



Budget 2007

Overview: Gordon Hood – robbing the poor to chase middle-class votes

- The striking feature of the budget was that Gordon loves the job he is about to leave so much he has done all the work for the next three years already.
- As a result the last labour chancellor of this decade will have nothing to do but sit on his backside in the treasury – adding to speculation that John Prescott is being lined up for the job.
- What wasn't said is that in each of the next two years the tax burden will rise by £11bn and that we have returned to pre-Thatcherite levels of taxation.
- In addition the levels of government borrowing are climbing and the change to inter-national accounting standards will bring the horrendous PFI liabilities back on to the government balance sheet. To help fund this £6bn is to be raised by selling the student loan debt book to dodgy loan sharks some of whom may send skinheads with pit-bulls round to encourage new graduates to pay up - or else

Income Tax

- The headline change is obviously the 2% cut in the basic rate announced in the closing seconds of the budget speech. This however does not take effect until April 2008.
- The starting rate of 10% is from April 2008 to be removed from earned income and pensions but will continue for savings and capital gains.
- From April 2009 the basic rate limit will be increased by £800 more than the increase necessary for indexation.
- Age related allowances will be increased by £1180 above indexation from April 2008 and will reach £10,000 for those over 75 by 2011-12

Benefits in Kind

- Owners of foreign property who use corporate vehicles to avoid foreign taxes will no longer be assessed on the benefit in kind resulting from use of the property (mainly it seems to avoid mass criminalisation of the chattering classes who had been “accidentally” forgetting to declare this benefit) It remains to be seen how Gordon's French and Spanish colleagues will view this connivance in the

avoiding of their taxes without the expected UK tax penalty.

- From 2008-09 there will be a 2% reduction in fuel benefit for those driving cars capable of using E85 fuel.

Pensions

- Pension term assurance is officially dead the relief being abolished. Relief will continue for policies in place.

In figures - tax

	2007-08
Income Tax	
Personal allowance (age under 65)	£5,225
Personal allowance (age 65-74)	£7,550
Personal allowance (age 75+)	£7,690
Married couple's allowance* (aged less than 75, born before 6/4/1935)	£6,285
Married couple's allowance* (age 75 and over)	£6,365
Married couple's allowance* - minimum amount	£2,440
Income limit for age-related allowances	£20,900
Blind person's allowance	£1,730
CGT exempt amount	
Individuals etc	£9,200
Most trustees	£4,600
Inheritance tax threshold	£300,000
Pensions	
Lifetime allowance	£1,600,000
Contribution cap	£225,000
Tax free cash cap	£400,000
VAT Thresholds	
Registration	£64,000
Deregistration	£62,000

* married allowance is at 10%

Income tax: taxable bands

	Rate	2007-08
Starting rate:	10%	£0 - £2,230
Basic rate:	22%	£2,231 - £34,600
Higher rate:	40%	over £34,600

in the case of ring fence profits from oil extraction/rights on the UK and UK continental shelf).

- The small companies rate will increase from 19% to 22% in 1% increments over the next three years. Again these changes do not apply to ring fence profits.
- The reduction in the main rate is attributed to fiscal competition from our European colleagues and the increase in the small company rate is to deter incorporation of small businesses and punish those who have already incorporated.
- Relief on research and development expenditure will increase to 130% for large companies and 175% for other companies. The higher limit will apply to companies with fewer than 500 employees.

- The 82% tax charge on ASPs remains with absolutely no relief. The chancellor clearly does not like the concept of inheritance without a substantial tax take and this will be a blow to all new Plymouth Brethren (the Islamic wing of the Christian church in terms of financial products).
- Back-dated exemptions are to be introduced in relation to non-cash pension benefits to ensure that pensioners are treated broadly in line with employees in relation to the taxation of benefits.

National Insurance

- From 2009-10 the upper limit for class 1 and class 4 NI will be aligned with the basic rate limit.

Business Taxation

- The main rate of corporation tax will reduce from 30% to 28% in 2008-09 (except

- Legislation will be introduced to define managed service companies and ensure that individuals who provide their services via such companies gain no tax advantages over being directly employed.

Capital Allowances

- The rate of first year allowances for small businesses will remain at 50% for a further year. The rate for medium sized businesses is 40% allowances are available
- From 21 March 2007 most balancing adjustments and recalculation of allowances on the sale of industrial and agricultural buildings will be withdrawn. From 2008-09 industrial and agricultural buildings allowance will be gradually withdrawn over the period to 2010-11
- From 2008-09 the rate of allowance on fixtures integral to a building are reduced from 25% to 10% in response to the fact that property owners are increasingly aware these
- From 2008-09 the writing down allowance for plant and machinery in the general pool will be reduced to 20%.
- From 2008-9 there will be an annual investment allowance for the first £50,000 of expenditure on plant and machinery in the general pool.
- From 2008-09 the rate of allowances on long-life expenditure will be increased from 6% to 10%
- From 2008-09 there will be a payable tax credit in respect of losses in relation to capital expenditure on certain green technology (i.e if the capital allowances result in a loss you will be able to get a repayment regardless of whether tax was paid the previous year)
- Capital allowances in relation to ring fence profits do not change.
- From 11 April 2007 a 100% initial allowance will be available for capital expenditure on the renovation or conversion of business premises that have been vacant for a year or more in designated disadvantaged areas of the UK. Certain industries are excluded from the scheme.

Stamp Duty

- A lower rate for “zero-carbon” properties – nil for properties up to £500,000 and a reduction of £15,000 for other properties. Given the carbon footprint of your average brick the term zero-carbon is absolute nonsense and of course once your token solar panel has got the stamp duty exemption you can spend it on a couple of dozen patio heaters to keep the garden warm. Note these homes may not be connected to the gas main.
- The aggregation of the value of exchanged property between connected persons to determine the rate of stamp duty will be removed.
- Payment will no longer be required with the self-certificate in respect of property transactions, it is however still payable by the due date.

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Value Added Tax

- VAT on nicotine patches is reduced to 5%, note that if these products are dispensed by prescription they are already zero rated and this will continue.
- The fuel scale charges have been changed with effect from 1 May 2007 to a 21 band system based on emissions
- The VAT treatment of assets partly used for non-business purposes is to be changed following the ECJ ruling that permits the use of Lennartz accounts (recovering all the VAT initially and repaying the non-business element over a period). Essentially HMRC will try to minimise the period over which the non-business VAT repayment is recovered.

Other Taxes and reliefs

- EIS, VCT and CVS relief will be restricted to companies and groups of companies employing fewer than 50 full-time employees.

- The exemption from taxation of reinvested commission rebates in relation to premiums in excess of £100,000 is to be removed.
- ISA limits are increased from 2008-09 to £7,200 (previously £7,000) of which £3,600 may be cash (previously £3,000)
- The benefits that can be received in respect of donations to charities for the donation still be eligible for gift aid are to be increased for 6 April 2007, the overall limit is doubled to £500 and the permitted relative value in respect of donations over £1000 is also doubled to 5% (there seems to be an anomaly in that the maximum benefit for a gift of £1000 is £25, but for £1000.01 is £50)

In figures – tax credits

	2007-08
Working Tax credit elements	
Basic	£1,730
Couple/parent	£1,700
30 Hour	£705
Disabled Worker	£2,310
Severe Disability	£980
50+ return to work (16-29 hours)	£1,185
50+ return to work (30+ hours)	£1,770
Childcare element of WTC	
Maximum one child (per week)	£175
Maximum two or more children (pw)	£300
Percentage of cost covered	80%
Child Tax credit elements	
Family	£545
Baby addition	£545
Child	£1,845
Disabled Child	£2,440
Severely disabled	£980
Income thresholds and withdrawal rates	
First income threshold	£5,220
Rate	37%
Second income threshold	£50,000
Rate	6.67%
First where CTC only	£14,495

Duties

- Beer 1p/pint, Wine 5p/bottle, Still Cider 1p/litre, Sparkling Cider 5p/bottle Spirits Nil (good news at last!), Cigarettes 11p a packet of 20, Fuel from October an increase of 2p per litre

Dormant Bank/Building Society Accounts

- The rules on the confiscation of dormant bank accounts should begin to bite during the current year so now is time to pay another £1 into those long forgotten carpet-bagging accounts.

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