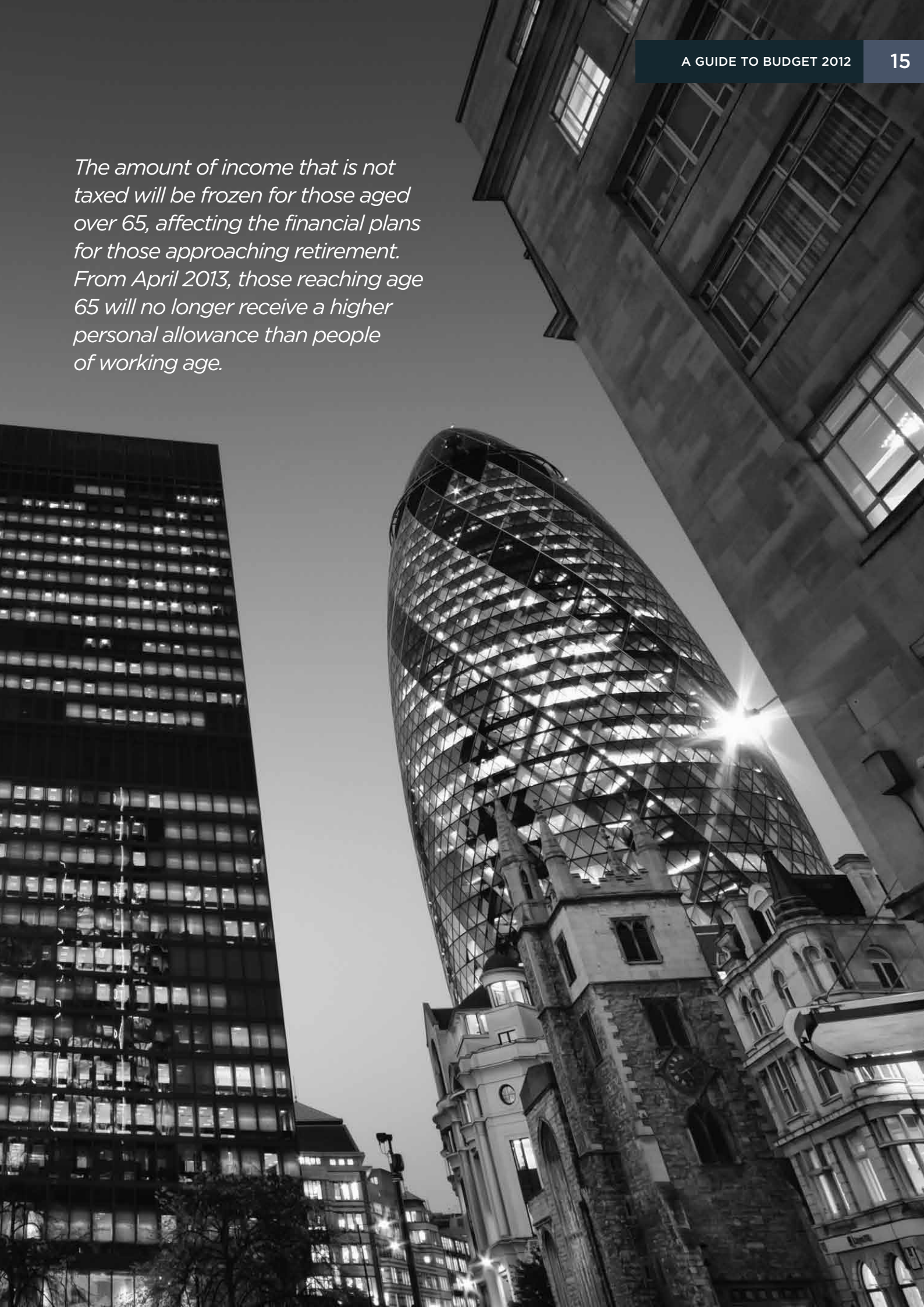
Although the tax-free income allowance is rising for the under-65s, HMRC has confirmed that 300,000 will be drawn into higher rate tax from 2013/14.

The change comes as a result of the higher rate threshold being reduced from £42,475 to £41,450 - the point at which people start paying 40% tax on their income.

Meanwhile, Mr Osborne confirmed that he would set up an “automatic review” of the state pension age to make sure it keeps on rising if people keep on living even longer, which means to 68 and beyond. The state pension age is already scheduled to rise to 67, for both men and women, by 2026.

This will save the government £1bn by 2015, Budget documents have revealed. The government said it wanted to “simplify” the tax system and spread tax relief across everyone, regardless of age.

The amount of income that is not taxed will be frozen for those aged over 65, affecting the financial plans for those approaching retirement. From April 2013, those reaching age 65 will no longer receive a higher personal allowance than people of working age.





Combining the two state pensions into one simplified pension

Pensioners will receive a flat-rate state pension, initially it is estimated that it will be worth about £140 a week

The Chancellor Mr Osborne confirmed during his Budget 2012 speech a pledge to combine the two state pensions into one simplified pension, as well as increasing the state pension age automatically in line with rises in longevity.

The full basic state pension is currently £102.15 a week, rising to £107.45 from April this year. Pensioners will receive a flat-rate state pension, initially it is estimated that it will be worth about £140 a week for those with a 30-year national insurance record, from 2016.

**REPLACED BY
A SINGLE SCHEME**

The government says the long-awaited change, which will see the current basic state pension and second state pension (S2P, formerly known as Serps) replaced

by a single scheme, will cost no more than the existing state pension system.

**COMBINED PENSION
PAYMENTS**

This means that while those on low incomes who have made small or no contributions to S2P will benefit from a higher pension than they could currently expect, people who earn higher salaries may lose out. The current full basic state pension is £102.15 a week (rising to £107.45 from April 2012), but those at the top end of the salary scale can expect up to £180 a week in combined pension payments.

**AUTOMATIC REVIEW OF THE
STATE PENSION AGE**

The flat rate pension will only apply to those retiring after implementation. Pensioners already receiving the

The flat rate pension will only apply to those retiring after implementation. Pensioners already receiving the state pension will not move onto the new scheme.

state pension will not move onto the new scheme.

Mr Osborne also announced that an automatic review of the state pension age (SPA) would be introduced to take account of increases in longevity. Details of how this will be done will be published alongside the Office for Budget Responsibility fiscal sustainability report.

Government plans to withdraw child benefit from parents who earn higher levels of income

All sections of society must make a contribution to dealing with the deficit

Under changes announced by the Chancellor George Osborne in his Budget speech, households with one person earning more than £50,000 a year will lose some of their child benefit.

Mr Osborne said it was important that “all sections of society must make a contribution to dealing with the deficit” and cautioned that the welfare budget needed to be cut back because social security would consume one-third of public spending if left unchecked.

REDUCING THE DEFICIT

Until now, child benefit has been universally paid to families of all backgrounds. But the government says people on “higher incomes” should “contribute more” in order to reduce the deficit.

Government plans to withdraw child benefit from parents who earn higher levels of income have been altered.

Chancellor George Osborne said that the benefit would only be withdrawn entirely from those where one partner earns more than £60,000 a year.

The benefit will be withdrawn gradually from those where one parent earns more than £50,000.

Child benefit totals £20.30 a week for the first child, and then £13.40 for each subsequent child. There is no limit to the number of children that can be claimed for.

So, for a family with two children, one parent would receive £33.70 per week or £1,752.40 per year.

The equivalent in terms of earnings, taking income tax into account, would make it worth £2,190.50 for a basic rate taxpayer and £2,920.67 for a higher rate taxpayer.

PERCEIVED PROBLEM

The government had planned to remove the benefit from households in which someone earns more than £42,475 in January 2013.

The perceived problem was an anomaly that a family with a single earner taking home more than £42,475 would lose child benefit, but a couple each earning slightly less than this could take home £80,000 and keep the benefit.

The other issue of debate was the “cliff-edge”. That meant someone earning £42,475 or below would receive the full child benefit. As soon as they earned £42,476, they would lose every penny of the child benefit.

The benefit will fall by 1% for every £100 earned over £50,000. That means those earning more than £60,000 will lose the entirety of the benefit.

ENTITLEMENT UNDER THE ORIGINAL PROPOSALS

Some 7.8 million families receive child benefit, of which 1.2 million would have lost their entitlement under the original proposals. The number affected will be lower under the renewed plans.

Three million taxpayers earning over £50,000 will be sent letters in the autumn asking if they or anyone in their household receives child benefit - in order for some to be clawed back through tax from January 2013.

The income tax charge could be levied from monthly pay cheques, via people’s personal tax codes. Otherwise, the first tax bills for child benefit will have to be settled by the end of January 2014.



BUDGET 2012 BRIEFING

Pension contributions for spouses or family members

The Chancellor announced during his Budget Speech that "from April 2013 pension contributions paid into spouses or family members' registered pension schemes cannot be used to obtain any tax or National Insurance Contribution advantages.

"This addresses the recent growing practice where employees who have reached their £50,000 annual cap are diverting contributions from their employer into their spouses or family member's pension funds to obtain tax relief.

It also helps to utilise any available spouse's pension relief. Some employers have been implementing this as part of flexible benefits packages and it would appear that HMRC are concerned that this practice may become more widespread."

BUDGET 2012 BRIEFING

Income tax rules on interest

Legislation surrounding the taxation of interest, and the deduction of tax at source, will be subject to a government consultation with a view to amended legislation being introduced from April 2013.

This measure is particularly aimed at pensioners who may not be liable to income tax on their savings depending on their total income.

Budget 2012 briefing

Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCTs)

As previously announced in Budget 2011, the attraction of Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCTs) was enhanced through simplifications to the rules and increased thresholds. This included removing some restrictions on qualifying shares and types of investor. In addition, the EIS annual investment limit for individuals will be increased to £1 million from 6 April 2012.

MINIMUM SUBSCRIPTION

Following consultation, the £500 minimum subscription for EIS will be removed. The definition of shares which qualify for relief will be widened and the rules relating to whether an investor in a company is connected will be relaxed.

For VCTs, the £1 million limit on investment by a VCT in a single company will be removed (except for companies in a partnership or joint venture).

THRESHOLDS INCREASED

The thresholds for the size of a qualifying company for both EIS and VCT will be increased and the maximum annual amount that can be invested in an individual company under all the venture capital schemes will be increased to £5 million. Individuals investing into these schemes

and companies raising money under these schemes will be affected.

The increase in the annual amount that an individual can invest under EIS will apply with effect from 6 April 2012.

The changes to EIS will apply to shares issued on or after 6 April 2012. The change to the investment limit by a VCT in a single company will apply to shares issued on or after 1 April 2012.

SHARES ISSUED ON OR AFTER 6 APRIL 2012

The changes to EIS will apply to shares issued on or after 6 April 2012. The change to the investment limit by a VCT in a single company will apply to shares issued on or after 1 April 2012.

The increases to the company size limits and the annual investment amount that a company may receive for both EIS and VCT will have effect for investee company shares issued on or after 6 April 2012. This is subject to state aid approval.

Budget 2012 briefing

Enterprise Management Incentives (EMI)

The limit set for the share option scheme focused on small and medium sized businesses, Enterprise Management Incentives (EMI), is set to increase. Currently, the value of qualifying options which can be issued to any one employee is £120,000. This limit will be increased to £250,000. The restriction, which stops further options from being granted until a period of three years has passed following the limit being reached, is to remain. The overall company limit of options of £3 million is also set to remain.

EMI REFORM PROPOSALS

The government also proposes to reform EMI in Finance Act 2013 allowing gains arising from 6 April 2012 on the sale of shares acquired through an EMI scheme to be eligible for Entrepreneurs' Relief. This will reduce the effective rate of CGT suffered on any gains to 10%. The government will consult on extending the EMI option scheme to academics, who do not always meet the qualifying criteria.

Senior employees of small and medium sized businesses will be affected which issue EMI share options.

The government needs state aid approval to implement this measure, but plans to push through the changes by Statutory Instrument as soon as possible given this constraint.

POST BUDGET 2012 PLANNING TIPS

What action should you take now?

Companies with offshore interests should review their structures to minimise the impact and maximise the opportunities of the CFC and Patent Box changes (especially finance company exemptions and taxing intellectual property at 10%).

BUDGET 2012 BRIEFING

Anti avoidance: Life insurance policies

Gains from life insurance policies, life annuity contracts and capital redemption policies are taxed as income. The charge arises on the occurrence of a 'chargeable event gain' such as the maturity of a policy.

Changes were announced to the rules in calculating gains from certain policies and contracts.

The changes confirm that gains, which are subject to income tax, are not reduced by any untaxed gains earlier in the life of the policy or contract.

In addition, income gains are not reduced by the use of certain cluster arrangements. In addition, the government has announced a consultation on reform to the time apportionment of gains when the taxpayer is not resident in the UK for a period.

UK resident individuals will be affected who own life insurance policies, life annuity contracts and capital redemption policies, where there have been gains earlier in the life of the policy which were not subject to income tax, or certain cluster policy arrangements which defer income tax until the final policy in the cluster comes to an end. The measures have taken immediate effect.



A Budget for business

Changes that could greatly affect the UK's small and medium-sized enterprises

TAX SIMPLIFICATIONS

From April 2013, companies with sales of up to £77,000 per year will be allowed to change their accounting from the established accrual method to a cash basis. What this means is that firms will only have to pay tax on the amount of money they have actually received, rather than total orders, as under the current accrual-based system.

If successful, the Treasury will then consider expanding the change to firms with sales of up to £150,000 per year, which it estimates would mean more than three million firms being able to benefit.

George Osborne also confirmed that the government is to move ahead with plans to integrate income tax and national insurance, first announced in last year's Budget, so firms do not have to run two different payroll tax systems.

CORPORATION TAX

The basic rate will now fall to 24% from April 2012, down from the current 26%. This change does not affect small firms, as those with profits not exceeding £300,000 a year already only have to pay 20%. Future cuts will see the main rate of corporation tax drop to 23 per cent in April 2013 and 22 per cent in April 2014.

PATENT BOX

Small firms which have patented a product will be able to benefit from the so-called Patent Box. Coming into effect from April 2013, the Patent Box is a reduced level of corporation tax on profits attributed to patents and similar types of intellectual property.

As confirmed by the chancellor, it will introduce a lower rate of 10%. Sectors likely to benefit most include pharmaceuticals and the software industry.

POST BUDGET 2012 PLANNING TIPS

What action should you take now?

Business owners should start to give careful thought to how to maximise pension contributions at the highest rate (50%) and how and when these should be funded by their companies, especially given that effective dividend rates will reduce from 36.1% to 30.6% from 6th April 2013.

YOUTH ENTERPRISE LOANS

Under a one-year pilot scheme to be launched by March 2013, up to 7,000 young people aged between 18 and 24 will be able to apply to borrow between £5,000 and £10,000 to back their business idea.

BUSINESS RATES

Business rates will go up by 5.6% from April 2012, as had previously been announced.

FUEL DUTY

The Budget offered no reprieve for small firms struggling with the high price of petrol and diesel. Instead, fuel duty will continue to go up by 3p in August.

NEW LOAN SCHEME

The introduction of a new bank lending scheme - was announced a day before the Budget. Under the £20bn National Loan Guarantee Scheme (NLGS),

POST BUDGET 2012 PLANNING TIPS

What action should you take now?

The individual limit on qualifying Enterprise Management Incentives (EMI) options will increase from £120,000 to £250,000. This makes EMI schemes even more attractive to businesses wishing to retain and incentivise employees in a tax efficient manner.

Potentially of greater benefit is the announcement that gains on EMI shares will qualify for entrepreneur's relief at 10% tax for exercises post 6 April 2012.

Individuals holding EMI options should not exercise options before 6 April 2012 without taking advice first.

Small firms which have patented a product will be able to benefit from the so-called Patent Box. Coming into effect from April 2013, the Patent Box is a reduced level of corporation tax on profits attributed to patents and similar types of intellectual property.

SMEs will be able to access loans with interest rates one percentage point lower than those available outside the initiative. Barclays, Santander, Lloyds and Royal Bank of Scotland have so far signed up, and firms with an annual turnover of up to £50m will be able to participate.

The discounted loans are being made available because the government is to guarantee £20bn of the banks' own borrowing, thereby allowing the lenders to borrow more cheaply than they normally do.

CORPORATION TAX RATES

Rate	2011	2012	2013
Small Profits Rate	20%	20%	
Small Profits Rate can be claimed by qualifying companies with profits at a rate not exceeding	£300,000	£300,000	
Marginal Relief Lower Limit	£300,000	£300,000	
Marginal Relief Upper Limit	£1,500,000	£1,500,000	
Standard fraction	3/200	1/100	
Main rate of Corporation Tax	26%	24%	23%
Special rate for unit trusts and open-ended investment companies	20%	20%	

BUDGET 2012 BRIEFING

Changes to Registered Overseas Pension Scheme rules members

The government will introduce changes to tighten up the tests to be a Qualifying Registered Overseas Pension Scheme (QROPS). It will also make various amendments to the reporting requirements.

People who will be affected are members of a QROPS or who wish to transfer their pensions into a QROPS, and QROPS scheme administrators. The changes come into effect from 6 April 2012, although there are some transitional rules.

BUDGET 2012 BRIEFING

What action should you take now?

Business owners should continue to review their business structure to take advantage of the difference in income tax and corporate tax rates. The potential benefits of maximising the arbitrage between the two will be greatest in 2012/2013; for example income tax 50% versus corporate tax 24%). There are a number of solutions which can help deliver these tax benefits.

Content of the articles featured in 'A Guide to Budget 2012' is for your general information and use only and is not intended to address your particular requirements. They should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions.

