

BUDGET REPORT APRIL 2009

Highlights of the Budget 2009 are listed below:

Personal Tax Changes

Personal Allowances

	2008/09	2009/10
Personal allowance (age under 65)	£6,035	£6,475
Personal allowance (age 65-74)	£9,030	£9,490
Personal allowance (age over 75)	£9,180	£9,640
Married couples allowance (age 75 and over)	£6,625	£6,640
Married couples allowance (minimum amount)	£2,540	£2,670
Income limit for age related allowances	£21,800	£22,900
Blind persons allowance	£1,800	£1,890

Tax Rates and Bands

	2008/09	2009/10
Starting savings rate: 10%	0-£2,320	0-£2,440
Basic rate: 20%	0-£34,800	0-£37,400
Higher rate: 40%	over £34,800	over £37,400

The 10% starting rate is for savings income only.

If an individual's non savings taxable income exceeds the starting rate limit the 10% starting rate will not be available for savings income.

Changes from April 2010

- An additional higher rate of tax of 50% for taxable income over £150,000
- A new dividend rate of 42.5% will be introduced for dividend income that would be taxable at 50%
- The basic personal allowance will be gradually reduced to nil for individuals with income over £100,000
- The allowance will be reduced by £1 for every £2 above the £100,000 income limit

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

ISA's

2009-10

The ISA limit is increased to £10,200 with effect from 6th April 2009 (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 people.

Pensions – Limiting Tax Relief at Higher Rates

From 6th April 2011 tax relief on pension contributions will be restricted for individuals with taxable income of more than £150,000.

Measures have been introduced with immediate effect to prevent abnormal increases in contributions before 6th April 2011.

Stamp Duty Land Tax

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

Business Tax Changes

Corporation Tax

	Year to 31 st March	
Taxable profits	2009	2010
£1 – 300,000	21%	21%
£300,000 - £1,500,000	29.75%	29.75%
Over £1,500,000	28%	28%

Capital Allowances

- Businesses can continue to claim the Annual Investment Allowance on the first £50,000 spent on plant or machinery per year. This included expenditure on long life assets, integral features and general plant and machinery
- For qualifying expenditure incurred in the 12 month period beginning 1st April 2009 for corporation tax and 6 April 2009 for income tax a new temporary 40% first year allowance is introduced for expenditure on general plant and machinery
- This FYA will be available to any individual, partnership or company carrying on a qualifying trade
- Qualifying expenditure excludes expenditure on long life assets, integral features, cars and assets for leasing
- The main WDA for plant and machinery will remain at 20%
- For cars purchased on or after 1st April 2009 for corporation tax and 6th April 2009 for income tax the WDA depends on the CO₂ emissions and will not depend on cost
- 110 g/km or less – 100% FYA
- 111 g/km – 160 g/km – 20%
- Over 160 g/km – 10%
- Reform of car lease rental payments means that now for cars over 160 g/km a flat rate of 15% disallowance will apply

Extension of Loss Carry Back

- In November the chancellor announced the extension of the loss carry back provisions for companies and unincorporated businesses
- Losses can now be carried back 3 years instead of 1

- Originally the extension applied for accounting periods ending in the period between 24th November 2008 to 23rd November 2009 (companies) and 2008/09 (unincorporated businesses)
- This has now been extended to apply to trading losses arising in the period to 23rd November 2010 (companies) and 2009.10 (unincorporated businesses)
- The amount of carry back for the preceding year remains unlimited
- After carry back to the preceding year a maximum of £50,000 unused losses will be available to carry back to the earlier two years
- The £50,000 limit applies separately to the unused losses of each 12 month period or tax year

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 year's 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.

VAT Changes

As expected the standard rate of VAT will be increased to 17½ % on 1st January 2010.

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

Remember HM Revenue & Customs will phase out paper VAT returns from April 2010. After that date if your turnover is over £100,000, or if you are newly VAT registered, you will have to submit your return online and pay VAT electronically