

A Damp Squib

As pre-election budgets go yesterday's budget was something of a damp squib. There were few surprises and nothing much of note, but given the lack of room for manoeuvre perhaps we should be grateful for this.



The main attention was of course focused on the figures for the Public Borrowing Requirement and plans for cutting spending and raising taxes. The main matters to note are:

- Confirmation of the new 50% rate for income over £150,000 and tapered withdrawal of the personal allowance for those earning over £100,000.
- Otherwise most other tax rates and allowances were frozen at 2009/10 levels.
- Relief from today for first time buyers from stamp duty on residential property costing less than £250,000.
- A new rate of stamp duty of 5% for residential property costing over £1M from 6 April 2011.

- Increases were announced on alcohol, fuel and tobacco duty, especially targeting cider where duty will increase by 10% more than inflation. The increase in fuel duty is to be staggered between 1 April 2009, 1 October 2009 and 1 January 2010 though.
- Increases were announced in tax credits and an extension of Working Tax Credit to over 60s working more than 16 hours per week.
- A freeze of the Inheritance Tax nil rate band at £325,000 until 5 April 2015 meaning that more Estates will potentially be caught by Inheritance Tax and larger Estates will pay more tax.

Please contact us for more details and advice on how the budget will affect you personally.



Business Round Up

The main budget announcements affecting businesses were:

- An increase in the Annual Investment Allowance for 100% tax relief on new plant and machinery from £50,000 per year to £100,000 per year from April 2010.
- A doubling of Entrepreneurs Relief lifetime limit for Capital Gains Tax on business disposals from £1M to £2M.
- An extension of the Business Support Service for agreeing time to pay arrangements for those struggling to meet tax liabilities.
- Reductions in company car tax for the most low-carbon vehicles.
- A new Small Business Credit Adjudicator will work to make sure that smaller businesses are treated fairly when applying for bank finance.
- There is no change to company tax rates so small companies continue to be taxed at 21% and larger companies at 28%.
- There is a temporary increase for small business rate relief meaning that small businesses occupying premises with rateable values of less than £6,000 will pay no business rates for one year from October. There is tapered relief for rateable values up to £12,000.
- Central government procurement will increase the proportion of spending with small businesses to 15% giving more opportunities to obtain public contracts.
- The VAT registration threshold increases from £68,000 to £70,000 from 1 April 2010.
- The National Minimum Wage will increase from £5.80 to £5.93 from 1 October 2010.
- There will be additional measures to target tax avoidance schemes.
- Businesses that are consistently late with PAYE payments will face having to provide the Revenue with financial securities. These are likely to work to protect tax liabilities in the event of the business failing.

If you would like to discuss what the budget means for you and your business, please contact us.

Guide to tax rates and allowances

	<u>Tax year 2009/10</u>	<u>Tax year 2010/11</u>
Personal allowance	£6,475	£6,475
Older persons personal allowance (65-74)	£9,490	£9,490
Older persons personal allowance (75 and over)	£9,640	£9,640
Married Couples allowance (born before 6 April 1935 and under 75)	N/A	N/A
Married Couples allowance (born before 6 April 1935 and over 75)	£6,965	£6,965

NB: From 6 April 2010 personal allowances will be withdrawn for those with incomes between £100,000 and £112,950 at a rate of 50p per £1 of income

Income tax rates:

10% (for savings income only)	£0 - £2,440	£0 - £2,440
20% (for non-savings income)	£0 - £37,400	£0 - £37,400
40%	Over £37,400	£37,401-£150,000
50%	N/A	Over £150,000

National Insurance rates:

Employee's contributions at 11% on earnings over	£110 per week	£110 per week
Employee's contributions at 1% on earnings over	£844 per week	£844 per week
Employer's contributions at 12.8% on earnings over	£110 per week	£110 per week
Class 2 contributions for self-employed	£2.40 per week	£2.40 per week
Class 4 contributions for self-employed at 8% on profits	£5,715 - £43,875	£5,715 - £43,875
Class 4 contributions for self-employed at 1% on profits over	£43,875	£43,875

Company Tax rates:

Small companies - profits up to £300,000	21%	21%
Marginal rate - profits between £300,001 and £1,500,000	29.75%	29.75%
Large companies - profits over £1,500,000	28%	28%

VAT registration threshold	£68,000	£70,000
----------------------------	---------	---------

Capital Gains Tax annual exempt amount	£10,100	£10,100
--	---------	---------

Capital Gains Tax rate	18%	18%
------------------------	-----	-----

Inheritance Tax nil rate band	£325,000	£325,000
-------------------------------	----------	----------

Inheritance Tax rate	40%	40%
----------------------	-----	-----



40%
Young & Co
40%

Chartered Accountants
and Registered Auditors

Bewell House
Bewell Street
Hereford HR4 0BA
Tel. 01432 263282
Fax: 01432 263326
www.youngand.co.uk

The information within this document is based on the Budget of 24 March 2010 and other H M Revenue & Customs releases.

This document has been prepared as a guide to topics of current financial and business interest. We strongly recommend that you take professional advice before making decisions on matters discussed here.

No responsibility for any loss to any person acting as a result of this document can be accepted by us.

Partners

Ian Griffiths

ian@youngand.co.uk

Simon Moody

simon@youngand.co.uk

Graham John

graham@youngand.co.uk

Lewis Rogers

lewis@youngand.co.uk