

2010 UK Budget Newsletter

Chancellor of the Exchequer Mr. Alistair Darling presented his budget on the 24th of March 2010.

Summary of the budget report:

- The basic and higher rate will remain while 50% rate will be set on earnings over £150,000.
- 1% increase in National Insurance Contributions in April 2011.
- ISA annual subscription limits are being increased for all savers.
- VAT rate remains at 17.5% while the threshold for registration and deregistration will be increased.
- Alcohol and tobacco taxes are to go up while the 3p fuel duty rise will be introduced in stages.
- Increase in Entrepreneur's Relief life time of gains.
- Doubling of annual investment allowance and one off reduction in business rates for SME's and small firms.
- Two year stamp duty relief for first time residential purchases (£125,000 - £250,000) while the stamp duty will be increased to 5% on properties over £1 million.
- Creation of new Credit Adjudication Service to ensure fair treatment of small business in applying loan.
- Creation of new investment bank to fund green projects.
- £105 billion lending agreement with Lloyds Bank and Royal Bank of Scotland (RBS) to lend to home buyers and business.
- Investment on infrastructure and skills including extra 20,000 higher education places.
- Continuing time to pay arrangements which gives business more time to pay their tax bills.
- Extending the Young Person's Guarantee after March 2011, to ensure that young people continue to be guaranteed a job, training or work experience if they cannot find work within six months.
- Launching of UK Finance for growth to ensure one coherent portfolio of government backed funds to support business.
- 15% increase in government contracts will go to small and medium sizes firms.

Income Tax

As announced at Budget 2009, from April 2010 a new 50 pence additional tax rate will apply to income above £150,000 and the income tax personal allowance will gradually be withdrawn for those with incomes over £100,000.

Income tax: Bands of taxable income, £ per year		
	2009-10	2010-11
Starting rate for savings	0 – 2,440	0 – 2,440
Basic rate	0 – 37,400	0 – 37,400
Higher Rate	Over 37,400	37,401 - 150,000
Additional rate	N/A	Over 150,000

Income tax rates	2009-10	2010-11
Starting rate for savings	10%	10%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	N/A	50%
Basic rate on dividends (effective rate with tax credit)	10% (0%)	10% (0%)
Higher rate on dividends (effective rate with tax credit)	32.5% (25%)	32.5% (25%)
Additional rate on dividends (effective rate with tax credit)	N/A	42.5% (36.1%)

Income tax: Income tax allowances 2010-11		
£ per year (unless stated)	2009-10	2010-11*
Personal allowance:		
Age under 65	6,475	6,475
Age-related allowance. (65-74)	9,490	9,490
Age-related allowance (75+)	9,640	9,640
Income limit for age-related	22,900	22,900
Married couples		
allowance**:	6,965	6,965
Age over 75		
Minimum amount	2,670	2,670
Blind Persons Allowance	1,890	1,890

*From April 2010, the personal allowance will be gradually withdrawn for income over £100,000 at a rate of £1 of allowance lost for every £2 over £100,000 until it is completely removed.

** Available to people born before April 6 1935. Tax relief for this allowance is restricted to 10 per cent.

National Insurance Contributions

Employee and employer rates and thresholds				
	Employee (Class 1 primary)		Employer (Class 1 secondary)	
	2009-10	2010-11	2009-10	2010-11
Earnings per week (£)				
Below 97* (Lower Earnings Limit)	Nil	Nil	Nil	Nil
97 to 110 (Primary Threshold/ Secondary Threshold)	Nil	Nil	Nil	Nil
110 to 844 (Upper Earnings Limit)	11%	11%	12.8%	12.8%
Above 844	1%	1%	12.8%	12.8%

*£95 in 2009-10

Self-employed rates and thresholds				
	Class 2 (per week)*		Class 4	
	2009-10	2010-11	2009-10	2010-11
Profits per year (£)				
Below 5,075 (Small Earnings Exception)	Nil	Nil	Nil	Nil
5,075 to 5,715 (Lower Profits Limit)	£2.40	£2.40	Nil	Nil
5,715 to 43,875 (Upper Profits Limit)	£2.40	£2.40	8%	8%
Above 43,875	£2.40	£2.40	1%	1%

*Class 2 NICs are paid at a weekly flat rate of £2.40 by all self-employed persons. Those with profits less than, or expected to be less than, the level of the Small Earnings Exception may apply for exemption from paying Class 2 contributions.

Individual Savings Account - (ISA)

From April 2010 the ISA annual subscription limits are being increased for all savers to £10,200 of which £5,100 can be saved in cash. This higher limit has applied for those aged 50 and over since October 2009.

Individual Savings Account	2009-10	2010-11
For those aged under 50	£7,200, up to £3,600 of which can be saved in cash	£10,200, up to £5,100 of which can be saved in cash
For those aged 50 and over	From October 2009, £10,200, up to £5,100 of which can be saved in cash	£10,200, up to £5,100 of which can be saved

VAT and Duty

The budget was silent in relation to VAT. But the planned fuel duty will be implemented in three stages, starting from 1p in April, 1p in October and 0.76p in January 2011.

The duties on tobacco will increase from March by 1% and 2% on alcohol above inflation. The duty on cider will increase by 10% above inflation from March. But the technical definition of cider will be changed from September 2010.

Capital Gains Tax

Budget 2010 announces an increase in the Entrepreneurs' Relief lifetime limit from the first £1 million to the first £2 million of qualifying gains.

Capital Gains Tax	2009-10	2010-11
Standard rate	18%	18%
Entrepreneurs' Relief effective rate	10%	10%
Annual Exempt Amount	£10,100	£10,100
	£1,000,000	£2,000,000

Stamp Duty Land Tax

Budget 2010 announces a two-year stamp duty land tax relief for first time buyers for residential property purchases up to £250,000.

Stamp Duty Land Tax				
Rate	Residential		Non residential	
	2009-10	2010-11	2009-10	2010-11
Total value of consideration				
Zero	£0 - £125,000*	£0 - £125,000*	£0 - £150,000	£0 - £150,000
1%	Over £125,000 - £250,000**	Over £125,000 - £250,000**	Over £150,000 - £250,000	Over £150,000 - £250,000
3%	Over £250,000 - £500,000	Over £250,000 - £500,000	Over £250,000 - £500,000	Over £250,000 - £500,000
4%	Over £500,000	Over £500,000	Over £500,000	Over £500,000

*Starting residential threshold in 2,000 disadvantaged areas is £150,000

**SDLT holiday for residential transactions up to £175,000 applied until 31 December 2009

†First time buyers can claim relief from SDLT on residential transactions up to £250,000 between 25 March 2010 and 25 March 2012

Inheritance tax

As announced at the 2009 Pre-Budget Report, the individual nil-rate band will be held at £325,000 in 2010-11.

Inheritance tax		
	2009-10	2010-11
Rate	40%	40%
Individual nil-rate band	£325,000	£325,000

Corporation tax on profits

Corporation tax on profits	2009-2010	2010-2011
£0 - £300,000	21%	21%
£300,001 - £1,500,000	Marginal rate	Marginal rate
£1,500,001 or more	28%	28%

* The 2009 Pre-Budget Report announced that a rise in the small companies' rate to 22 per cent would be deferred until 2011-12

Capital Allowances

Budget 2010 announces an increase in the threshold of the Annual Investment Allowance to £100,000.

Capital Allowance	2009-10	2010-11
Main writing down allowance	20%	20%
Special rate writing down allowance	10%	10%
Temporary first year-allowance	40%	0%
Annual Investment Allowance	£50,000	£100,000

Stamp taxes on shares

The rate for stamping of shares remained unchanged at 0.5%.

Business rates

Updated property values for business rates take effect from 1 April 2010 (revaluation for business rates takes place every five years). The multiplier for 2010-11 is reduced to compensate, so that total revenue from business rates remains the same in real terms. The standard multiplier includes a supplement on the small business multiplier to fund small business rate relief (SBRR). Budget 2010 announces a temporary increase in the level of small business rate relief for one year, from 1 October 2010.

Business rates	Rate per pound of a business property's rateable value	
	2009-10	2010-11
Standard multiplier	48.5p	41.1p
Small business multiplier	48.1p	40.7p

Fuel Duty rates

Budget 2009 announced that the main rate of fuel duty would increase by 1pence per litre in real terms on 1 April 2010. This equates to a 2.76 pence per litre increase. Budget 2010 announces that this increase will be implemented in three stages: 1 pence per litre on 1 April 2010, 1 pence per litre on 1 October 2010, and 0.76 pence per litre on 1 January 2011.

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