
Budget 2010 Issue

Contents:

[Summary](#)
[Key economic statistics](#)
[News for businesses and individuals](#)
[Other announcements](#)
[Tax tables and bands](#)
[More information](#)



Mr Darling grabbed the headlines on 24 March 2010 by **doubling Entrepreneurs relief** and abolishing temporarily **Stamp Duty for first time homebuyers** if the property is less than £250,000 in value. There were some pieces of good news for small businesses, such as the **business rates relief** announced and the **increase in the Annual Investment Allowance**.

However, depending on what you read, the budget was either the best since the war, or one that ducked the issue of the huge deficit faced by Britain. Whatever your view, the budget was certainly political and lacked much good news. The public sector cuts are still shrouded in mystery and we are not much clearer on how these will affect Britain.

Whatever the outcome of the election, Mr Darling is unlikely to be at number 11 for much longer, however, given the similarities between the Tory and Labour policies most of what was announced today may hang around.

On that note, here's the detail:

Summary

- We will all pay more tax in coming years due to increases in National Insurance and a freeze on our personal allowances
- 18% Capital Gains Tax lives to fight another day – but for how much longer?
- Extension of the Business Payment Support scheme for a further five years. This has benefitted over 168,000 businesses, but 80% have made multiple, or repeat applications
- Doubling the Entrepreneurs lifetime allowance limit to £2 million - gains up to this level are taxed at 10%
- Doubling the Annual Investment Allowance to £100,000 - potentially saving about £15,000 for a tax-paying business
- A one-year holiday from business rates for properties valued up to £6,000, with transitional relief for properties valued up to £12,000. This will apply from October 2010
- Relief for first time buyers from SDLT
- 5% mansion tax
- Promise of lending from RBS and Lloyds TSB to SME's

Key economic statistics

The economy is now forecast to shrink by 3.75 per cent in 2009-10, slightly worse than the 3.5 per cent decline forecast in the December 2009 pre-Budget report. Next year, the economy is forecast to expand by 2 per cent, followed by 3 per cent in 2011-12 and 3.25 per cent thereafter.

Inflation is reported at 3%.
Interest rates remain at 0.5%

News for businesses and individuals

Capital Allowances

The AIA was introduced for expenditure incurred from April 2008 to give 100% first-year tax relief for up to £50,000 per annum to small and medium sized businesses incurring expenditure on plant or machinery. This limit has now been doubled to £100,000 from April 2010. For chargeable periods spanning this date, the limit will be time apportioned based on the proportions of the chargeable periods falling either side of April 2010.

Deferred payments

The business payment support announced last year and taken up by many is set to continue.

Capital Gains Tax

The lifetime limit on gains qualifying for entrepreneurs' relief will increase from £1million to £2million. Legislation will be introduced in the 2010 Finance Bill and will affect qualifying disposals on or after 6 April 2010.

Inheritance Tax

The nil rate band will be frozen at £325,000 for 4 years.

Stamp duty land tax (SDLT)

A relief is introduced on residential home purchases where the consideration is above £125,000 but not more than £250,000. Residential property for these purposes is effectively a freehold interest or a lease of more than 21 years.

The relief, which is subject to anti-avoidance provisions, will only be available to those purchasers who are buying residential property for the first time (taking into account previous acquisitions, wherever in the world) and where they intend to occupy the property as their sole or main residence.

The relief will apply where the SDLT effective date is on or after 25 March 2010 and before 25 March 2012

This is a temporary measure.

A new 5% rate of stamp duty land tax will be introduced for purchases of residential property over £1 million. It will take effect from 6 April 2011.

This appears to be a permanent measure.

Pensions

As previously announced and reported, from April 2011, people earning £150k to £180k will see income tax relief on pensions tapered from 50% to 20%. The consensus is that top earners will stop saving to pensions and may consider offshore bonds for example instead.

Other announcements

Services for start-ups

HMRC and business link which provide a range of services for start-ups including online tools, video guides and factsheets, will launch a new personalised area for start-ups in autumn 2011.

This will provide easy access to enhanced guidance and tools to help businesses find the support they need when setting up. It will include a tax registration 'wizard' that enables registration for multiple taxes, online services and payment plans using a single interactive online form.

Building on this, HMRC will provide an online facility, by the end of 2011, that provides SMEs with a single view of their current tax liabilities or repayments across the main taxes and reduces the number of times they have to provide the same information (eg address updates) to HMRC.

This should definitely improve services and we welcome this announcement.

Company Car Tax

Zero and low emission cars

Company cars and vans will no longer attract an income tax charge if they have zero CO2 emissions (eg electric vehicles). Hybrids which can run on electricity or petrol/diesel will not qualify for the exemption.

In addition, petrol cars emitting 75g of CO2 per kilometre or less will attract a reduced chargeable benefit of 5% of their list price. Ultra-low emission diesel cars will still be subject to the 3% surcharge, making the chargeable benefit for diesel cars 8% of list price.

Sin taxes

The new measures increase the excise duty rates for alcohol. Excise duty is increased by 2% for spirits, beer, wine and made-wine and 10% for cider. The increase will, on average, add

- 2p to the price of a pint of beer;
- 5p on a litre of still cider;
- 10p on a bottle of wine;
- 12p on a bottle of sparkling wine; and
- 36p on a 70cl bottle of spirits.

It was also announced that the technical definition of cider will be amended to ensure products that more closely resemble made-wines are taxed appropriately.

ISA's

The annual ISA investment limits will increase in line with the retail prices index on an annual basis. The cash ISA limit will remain half the annual ISA investment limit.

In addition, for 2010/11 the annual ISA investment limit will increase to £10,200 of which £5,100 can be saved in cash. This limit has applied to individuals over 50 since October 2009, and will be extended to all Taxpayers from 6 April 2010.

Final thoughts

The government has promised to pay 80% of invoices within 5 days. How about they just try to turn up to work and stop making mistakes?

Expect all of these policies and strategies to change if the interest rate rises.

What a terrible suit and tie Mr Darling.



Tax tables and bands 2010/11

Income tax rates as announced in Budget 2009.

2009-10	£ per year	2010-11	£ per year
Starting savings rate: 10%	£0-£2,440	Starting savings rate:10%	£0-£2,440
Basic rate: 20%	£0-£37,400	Basic rate: 20%	£0-£37,400
Higher rate: 40%	Over £37,400	Higher rate: 40%	£37,401-£150,000
		Additional rate: 50%	Over £150,000

From April 2010 a new rate of Income Tax of 50% will apply to income over £150,000. Also, the Income Tax Personal Allowance will be reduced for those with incomes over £100,000, tapering down to zero.

Other information

£ per year (unless stated)	2009/10	Change	2010/11
Income tax personal and age-related allowances			
Personal allowance (age under 65)	6,475	-	6,475
Personal allowance (age 65-74)	9,490	-	9,490
Personal allowance (age 75 and over)	9,640	-	9,640
Married couple's allowance (age 75 and over)	6,965	-	6,965
Married couple's allowance - minimum amount	2,670	-	2,670
Income limit for age-related allowances	22,900	-	22,900
Blind person's allowance	1,890	-	1,890
Capital gains tax annual exempt amount			
Individuals etc.	10,100	-	10,100
Most trustees	5,050	-	5,050
Individual inheritance tax allowance	325,000	-	325,000
Pension schemes allowances			
Annual Allowance	245,000	-	245,000
Lifetime Allowance	1,750,000	-	1,750,000

National insurance contributions	2009/10	Change	2010/11
Lower earnings limit, primary Class 1	95	2	97
Upper earnings limit, primary Class 1	844	-	844
Upper Accruals Point	770	-	770
Primary threshold	110	-	110
Secondary threshold	110	-	110
Employees' primary Class 1 rate between primary threshold and upper earnings limit	11.0%	-	11.0%
Employees' primary Class 1 rate above upper earnings limit	1.0%	-	1.0%

Employees' contracted-out rebate - salary related schemes	1.6%	-	1.6%
Employees' contracted-out rebate - money purchase schemes	1.6%	-	1.6%
Married women's reduced rate between primary threshold and upper earnings limit	4.85%	-	4.85%
Married women's rate above upper earnings limit	1.0%	-	1.0%
Employers' secondary Class 1 rate above secondary threshold	12.8%	-	12.8%
Employers' contracted-out rebate, salary related schemes	3.7%	-	3.7%
Employers' contracted-out rebate, money purchase schemes	1.4%	-	1.4%
Class 2 rate	2.40	-	2.40
Class 2 small earnings exception (per year)	5,075	-	5,075
Special Class 2 rate for share fishermen	3.05	-	3.05
Special Class 2 rate for volunteer dev workers	4.75	0.10	4.85
Class 3 rate (per week)	12.05	-	12.05
Class 4 lower profits limit (per year)	5,715	-	5,715
Class 4 upper profits limit (per year)	43,875	-	43,875
Class 4 rate between lower profits limit and upper profits limit	8%	-	8%
Class 4 rate above upper profits limit	1%	-	1%

More Information

The following sites are a good source of information:

http://news.bbc.co.uk/1/hi/uk_politics/8011882.stm

<http://www.telegraph.co.uk/finance/financetopics/budget/>

http://www.direct.gov.uk/en/NI1/Newsroom/Budget/Budget2010/DG_186500

<http://www.hm-treasury.gov.uk/>



Disclaimer

Resolve Business Solutions are a registered firm of Chartered Accountants and advise that you seek professional advice before making decisions on tax and accounting matters that may be referred to above.