



Budget 2008

Overview: *Captain Darling goes over the top.*

- It seems that there are three priorities – dealing with child poverty, climate change and binge drinking. Darling took aim at all three from point blank range and missed.
- Families in poverty are struggling with inflation approaching double figures for food and fuel yet 85% of child benefit will go to families not in poverty. In Islington it will no doubt help pay the derisory sales tax on gas guzzlers (£950, or two years' child benefit, from 2009)
- As to binge drinking the extra 4p a pint will no doubt wipe out Wibsey WMC while Tesco celebrated with budget night adverts promoting “2 for £16” slabs of cans just to remind you that getting twice as drunk is even cheaper at the supermarket.
- On important matters like the poor tariff for fuel (10 to 20% more expensive than the tariffs for the non-poor) and the lack of long term fixed rate mortgages Darling proved predictably cowardly and left any resolution to the “market”.

Income Tax

- The starting rate of taxation ends except in relation to savings income where the tax payer has less than £2320 of other taxable income.
- The basic rate of taxation falls from 22% to 20%.
- Personal allowances increase in line with inflation with above inflation increases in age allowances.
- From October 2009 child benefit will not longer count as income for the purposes of determining housing and council tax benefits.
- Non-domiciled/not-ordinarily resident adults who claim the remittance basis of taxation for a tax year and have over £2000 of unremitted income or gains will have to pay an additional tax charge of £30,000. They can elect which unremitted income or gains this applies to and they will not be taxed again if they subsequently remit those income or gains. Payment of the charge from an overseas account will not be treated as a remittance but if the charge is subsequently repaid it will be taxed as a remittance then.
- The attack on tax avoidance through income shifting between spouses has been further postponed but is unlikely

to be forgotten despite the remarkable achievement of the Revenue in losing the open and shut Arctic Systems case.

Benefits in Kind

- A new lower rate of 10% of list price has been introduced for company benefits in respect of cars emitting 120g/km of CO₂ or less.
- The lower threshold for the 15% of list company car benefit is set at 135g/km to be lowered to 130g/km in 2010/11
- Council tax rebates received by members of the Armed Forces fighting in the Labour Party wars will be exempt from taxation
- A benefit in kind may arise in respect of medical check-ups and health screenings (a statutory instrument was introduced in August to tax these but in October the Revenue said it would not enforce this pending consultations with employers – and there is silence on this front).

Pensions and Tax Credits

- Members of occupational schemes with a personal fund of less than £2000 will be able to take the amount as a lump sum. This does NOT apply to personal pensions.
- The winter fuel allowance is increased by £50 to £250 for over 60s and by £100 to £400 for over 80s.

National Insurance

- The upper earnings threshold has been further increased and from next year will coincide with the upper threshold for income tax.

Capital Allowances

- The changes previously announced mean that from 1st (6th for income tax) April 100% capital allowances arise on the first £50,000 capital expenditure (other than cars) within a group (it can be allocated however the group desires). Writing Down allowances arise at 20% on the balance or 10% for long-life assets.
- Small residual balances (£1,000 or less) on the 20% and 10% pools can be claimed in full as a WDA although a business may choose some other amount to claim to avoid loss of allowances by small un-incorporated businesses.
- The 100% first year allowance for low emission cars (now

In figures - tax

	2008-09
Income Tax	
Personal allowance (age under 65)	£5,435
Personal allowance (age 65-74)	£9,030
Personal allowance (age 75+)	£9,180
Married couple's allowance* (aged less than 75, born before 6/4/1935)	£6,535
Married couple's allowance* (age 75 and over)	£6,625
Married couple's allowance* - minimum amount	£2,540
Income limit for age-related allowances	£21,800
Blind person's allowance	£1,800
CGT exempt amount	
Individuals etc	£9,600
Most trustees	£4,800
Inheritance tax threshold	£312,000
Pensions	
Lifetime allowance	£1,650,000
Contribution cap	£235,000
VAT Thresholds	
Registration	£67,000
Deregistration	£65,000

* married allowance is at 10%

Income tax: taxable bands

	Rate	2007-08
Basic rate*:	20%	£0-36,000
Higher rate:	40%	over £36,000

*First £2320 of savings is taxed at 10% provided this band is not taken up by other income

<110g/km rather than <120g/km), and vehicle refuelling equipment for natural gas, biogas and hydrogen is extended to 31 March 2013.

- Waste water recovery and reuse systems are added to the list of energy efficient and water-saving technologies that attract 100% FYAs.

Corporation Tax

- As previously announced the main rate of corporation tax is reduced from 30% to 28%.
- The rate for small companies increases from 20% to 21% in 2008/09 and 22% in 2009/10.
- The current rules on associated companies had the unfortunate consequence that business partners shareholdings were aggregated for these purposes even when the business partner was completely unknown. This will now only apply where the arrangements have been put in place to gain an advantage from the small company rate.

Inheritance Tax

- The nil-rate band is increased to £312,000 and as previously announced any unused amount can be utilised on the subsequent death of the surviving spouse.

Stamp Duty

- The zero-carbon homes relief is retrospectively extended to include zero-carbon flats. The legislation permits the government department certifying the home as zero-carbon to charge a fee which I cynically assume will be greater than the stamp duty saved.
- The need to notify the revenue of chargeable land transactions is raised from £1000 (£600 annual rent if a lease) to £40,000 (£1,000 annual rent if a lease)
- The annual rent threshold at which the nil rate no longer applies to lease premiums is raised from £600 to £1,000 for non-residential properties and the limit removed for residential properties.
- Purchases of an 80% share of a house through a shared ownership scheme will not attract stamp duty although it seems stamp duty on the full amount will arise when the final 20% is purchased.
- A relief for stamp duty in respect of sharia-law compliant property transactions which relived the burden of paying stamp-duty twice had led to commercial property investors avoiding stamp duty, this loophole has been closed.

Value Added Tax

- Registration limits have been raised to £67,000 and deregistration limits to £65,000.
- The maximum error that may be adjusted on a subsequent Vat return and not separately disclosed will increase on 1 July 2008 to £10,000 from £2,000. Subject to a maximum annual adjustment of £50,000.
- The scheme whereby businesses hiring out staff to third parties only charged VAT on their mark-up will end. This

will cause some cash-flow consequences and increase irrecoverable VAT for exempt businesses.

Capital Gains Taxes and Reliefs

- The abolition of taper relief announced to enormous consternation in the pre-budget report is confirmed.
- The outcry surrounding the increase in rate of taxation of business assets from 10% to 18% has been addressed by giving a lifetime entrepreneurs relief (or rather post 6th April 2008 relief) of £1,000,000 for gains on business assets held at least one year. The relief will be 4/9th of the gain giving an effective tax rate of 10%.
- Strangely no one complained vocally about the reduction

in the CGT charge on non-business assets from a minimum of 24% to a flat 18%. Nothing has been done about this so in the cause of abolishing poverty gains on second homes will be taxed at a lower rate than the cleaner is taxed on her wages.

Duties

- Duties on alcohol have been increased by 6% above inflation from 17th March which allows time for a final bout of binge drinking at current "low" prices. The effect will be to increase beer prices by 4p per pint and those of wine by 14p per bottle. Future increases will also be above inflation
- The fuel duty increase has been postponed to 1st October but it was announced that next year's

increase will exceed inflation.

- Tobacco, landfill duties and climate change levies are also increased.
- During this tax year the air passenger duty will be replaced by a tax per aircraft to penalise the use of empty or partially empty aircraft and increase the take by 10%.

Charities

There will be a three year transitional period during which the Inland Revenue will supplement the gift aid to compensate for the reduction in tax refund from 22/78th to 20/80th of the amount given which would otherwise loose charities £3.21 per £100 donation. This suggests higher-rate taxpayers are looked upon by the chancellor as being the sort of skinflint who will pocket the tax saving themselves rather than give more to "charidee".

In figures – tax credits	
	2008-09
Working Tax credit elements	
Basic	£1,800
Couple/parent	£1,770
30 Hour	£735
Disabled Worker	£2,405
Severe Disability	£1,020
50+ return to work (16-29 hours)	£1,235
50+ return to work (30+ hours)	£1,840
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	£2,085
Disabled Child	£2,540
Severely disabled	£1,020
Income thresholds and withdrawal rates	
First income threshold	£6,420
Rate	39%
Second income threshold	£50,000
Rate	6.67%
First where CTC only	£15,575

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Errors and omissions excepted.

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