



Budget 2009

Against a backdrop of unprecedented economic gloom, Mr Darling presented his Budget speech today.

We have set out below some of the announced changes to our tax system that affect individuals and businesses. If you would like more information on how these changes will affect you, or your business, please call.

Personal Allowances 2009-10

These remain as announced in the Pre-Budget report November 2008 and are:

From the 6 April 2009 the income tax personal and age related allowances are increased to:

Age under 65 - £6,475

Age 65 to 74 - £9,490

Age 75 and over - £9,640

The income limit for aged related allowances (over 65's) is increased to £22,900.

Blind person's allowance increased to £1,890.

Personal Allowances 2010-11

The basic personal allowance will be reduced for taxpayers who earn more than £100,000 per annum.

Where an individual's income is above £100,000 the basic personal allowance will be reduced by £1 for every £2 their income exceeds £100,000.





Income Tax Rates 2009-10

Starting savings rate 10%* - £0 to £2,440

Basic rate 20% - £0 to £37,400

Higher rate 40% - Over £37,400

* There is a 10p starting rate for savings only. If an individual's non savings taxable income exceeds the starting rate limit, the 10p starting rate for savings will not be available for savings income.

New 50% Income Tax Rates from 2010-11

From 6 April 2010 a new income tax rate of 50% will be applied to taxable income in excess of £150,000.

Capital Gains Tax 2009-10

The annual exempt amount for individuals is £10,100 (and for most trustees £5,050)

Inheritance Tax 2009-10

The individual IHT allowance is increased to £325,000.

Pensioners Taxback Campaign

From autumn 2009 HM Revenue & Customs will be targeting pensioners who receive the Pension Credit to help them reclaim tax they may have paid in error from bank or building society interest they have received.

ISA's

2009-10

The ISA limit is increased to £10,200 (up to £5,100 can be saved in cash) restricted to people aged 50 or over.

2010-11

The limit is increased to the same level for all age groups.





Pensions - limiting tax relief at higher rates

From 6 April 2011 the Government intends to restrict tax relief for individuals with an annual income of £150,000 or more. Relief will be withdrawn gradually so that taxpayers earning over £180,000 will effectively achieve a 20% tax deduction, the same as a basic rate tax payer.

From today, 22 April 2009, if the following conditions also apply:

1. Your income is over £150,000
2. You make additional contributions in excess of your existing ongoing contributions, and
3. Your total pension contributions in the year exceed £20,000 (including employer's contributions)

Then any higher rate tax advantage, on additional contributions above the £20,000 limit, will be subject to a special annual allowance tax charge that will recover tax relief given at above basic rate.

Excise Duty increases

Alcohol Duty

From midnight 22 April alcohol duty will rise by 2%, equivalent to:

1p on a pint of beer

13p on a 75cl bottle of spirits

4p on a 75cl bottle of wine

Tobacco Duty

After 6pm 22 April tobacco duty will rise by 2%, which will increase the cost of a packet of 20 cigarettes by 7p.

Fuel Increases

Duty increases will add 2 pence per litre to the cost of unleaded petrol and diesel from 1 September 2009.





Stamp Duty Land Tax

The present exemption from SDLT of residential properties up to £175,000 is to be extended to 31 December 2009. After this date the SDLT threshold will revert to £125,000 (£150,000 in disadvantaged areas).

BUSINESS TAX CHANGES

Furnished Holiday Lettings

Two radical changes to the taxation of income and gains arising on the letting of furnished holiday lets property have been published today.

1. Properties owned by UK tax payers situated in the European Economic Area can now qualify. Previously only properties situated in the UK qualified; and
2. From 6 April 2010 the Furnished Holiday Lettings rules are to be repealed!

Both of the changes have come about due to compliance issues with EEA legislation.

All client's who own and let properties within the EEA, including the UK, may benefit from a strategic review of their present property tax planning due to these changes. It is vital that the narrow window of opportunity occasioned by this change be fully exploited, and we only have until 5 April 2010 to consider capital gains tax and income tax planning opportunities.

Business Payment Support Service (BPSS)

If you call the BPSS to ask for time to pay tax you may owe, please take account of the following extension of the circumstances HMRC will now consider.

If you are likely to make a trading loss in the current year, when these losses are determined you can generally claim for the loss to be carried back and set off against your previous year's profits. Obviously you would need to wait until the current years accounts are completed and a formal loss relief claim is made.

In recognition of this right to set off losses, BPSS advisers have now been instructed to take reasonable estimates of these losses into account when they agree to deferred payment of your previous year's tax.

If you need help estimating your tax losses in the current year we can help.





Further extension of carry back of loss relief

This further extension to loss relief's already available will enable both incorporated and unincorporated to carry back current losses, that were previously restricted to set off against the preceding year's profits only, to the previous 3 years profits. The following bullet points summarise the main points:

- The relief is now available for two years. For limited companies, trading losses in an accounting period ending between 24 November 2008 to 23 November 2010. For unincorporated business losses agreed for a trading period that forms the basis period for 2008-09 and 2009-10.
- HMRC will make repayments occasioned by claims for the new relief on or after Budget Day 2009.
- The amount of the loss that can be carried back one year is still unlimited. Any carry back to the earlier two years will be limited to £50,000. The £50,000 limit is an annual limit.
- Losses will be applied to the latest of the three years first.
- As this is an extension to existing loss relief legislation, the current relief's are still available.

Corporation Tax Rates

The small companies rate from 1 April 2009 is unchanged at 21 %.

Temporary First Year Capital Allowances

Since 1 April 2008 (corporation tax) and 6 April 2008 (income tax) businesses that invest up to £50,000 on certain plant and equipment can write off the entire amount against their taxable profits.

Any excess expenditure, over the £50,000 limit, is added to the pool of unrelieved expenditure and has qualified for a writing down allowance of 20%.

Today the Chancellor has announced that to encourage investment he will create a temporary first year allowance of 40% which will be applied to the excess over the £50,000 limit.

The new 40% allowance will be available for just one year, from 1 April 2009 (corporation tax) and 6 April 2009 (income tax) and will apply to assets which would be added to the main capital allowances pool except cars and assets used for leasing.





VAT Changes

As expected the standard rate of VAT will be increased to 17.5% on 1 January 2010.

With effect from 1st May 2009, the thresholds for registration and deregistration are increased to £68,000 and £66,000 respectively.

DISCLAIMER - PLEASE NOTE: The ideas shared with you in this email are intended to inform rather than advise. Taxpayer's circumstances do vary and if you feel that tax strategies we have outlined may be beneficial it is important that you contact us before implementation. If you do or do not take action as a result of reading this newsletter, before receiving our written endorsement, we will accept no responsibility for any financial loss incurred.

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