



Budget 2009

Overview: *Old Labour squeezes the pips.*

- It seems that there are two priorities – borrowing to stave off bankruptcy and targeting the wealthy to fill the financial gaps at the Treasury.
- The Chancellor proposes to borrow and then to borrow and then to borrow to an extent not seen before. The borrowing will need to be repaid at some point but presumably this will not be his problem.
- The Chancellor believes the worst of the recession is over and GDP will show record improvements for 2010 and 2011. Unfortunately he forgot to discuss this with the IMF who appear to have a different view.
- There was no space to include a tax on MP's expenses or second home allowances!
- Tax evaders are to be named and shamed (unless they are MPs).
- There were 93 Budget Notes stretching to 221 pages.

Income Tax

- The Chancellor has introduced a 50% rate of taxation for those with income of over £150,000 from 2010 despite manifesto promises to the contrary.
- He also will do away, on a £1 for £2 basis, with personal allowances for those with income of over £100,000 from 2010 giving an effective 60% tax rate, before NIC, on income between £100,000 and £112,950.
- Non UK resident Commonwealth citizens will lose their personal allowances and reliefs.
- The Dividend higher rate of tax will increase to 42.5% from April 2010.
- The trust rate of tax will increase to 50% from April 2010 with dividend trust rate of 42.5%.
- The basic rate of taxation stays at 20% . The basic rate band is increased by inflation plus an extra £800 to £37,400.
- Unrelieved trading losses for 2008/9 and 2009/10 can be carried back against trading profits of the three previous years, latest year first, but subject to a loss cap.
- Carry back rules for Enterprise Investment Scheme

investments are improved to allow carry back from year 2 to year 1 of up to £500,000 where previously payment had to be made before 5th October and carry back was more limited.

• Business / Capital Allowances

- The Revenue will now take potential losses into account in hardship cases in agreeing to defer tax payments.
- A temporary 40% First Year Allowance will be introduced for most plant and fixtures (not cars or assets for leasing). The Chancellor said this would apply to writing down allowance but apparently he was over excited at that point in his speech. Given small businesses already receive 100% on the first £50,000 of expenditure this will give no benefit to most small businesses but will be useful to larger businesses.
- The new capital allowance system for cars started from 6 April 2009. Cars costing over £12,000 are no longer discriminated against on grounds of cost but rather CO2 emissions now establish the allowances due. Low emissions win prizes while high emissions are penalised.
- Enhanced capital allowances are extended to include expenditure on air to water heat pumps, uninterruptable power supplies, and close control air conditioning.
- The attack on tax avoidance through income shifting

In figures - tax

	2009-10
Income Tax	
Personal allowance (age under 65)	£6,475
Personal allowance (age 65-74)	£9,490
Personal allowance (age 75+)	£9,640
Married couple's allowance* (aged less than 75, born before 6/4/1935)	£N/A
Married couple's allowance* (age 75 and over)	£6,965
Married couple's allowance* - minimum amount	£2,670
Income limit for age-related allowances	£22,900
Blind person's allowance	£1,890
CGT exempt amount	
Individuals etc	£10,100
Most trusts	£5,050
Inheritance tax threshold	£325,000
Pensions	
Lifetime allowance	£1,750,000
Contribution cap	£245,000
VAT Thresholds	
Registration	£68,000
Deregistration	£66,000

* married allowance is at 10%

Income tax: taxable bands

	Rate	2009-10
Basic rate*:	20%	£0-37,400
Higher rate:	40%	over £37,400

*First £2,440 of savings is taxed at 10% provided this band is not taken up by other income

between spouses appears to have been further postponed.

Furnished Holiday Lettings

- The special loss provisions that allow set off against other income are abolished from 2010/11. This will be bad news for those with furnished holiday lets who make a loss perhaps because of large repair bills.
- Losses on holiday lets in the EEC can now be set against other income but only until 2009/10.

Benefits in Kind

- The lower threshold for the 15% of company car benefit is set at 135g/km to be lowered to 130g/km in 2010/11 and 125g/km in 2011/12. This increases the taxable benefit on all cars above that limit until the 35% rate is reached. There is no longer a maximum taxable car benefit.

Pensions and Tax Credits

- The Chancellor has again attacked pensions of high earners with a fury. He would obviously prefer to see more Pension credit claimants.
- Any taxpayers with income over £150,000 will receive reduced tax relief from 2011/12 but, just in case, there are special forestalling measures aimed to prevent a prior top up of premium.
- The Chancellor aims to tax employers contributions to pension schemes for high earners. He needs to work out how to measure these premiums in the case of defined benefit schemes and not prejudice MPs.
- The winter fuel allowance is maintained at £250 for over 60s and £400 for over 80s for another year.
- State pension will rise by at least 2.5% next April.
- From April 2011 grandparents have a value! But only if of working age and caring for grandchildren when their caring will count towards their entitlement to basic state pension. This policy is presumably aimed at encouraging an increase in teenage pregnancy.
- Cars receive a scrapping allowance of £2,000 if they are over ten years old and are replaced by a new car before March 2010.

National Insurance

- The lower earnings limit is increased to £95 per week, the secondary threshold increases to £110, the upper accruals point to £770 and the upper earnings threshold to £844 per week.
- The self employed stamp increases to £2.40 per week with a small earnings exception of £5,075.
- Class 4 National insurance is charged at 8% between £5,715 and £43,875 and at 1% on any excess.
- Class 3 Voluntary contributions rise from £8.10 to £12.05 per week.
- From 6 April 2011 all percentage rates will increase by 0.5%.

Corporation Tax

- The main rate of corporation tax for 2009/10 is 28%.
- The rate for small companies remains at 21% for 2009/10 and may increase to 22% for 2010/11.
- The carry back of losses against earlier year profits is extended by an extra year. Losses for accounting periods ending between 24 November 2008 and 23 November 2010 can be carried back against total profits of the previous three years, earliest year first but subject to a loss cap.

Inheritance Tax

- The nil-rate band is increased to £325,000. According to the FT income from IHT has increased by 500% in the last ten years.

Stamp Duty

- The holiday from stamp duty for residential property costing less than £175,000 is extended to 31

December 2009.

- Special rules are being introduced for shared ownership.
- The rules are being changed for leasehold enfranchisement.

Value Added Tax

- Registration limits have been raised to £68,000 and deregistration limits to £66,000.
- Standard Rate will return to 17.5% from 15% with effect from 1 January 2010. There will be anti-avoidance provisions.
- Vat on scale charges will alter for the first VAT period beginning on or after 1 May 2009.
- Place of supply rules will alter from 1 January 2010.
- VAT on bingo is abolished but gross profits tax is increased from 15% to 22% to compensate.

Capital Gains Taxes and Reliefs

- Capital Gains Tax remains at 18%.

Duties

- Duties on tobacco and alcohol have been increased by an extra 2% from 22nd April. The effect will be to increase smuggling and cross border shopping. On average it increases a packet of 20 cigarettes by 7p, a bottle of spirits by 13p, a bottle of wine by 4p and a pint of beer by 1p.
- Landfill duties are also increased and widened in scope.
- Duty on gaming machines is increased by 9%.

ISAs

- ISAs have become terribly complicated with different limits for the over 50s for 2009/10. Over 50s can invest £10,200 this year of which £5,100 may be in cash. Over 16s can invest £7,200 of which £3,600 may be in cash.

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Errors and omissions excepted.

Do not take action on the basis of this summary without first discussing your intentions with us.

In figures – tax credits	
	2009-10
Working Tax credit elements	
Basic	£1,890
Couple/parent	£1,860
30 Hour	£775
Disabled Worker	£2,530
Severe Disability	£1,075
50+ return to work (16-29 hours)	£1,300
50+ return to work (30+ hours)	£1,935
Childcare element of WTC	
Maximum one child (per week)	£175
Maximum two or more children (p.w.)	£300
Percentage of cost covered	80%
Child Tax credit elements	
Family	£545
Baby addition	£545
Child	£2,235
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