

Pounds

Budget Report



2009



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Was the Budget what you were expecting?



Contents

Introduction and highlights	2
Income tax and personal savings	3-5
Capital taxes	5
Business tax and investment incentives	6-7
Tax and travel	8-9
Value Added Tax	10
Duties	11
Penalties reform	11
National Insurance Contributions (NICs)	12
Other measures	12-14
What they said	14
My key Budget points	15
2009/10 Tax Calendar	16

Budget Report 22 April 2009

This Report, which was written immediately after the Chancellor of the Exchequer delivered his Budget Speech, is intended to provide an overview of the latest announcements and recent measures most likely to affect you or your business.

Throughout this guide we have included tips and ideas for effective tax and financial planning, but it is important to remember that this planning should be an ongoing, year-round process, not something that is left until the last minute.

We can help you to reassess your plans regularly, and adapt them as your personal and business circumstances change. With our help, you can plan for a rewarding and financially secure future.

How to make the most of our services

- Please read the Report as soon as possible.
- Use page 15 to compile your own summary of the key points arising from this Budget and any actions you wish to consider.
- Keep a copy of the 2009/10 tax calendar on page 16 handy. It details many of the key dates and deadlines for the coming year.
- Contact us as soon as possible to discuss any action you may be considering, and to review your longer term plans. We always welcome the opportunity to help.

Please note: while most taxation changes take effect from the start of the financial year, or tax year, some may not take effect until 2010, or later. Where relevant, details of these changes have been included in this Report. Throughout the Report, 'HMRC' refers to HM Revenue & Customs.

Darling defiant in face of recession

Chancellor Alistair Darling has unveiled a series of measures aimed at tackling the 'unprecedented economic crisis'. As widely anticipated, growth forecasts for 2009 have been revised down, with the economy expected to shrink by 3.5%; while borrowing forecasts have risen sharply to £175 billion. However, despite the economic gloom, the Chancellor asserted that the economy will recover, forecasting growth of 1.25% next year.

Key announcements include the introduction, from April 2010, of a 50% income tax rate for those earning more than £150,000 a year.

Budget Highlights

- 50% income tax for high earners
- 40% first year capital allowance
- Extension of trade loss carry back rules
- Extension of SDLT 'holiday'
- Removal of higher rate tax relief on pension contributions

The stamp duty land tax 'holiday' for residential properties valued at £175,000 or less will be extended to the end of 2009.

Measures for businesses include the introduction of a temporary 40% first year allowance and an extension of help for loss-making companies.

The Chancellor allocated £1 billion to tackle climate change, and announced a commitment to cut UK carbon emissions by 34% by 2020.

The introduction of a 'car scrappage' scheme was also confirmed, offering £2,000 to people who trade in cars that are over 10 years old. Meanwhile, fuel duty will rise by 2p a litre from September 2009.

Other measures include an increase in the child element of Child Tax Credit from April 2010; credits towards the basic state pension for grandparents of working age who care for their grandchildren; and a rise in the annual limit for ISAs to £10,200.

Economic forecasts for 2009/10

Government
Spending
£608 billion

Inflation
1%

Net Borrowing
£175 billion

Government
Receipts
£496 billion

Growth
-3.5%

Public Sector
Year End Net Debt
£792 billion



Income tax and personal savings

Income tax rates

	2009/10	2008/09
Starting rate limit*	£2,440	£2,320
Tax rate*	10%	10%
Basic rate band	£37,400	£34,800
Basic rate	20%	20%
Savings rate	20%	20%
Dividend ordinary rate	10%	10%
Higher rate – income over	£37,400	£34,800
Tax rate excluding dividends	40%	40%
Dividend upper rate	32.5%	32.5%

* Where taxable non-savings income does not fully occupy the starting rate limit, the remainder of the limit is available for savings income at the 10% starting rate.

Personal allowances (ages are as at the end of the tax year)

		2009/10	2008/09
Allowances that reduce taxable income		£	£
Personal allowance	under 65	6,475	6,035
	65 to 74*	9,490	9,030
	75 and over*	9,640	9,180
	minimum	6,475	6,035
Allowances that reduce tax			
Married couple's allowance (MCA)			
Age of elder partner	74*	n/a	653.50
	75 and over*	696.50	662.50
	minimum	267	254

*Higher allowances for those aged 65 or more are scaled back when income exceeds £22,900 (2008/09 £21,800).

MCA is only available where at least one partner was born before 6 April 1935.

Starting rate example

In 2009/10, Mr Morris has earnings from employment of £7,000 and savings income of £4,000. His personal allowance is £6,475 which is completely used against his earnings, leaving £525 taxable at 20%. The rest of the starting rate limit for savings (£2,440 - £525) can be used to tax £1,915 of his savings income at 10%. The balance of his savings income of £2,085 (£4,000 - £1,915) remains taxable at 20%.

Mr Morris' employer has deducted £105 through PAYE and his bank will have taken tax off all of his interest at 20%, so he can claim a repayment of tax of £191.50 (£1,915 at 10%) from HMRC.

'The trick is to stop thinking of it as 'your' money'.

Revenue Auditor



Individual Savings Accounts (ISAs)

The ISA limit will be raised to £10,200, up to £5,100 of which can be saved in cash. The new limits will apply from 6 October 2009 for people aged 50 and over in 2009/10 and for all ISA investors from 2010/11 onwards.

Child Trust Fund

Starting in April 2010, for children in receipt of Disability Living Allowance at any point in 2009/10, the Government will contribute £100 every year to the Child Trust Fund accounts of all disabled children born on or after 1 September 2002, with severely disabled children receiving £200 per year.

Income shifting

The introduction of controversial legislation designed to prevent 'income shifting' will not take place in April 2009 as previously announced. The Government maintains its stance that it 'firmly believes it is unfair' to allow a minority of individuals to benefit financially from shifting part of their income to someone else who is subject to a lower rate of tax. However, in the light of the current economic climate the Government has deferred action and is instead keeping the issue under review.

Taxation of overseas dividends

Since 6 April 2008, individuals with shareholdings of less than 10% in non-UK resident companies have been entitled to a non-payable tax credit. From 22 April 2009, individuals with shareholdings of 10% or more in receipt of dividends from non-UK resident companies will become entitled to a non-payable tax credit, subject to certain conditions.

The non-payable dividend tax credit for offshore funds which are largely invested in equities will be restored from 22 April 2009. The new rules will also provide that where the offshore fund is substantially invested in interest bearing assets, individuals receiving distributions will be treated for tax purposes as having received interest and not a dividend or other type of distribution.

Pension savings

The Chancellor announced that tax relief on pension savings will be restricted to the basic rate from 6 April 2011 for those with taxable income of £150,000 or more.

Anti-forestalling measures have been announced. They will prevent those potentially affected from seeking to forestall this change by increasing their pension savings in excess of their normal regular pattern prior to the restriction taking effect. Those measures will not affect:

- those with income of less than £150,000 for the 2011/12 tax year and for both of the preceding two tax years, and
- those with income in any of the relevant tax years of £150,000 or more who continue with their existing pattern of regular savings and who do not make any additional pension savings.

Those who do increase their pension savings will be affected only if their total pension savings in the year exceed £20,000. The change will not affect any normal, regular ongoing pension savings that were in place before 22 April 2009, whatever their value.

Personal allowances for non-resident individuals

Certain non-residents are entitled to claim UK personal allowances by virtue of being Commonwealth citizens. Following advice that this particular condition is not compliant with the Human Rights Act, the entitlement of such non-residents will be withdrawn with effect from 6 April 2010.

Entitlement will continue for those qualifying as, for example, EEA nationals, Crown servants and residents of the Channel Islands and Isle of Man.



Employer-provided (rented) living accommodation

An employee has typically been charged to tax on the amount of rent the employer pays for the accommodation. Avoidance through payment of substantial premiums and small rents will be stopped for leases entered into or extended from 22 April 2009 by treating a premium paid for a lease of 10 years or less as rent paid.

2010/11 onwards

The Chancellor announced a new higher income tax rate of 50% to apply from 6 April 2010 for taxable income over £150,000. Also announced were consequent changes to the rate of income tax on dividends, with a top rate of 42.5% and the rates of tax on trusts with a 42.5% rate on dividends and a 50% rate for other trust income.

From 2010/11 the basic personal allowance for income tax will be gradually reduced to nil for individuals with 'adjusted net incomes' above £100,000.

Capital taxes

Capital Gains Tax (CGT)

The annual exempt amount is increased to £10,100 for individuals (£5,050 for most trustees) for 2009/10.

The rate of CGT remains 18% with entrepreneurs' relief potentially reducing the effective rate of tax on qualifying gains to 10%.

Offshore funds

The Chancellor announced that an interest in a transparent offshore fund will be an asset for the purpose of calculating CGT on chargeable gains (as is already the case for shares in a company or units in a unit trust). Investors will no longer be required to consider disposals of the underlying assets for calculating CGT on chargeable gains.

The Government will discuss with industry how to make similar changes to the tax treatment of chargeable gains for investors subject to corporation tax.

There will be no effect on interests in tax transparent foreign partnerships which will continue to be treated as transparent for both income and gains in the same way as UK partnerships.

Inheritance tax (IHT)

The IHT allowance (nil-rate band) is increased to £325,000 for 2009/10. The transferability of the allowance gives an effective joint tax-free maximum of £650,000 for married couples and civil partnerships.

The rate of IHT remains 20% for chargeable lifetime transfers and 40% for death estates (including transfers within seven years before death brought back into the estate for the purpose of calculating the tax due at death).

Agricultural property relief (APR) and woodlands relief (WR)

Legislation will be introduced in Finance Bill 2009 to extend IHT APR and WR to property in the European Economic Area. Property qualifying for this extended IHT relief will also qualify for CGT hold over relief.

The extension of APR and WR against IHT and CGT hold over relief will have effect on and after 22 April 2009 as well as for certain earlier events.

Sir Geoffrey Howe, Chancellor of the Exchequer from 1979–1983, named his dog Budget.



Business tax and investment incentives

Corporation Tax

Corporation tax rates and bands are as follows:

Financial year to	31 March 2010	31 March 2009
Taxable profits		
First £300,000	21%	21%
Next £1,200,000	29.75%	29.75%
Over £1,500,000	28%	28%

Trading losses

Trade loss carry back will be extended to a period of three years, with losses being carried back against later years first. After carry back to the preceding year, a maximum of £50,000 of unused losses will be available for carry back to the earlier two years. This will apply to trading losses made by companies in accounting periods ending between 24 November 2008 and 23 November 2010 and to trading losses made by unincorporated businesses in tax years 2008/09 and 2009/10. The £50,000 limit applies separately to the unused losses of each 12 month period or tax year.

Capital allowances

A 40% first year allowance will be introduced for expenditure on qualifying plant and machinery that would normally be allocated to the main capital allowance pool. This will be available to businesses incurring such expenditure in the 12 month period beginning on 1 April 2009 for corporation tax and on 6 April 2009 for income tax.

Qualifying expenditure incurred on cars on or after 1 or 6 April 2009 will now be allocated to one of the two general plant and machinery pools. Cars with CO₂ emissions exceeding 160 g/km will be dealt with in the special rate pool and attract writing down allowances (WDA) at 10%. Cars with CO₂ emissions of 160 g/km or less will be added to the main rate pool and attract WDA at 20%. Expenditure incurred before April 2009 will continue to be subject to the old 'expensive' car rules for a transitional period of around five years. Cars that have an element of non-business use will continue to be dealt with in single asset pools to enable the private use adjustment to be made, but the rate of WDA will be determined by the car's CO₂ emissions.

Car leases

From April 2009, the rules restricting the amount of car lease rental payments that can be deducted for tax purposes will be changed to a flat rate disallowance of 15% of relevant payments. This will apply only in respect of cars with CO₂ emissions exceeding 160 g/km. For leases that commenced prior to April 2009, the previous rules will continue to apply until the end of the lease.

take note

In a recession, redundancies become more common. If you start a new business as a sole-trader or partnership any losses made in the first four years are available to set against your other income taxed in the previous three tax years. Thus a business started after redundancy can generate a repayment equivalent to tax paid while previously employed.



'The avoidance of taxes is the only pursuit that still carries any reward'.

John Maynard Keynes, British economist



Enterprise Investment Scheme (EIS)

The restrictions on the carry back of income tax relief to the previous tax year will be removed. This will apply to 2009/10 and subsequent years. With effect from 22 April 2009, further changes will be introduced to simplify and improve the EIS rules.

Loan relationships

Where trade debts between connected companies are released after 22 April 2009, the debtor companies will no longer be taxed on the debts released.

For accounting periods beginning on or after 1 April 2009, deductions for interest payable to certain connected foreign companies will now be available on a paid basis rather than on the accruals basis.

Foreign profits

Legislation is to be introduced to ensure that dividends and other distributions received from foreign companies on or after 1 July 2009 will largely be exempt from corporation tax. UK distributions will be exempt to the same extent. Finance expense payable by UK members of a group of companies will be subject to a cap equal to the consolidated gross finance expense of the group. This will apply to amounts payable in accounting periods beginning on or after 1 January 2010. With effect from 1 July 2009 there will be changes to the controlled foreign companies rules and the Treasury Consent rules will be replaced.

Corporate transparency

For accounting periods beginning on or after Royal Assent the senior accounting officers of large companies and large groups of companies will have reporting obligations aimed at ensuring that the accounting systems are adequate for the purposes of accurate tax reporting.

These obligations will be supported by penalties chargeable on the senior accounting officer personally and on the company.

Anti-avoidance

A number of measures will be introduced to tackle anti-avoidance. These will affect:

- Intra-group convertible finance
- Derecognition of income from derivative contracts
- Plant and machinery leasing
- Foreign exchange matching
- 'Disguised interest'
- Exploitation of qualifying loan interest relief
- Real Estate Investment Trust (REIT) regime
- Double tax relief where foreign tax is repaid
- Receipts derived from a right to receive income.

take note

You could reduce the capital gains tax due on a gain you made up to three years ago by investing in shares that qualify for the Enterprise Investment Scheme (EIS shares). The gain equivalent to the amount invested in EIS shares is shifted from the past tax year when tax rates were as high as 40%, to the tax year in which you dispose of the EIS shares, when the tax rate may be just 18%.

With the publishing of the 2008 Finance Act, the UK overtook India as the country with the longest tax code in the world.



Tax and travel

Car and fuel benefits

The taxable petrol and diesel car benefit is based on the car's CO₂ emissions. It is calculated using the car's UK list price and applying the 'appropriate percentage' as shown in the table below. The first line of figures in the table relates to qualifying low emissions cars (QUALECs).

The car fuel benefit is calculated by applying the same percentages to the fuel multiplier, which for 2009/10 remains at £16,900.

The percentages are reduced for cars (except QUALECs) that can be driven on alternative fuels by:

- 2% for cars manufactured to be capable of being run on E85 fuel
- 2% for bi-fuel cars or those which run on LPG only
- 3% for hybrid electric and petrol cars
- 6% for electric only cars (in practice the taxable benefit will be 9% of the price).

Changes from April 2011

The Chancellor announced changes which will take effect from 6 April 2011:

- the lower emissions figure will be reduced
- the £80,000 price cap will be abolished
- the reductions for cars using various alternative fuels will be abolished.

VAT on fuel for private use in cars

Where businesses wish to reclaim the input VAT on fuel which has some degree of private use, they must account for output VAT on a scale charge.

The table shows the VAT chargeable for quarters commencing on or after 1 May 2009. The last two columns take account of the change of the standard rate of VAT from 15% to 17.5% with effect from 1 January 2010.

take note

Calculate the cost of fuel used per mile in your company cars. Where this is greater than the advisory fuel rates set by HMRC, you can pay the higher rate to employees who pay for fuel used on business journeys. This mileage allowance will be tax-free as long as you can show you have made a reasonable estimate of the actual fuel costs for your vehicles.

CO ₂ emissions (g/km)	Appropriate percentage		Quarterly VAT		
	Petrol %	Diesel %	Fuel scale charge £	VAT on charge £ (15%)	VAT on charge £ (17.5%)
120 and below	10	13	126	16.43	18.76
121 - 139	15	18	189	24.65	28.14
140 - 144	16	19	201	26.21	29.93
145 - 149	17	20	214	27.91	31.87
150 - 154	18	21	226	29.47	33.65
155 - 159	19	22	239	31.17	35.59
160 - 164	20	23	251	32.73	37.38
165 - 169	21	24	264	34.43	39.31
170 - 174	22	25	276	36.00	41.10
175 - 179	23	26	289	37.69	43.04
180 - 184	24	27	302	39.39	44.97
185 - 189	25	28	314	40.95	46.76
190 - 194	26	29	327	42.65	48.70
195 - 199	27	30	339	44.21	50.48
200 - 204	28	31	352	45.91	52.42
205 - 209	29	32	365	47.60	54.36
210 - 214	30	33	378	49.30	56.29
215 - 219	31	34	390	50.86	58.08
220 - 224	32	35	403	52.56	60.02
225 - 229	33	35	416	54.26	61.95
230 - 234	34	35	428	55.82	63.74
235 and above	35	35	441	57.52	65.68



Mileage rates

Changes to the HMRC business mileage rates are announced from time to time. The rates at the time of the Budget are as follows:

Vehicle	First 10,000 miles	Thereafter	Car – fuel only advisory rates			
			Engine capacity	Petrol	Diesel	LPG
Car/van	40p	25p	up to 1400cc	10p	11p	7p
Motorcycle	24p	24p	1401 - 2000cc	12p	11p	9p
Bicycle	20p	20p	Over 2000cc	17p	14p	12p

The fuel only advisory rates relate to company cars only. They can be applied as a tax-free maximum rate for employees claiming for petrol used on business journeys and for employees reimbursing their employers with the cost of petrol used for private journeys.

HMRC will consider claims for a higher maximum rate, if it can be demonstrated that it is necessary for an employee to use a car with higher than average fuel costs.

Car costs – Vehicle Excise Duty (VED) rates

Vehicle Excise Duty ('Car Tax') rates also reflect emissions, with lower scale rates for cars using alternative fuels. The number of VED bands has been increased from seven to 13. The following table shows the rates which will apply for cars registered on or after 1 March 2001:

VED Band	CO ₂ emissions (g/km)	From 1 May 2009		From 1 April 2010	
		Petrol & Diesel	Alternative fuel cars	Petrol & Diesel	Alternative fuel cars
A	Up to 100	£0	£0	£0	£0
B	101 – 110	£35	£15	£20	£10
C	111 – 120	£35	£15	£30	£20
D	121 – 130	£120	£100	£90	£80
E	131 – 140	£120	£100	£110	£100
F	141 – 150	£125	£105	£125	£115
G	151 – 165	£150	£130	£155	£145
H	166 – 175	£175	£155	£180	£170
I	176 – 185	£175	£155	£200	£190
J	186 – 200	£215	£200	£235	£225
K*	201 – 225	£215	£200	£245	£235
L	226 – 255	£405	£390	£425	£415
M	Over 255	£405	£390	£435	£425

*includes cars emitting over 225 g/km registered between 1 March 2001 and 23 March 2006.

Company vans

The taxable benefit for the unrestricted private use of vans is £3,000. There is a further £500 taxable benefit if the employer provides fuel for private travel.

Van and fuel charge	Van	Fuel	Total
Tax (20% taxpayer)	£600	£100	£700
Tax (40% taxpayer)	£1,200	£200	£1,400
Employer's Class 1A NICs	£384	£64	£448

Harold Macmillan once described Budget Day as 'rather like a school speech day - a bit of a bore, but there it is'.



Value Added Tax (VAT)

From	1 Dec 2008	1 Jan 2010
Standard rate	15%	17.5%
VAT fraction	3/23	7/47
Reduced Rate	5%	5%
Taxable Turnover Limits from 1 May 2009		
Registration - last 12 months or next 30 days over		£68,000
Deregistration - next 12 months under		£66,000
Annual Accounting Scheme		£1,350,000
Cash Accounting Scheme		£1,350,000
Flat Rate Scheme		£150,000

VAT: Change of standard rate

The standard rate of VAT will return to 17.5% from 1 January 2010. Targeted legislation will counter schemes that purport to apply the 15% VAT rate to goods or services to be supplied on or after the date that the rate returns to 17.5%.

Cross-border VAT: Changes to EC sales lists

This measure introduces a requirement for UK businesses that supply services where the place of supply is the customer's country to complete EC Sales Lists (ESLs) for each calendar quarter. The changes will have effect on and after 1 January 2010.

Cross-border VAT: Changes to place of supply of services rules

Changes were announced to the place of supply of services rules. The place of supply rules determine the country where a supply of services is made and where any VAT is payable. They also determine whether, if VAT is due on a supply, it should be accounted for by the supplier of a service or their business customer.

The new rules aim to ensure that, as far as possible, VAT is due in the country in which the service is consumed (e.g. where the customer is established) rather than where the supplier is established. The result for UK business customers is that they will be liable to account for UK VAT on most services provided by their overseas supplier under the reverse charge provisions, rather than the supplier charging VAT. This forms part of a package of changes designed to modernise the VAT system for cross-border trading, and to counter fraud. The changes will come into effect from 1 January 2010 across the EU.

take note

If your taxable turnover is less than £150,000, review whether it is worthwhile either joining, or staying within, the flat rate VAT scheme for small businesses. The flat rates used by different trades changed on 1 December 2008, so some traders may find the cash advantage of using the scheme is now marginal. Generally the smaller your overheads, the more likely it is that you will benefit from using this scheme.



Until the 1970s it was possible to buy a 12-foot ladder for less than a nine-foot one, because the shorter ladder was taxable, while the longer one was not.



Duties

Stamp duty land tax (SDLT): temporary increase in thresholds

Last year the Government raised the threshold at which SDLT becomes payable from transactions in excess of £125,000 to those in excess of £175,000 in a bid to revive the UK's ailing housing market.

This provides an exemption from SDLT for land transactions consisting entirely of residential property where the chargeable consideration is not more than £175,000.

The so-called SDLT 'holiday' applies to transactions with an effective date on or after 3 September 2008 and before 3 September 2009.

This latest measure means that the increased threshold of £175,000 for residential property will continue to apply beyond 3 September 2009 and will now end on 31 December 2009.

Following the reforms, SDLT is currently charged at 1% on properties sold for between £175,001 and £250,000, with the tax rising to 3% above this level. Homes worth more than £500,000 attract tax at a rate of 4%.

Alcohol and tobacco products duty

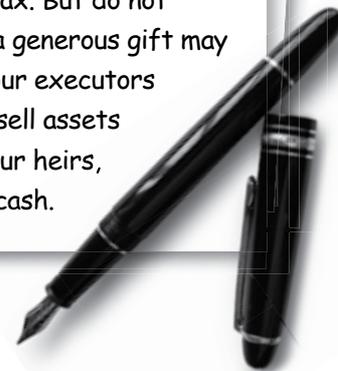
All duty rates for alcohol will rise by 2% from their current levels. The impact of the changes on retail prices from 23 April 2009 for typical alcoholic drinks is equivalent to:

- 13p on a 70cl bottle of spirits
- 1p on a pint of beer
- 1p on a litre of still cider
- 4p on a 75cl bottle of sparkling cider
- 4p on a 75cl bottle of wine/made wine
- 5p on a 75cl bottle of sparkling wine.

The duty rates for tobacco products are increased by 2%.

take note

Making a provision for a gift to your favourite charities in your Will may be your last chance to help - and to get a tax break, as charitable bequests escape inheritance tax. But do not forget that a generous gift may mean that your executors may have to sell assets meant for your heirs, to raise the cash.



Penalties reform

Penalties for incorrect returns and failure to notify a taxable activity

For return periods ending on or after 1 April 2009, where the filing date is after 1 April 2010, the new penalty regime for incorrect returns introduced in 2007 for income tax, CGT, VAT, PAYE and NICs has been extended across all other taxes and duties. From 1 April 2009, the penalty regime for failure to notify HMRC of a new charge is aligned across all taxes and duties.

The new provisions for incorrect returns provide for penalties in line with Schedule 24 to FA 2007, which are based on the amount of tax understated, the nature of the behaviour and the extent of disclosure by the taxpayer. There is no penalty where a taxpayer makes a mistake, having taken reasonable care, but there is a penalty of up to:

- 30% for failure to take reasonable care
- 70% for a deliberate understatement
- 100% for a deliberate understatement with concealment.

Each penalty is substantially reduced where the taxpayer makes a disclosure (takes active steps to put right the problem), more so if this is unprompted.



National Insurance Contributions (NICs)

2009/10		Employer	Employee
Class 1 – not contracted out			
Payable on weekly earnings of			
	£95 (lower earnings limit) to £110	0%	0%
	£110.01 – £770 (upper accrual point)	12.8%	11%
	£770.01 – £844 (upper earnings limit)	12.8%	11%
	Over £844	12.8%	1%
Over state retirement age, the employee contribution is Nil			
Class 1A	On relevant benefits	12.8%	Nil
Class 2	Self employed	£2.40 per week	
	Limit of net earnings for exception	£5,075 per annum	
Class 3	Voluntary	£12.05 per week	
Class 4*	Self employed on profits		
	£5,715 – £43,875	8%	
	Excess over £43,875	1%	

*Exemption applies if state retirement age was reached by 6 April 2009.

Tax and NICs – What lies ahead?

The Government has already made announcements about increases in tax and NICs over the next few years. However, the personal tax changes have now been replaced and the updated summary is as follows:

- From April 2009, the upper earnings limit for Class 1 and Class 4 NIC has been increased substantially in order to align it with the level at which people generally start to pay higher rate income tax (£844 per week). The new upper accrual point (£770 per week) for Class 1 NICs sets a cap on the level above which there will be no additional pension benefits (there are none for Class 4 NICs in any case).
- From April 2010, those with adjusted net incomes above £100,000 will have their basic personal allowances scaled back to a minimum of Nil. New tax rates will apply to incomes over £150,000 – 50% for savings and non-savings income; 42.5% for dividend income. The small companies' rate of corporation tax will increase to 22%.
- From April 2011, there will be a general increase of 0.5% to the main NIC rates. At the same time, the NIC threshold will be brought back into line with the basic personal allowance.

Other measures announced

Vehicle scrappage scheme

A vehicle scrappage scheme designed to boost the car industry will be introduced from May 2009. A discount of £2,000 will be offered to consumers buying a new vehicle to replace a vehicle more than ten years old, which they have owned for more than 12 months. The Government will set aside £300 million, with funding matched by participating manufacturers. The scheme will end by the start of March 2010, or when funding for the scheme has been used if earlier.

In 2004, Gordon Brown became the UK's longest continuously serving Chancellor of the Exchequer since the 1820s.



'Name and shame' legislation for tax defaulters

Legislation will be introduced in Finance Bill 2009 enabling HMRC to publish the names and details of individuals and companies who are penalised for deliberate defaults leading to a loss of tax of more than £25,000. Details will be published quarterly within one year of the penalty becoming final and then removed from publication one year later.

Names will not be published of those who make a full unprompted disclosure or a full prompted disclosure within a time limit (currently unspecified).

There is an appeal right to an independent tribunal against all elements of the penalty which would determine whether names would be published and taxpayers will be informed prior to publication and be able to make representations to HMRC. Details will not be published until all appeal avenues against the additional tax and penalties are exhausted or expired.

Reclaiming tax overpayments

Finance Bill 2009 will introduce a means of reclaiming overpayments of income tax, CGT and corporation tax where there is no other statutory route. It will replace any non-statutory claims. The legislation also amends the error or mistake relief rules to provide additional taxpayer safeguards.

The measure will have effect for claims made on or after 1 April 2010. The time limits for claiming repayments are currently from five years and ten months to six years from the end of the period for which the return was made. From 1 April 2010 they must be claimed within four years.

Penalties and interest regime harmonisation

Legislation will be introduced to create a harmonised interest regime and aligned penalties regimes for late filing, across the taxes and duties administered by HMRC, starting with interest and penalties on late paid PAYE from April 2010.

NIC credits for families

From April 2011, grandparents and other family members will be able to gain NIC credits toward their basic state pension for caring for their grandchildren or members of their family aged 12 or younger, for 20 hours a week or more.

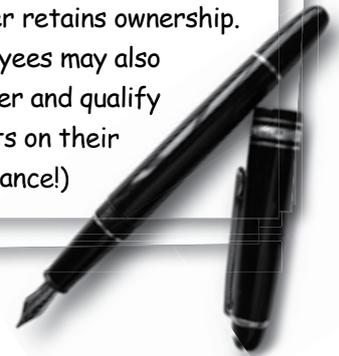
Remittance basis

A number of changes were announced to the rules applying to the remittance basis. In some cases they will be backdated to 6 April 2008 (the date from which the new regime applies), others will have effect from 22 April 2009. The changes include:

- removal of the obligation for individuals employed in the UK, who in the same year receive income from an overseas employment, to file a return so long as their overseas employment income is less than £10,000 and their overseas bank interest is less than £100 in any tax year, and it is all subject to a foreign tax
- an extension of the exemption allowing an individual using the remittance basis to bring into the UK property which was purchased from relevant foreign income, to property purchased out of foreign employment income and foreign chargeable gains
- confirmation that the £30,000 remittance basis charge will count as UK tax for the purposes of Gift Aid.

take note

Offer your employees a top-of-the-range bicycle plus safety equipment to use for travelling to work and short work-related journeys, such as taking cheques to the bank. The use of the bike is tax-free if the employer retains ownership. (Your employees may also become fitter and qualify for discounts on their health insurance!)



National Minimum Wage decision delayed

New National Minimum Wage (NMW) rates are traditionally implemented on 1 October, following the recommendations of the Low Pay Commission (LPC).

Since its establishment in 1998, the LPC has been charged with independently advising the Government on the NMW. However, as the UK grapples with the effects of the recession, the LPC has requested more time to compile its suggestions for 2009/10.

The Commission will now report to the Prime Minister and Secretary of State for Business by 1 May 2009, although the delay is not expected to affect the enforcement date of 1 October for any new rates.

The decision has been postponed from February to May 2009 to allow the LPC to amass an additional two months' worth of economic data, including the Bank of England's inflation report, employee job figures for December, GDP figures for the fourth quarter of 2008, and updates on average earnings.

The current NMW for those over 21 is £5.73 per hour. For those aged 18 to 21 the rate is £4.77 per hour, while 16 and 17 year olds must be paid a minimum of £3.53 an hour.

What they said

Budget 2009 – Reaction to the Chancellor's Speech

'Today's Budget will continue to help people through this global recession, and prepare Britain for the opportunities of the future'
Chancellor Alistair Darling

'The last Labour Government gave us the winter of discontent, this Labour Government has given us the decade of debt'
David Cameron, Conservative Leader

'A mish mash of recycled announcements from a Government skilled in raising false hopes and incompetent at delivering real hope'
Nick Clegg, Liberal Democrat Leader

'In what has been the most crucial Budget in decades, the FSB is disappointed that small businesses have been largely ignored'
John Wright, Federation of Small Businesses

'The Government appears to have understood that it will be business driving the economy out of recession, and there are some good measures that reflect this'
David Frost, British Chambers of Commerce

'Whilst today's Budget does reduce the rate of growth of public spending the scale of the fiscal deterioration in the UK means that extraordinary measures are required'
Miles Templeman, Institute of Directors

The word 'exchequer' comes from the Latin 'scaccarium', meaning a chessboard. The name was given to the court because counters were moved on a square table.



2009/10 Tax Calendar

April 2009

M	Tu	W	Th	F	Sa	Su
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

May 2009

M	Tu	W	Th	F	Sa	Su
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

June 2009

M	Tu	W	Th	F	Sa	Su
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

April 2009

- 5 Last day of 2008/09 tax year.
Deadline for 2008/09 ISAs.
Last day to make disposals using the 2008/09 CGT exemption.
Last date for contracting back into the State Second Pension for 2008/09.
- 14 Due date for income tax for the CT61 period to 31 March 2009.
- 19/22 Quarter 4 2008/09 PAYE remittance due.
- 20 Interest will begin to accrue on unpaid PAYE/NI for 2008/09.
- 30 Normal annual adjustment for VAT partial exemption calculations (monthly returns).

May 2009

- 3 Quarterly submission date of P46 (Car) (for employees whose car and/or fuel benefit has changed in quarter to 5 April).
- 19 Last day for filing forms P14, P35, P38, and P38A – 2008/09 PAYE returns, without incurring penalties.
- 31 Last day to issue 2008/09 P60s to employees.

June 2009

- 30 End of CT61 quarterly period.
Last day for UK businesses to reclaim EC VAT chargeable in 2008.
Annual adjustment for VAT partial exemption calculations (March VAT year end).

July 2009

M	Tu	W	Th	F	Sa	Su
		1	2	3	4	5
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20	21	22	23	24	25	26
27	28	29	30	31		

August 2009

M	Tu	W	Th	F	Sa	Su
31					1	2
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10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

September 2009

M	Tu	W	Th	F	Sa	Su
	1	2	3	4	5	6
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14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

July 2009

- 6 Deadline for submission of Form 42 (transactions in shares and securities).
Deadline for submission of EMI40 (EMI Annual Return).
File Taxed Award Scheme Returns, file P11Ds, P11D(b)s and P9Ds. Issue copies of P11Ds or P9Ds to employees.
- 14 Due date for income tax for the CT61 period to 30 June 2009.
- 19/22 Quarter 1 2009/10 PAYE remittance due.
Final date for payment of 2008/09 Class 1A NICs.
- 31 Second self assessment payment on account for 2008/09.
Annual adjustment for VAT partial exemption calculations (April VAT year end).
Liability to 2nd £100 penalty arises for 2008 Tax Return still not filed.
5% surcharge on any tax unpaid for 2007/08.
Deadline for tax credit Annual Declaration (if estimated, final figures required by 31 January 2010).

August 2009

- 2 Quarterly submission date of P46 (Car) for quarter to 5 July.
- 31 Annual adjustment for VAT partial exemption calculations (May VAT year end).

September 2009

- 30 End of CT61 quarterly period.

October 2009

M	Tu	W	Th	F	Sa	Su
			1	2	3	4
5	6	7	8	9	10	11
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November 2009

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30						1
2	3	4	5	6	7	8
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December 2009

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	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

October 2009

- 1 Due date for payment of Corporation Tax for period ended 31 December 2008.
- 5 Individuals/trustees must notify HMRC of new sources of income/chargeability in 2008/09 if a Tax Return has not been received.
- 14 Due date for income tax for the CT61 quarter to 30 September 2009.
- 19/22 Quarter 2 2009/10 PAYE remittance due.
- 31 Last day to file 2009 paper Tax Return.

November 2009

- 1 Please ensure you are retaining your documents for the 2010 Tax Return.
- 2 Quarterly submission date of P46 (Car) for quarter to 5 October.

December 2009

- 30 Last day to file your 2009 Tax Return electronically if you wish to have a 2008/09 balancing payment of less than £2,000 collected through your 2010/11 PAYE code.
- 31 Last day for non-EC traders to reclaim recoverable UK VAT suffered in the year to 30 June 2009.
End of relevant year for taxable distance supplies to UK for VAT registration purposes.
End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes.
End of CT61 quarterly period.
Filing date for Corporation Tax Return Form CT600 for period ended 31 December 2008.

January 2010

M	Tu	W	Th	F	Sa	Su
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

February 2010

M	Tu	W	Th	F	Sa	Su
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

March 2010

M	Tu	W	Th	F	Sa	Su
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

January 2010

- 1 Standard rate VAT reverts to 17.5%.
Due date for payment of Corporation Tax for period ended 31 March 2009.
- 14 Due date for income tax for the CT61 quarter to 31 December 2009.
- 19/22 Quarter 3 2009/10 PAYE remittance due.
- 31 First self assessment payment on account for 2009/10.
Capital gains tax payment for 2008/09.
Balancing payment – 2008/09 income tax/Class 4 NICs.
Last day to renew 2009/10 tax credits.
Deadline for amending 07/08 Tax Return.
Last day to file 2009 Tax Return online.

February 2010

- 1 £100 penalty if 2009 Tax Return not yet filed. Additional penalties may apply for further delay. Interest starts to accrue on 2008/09 tax not yet paid.
- 2 Quarterly submission date of P46 (Car) for quarter to 5 January.
- 14 Last date (for practical purposes) to request NIC deferment for 2009/10.
- 28 Last day to pay any balance of 2008/09 tax and Class 4 NICs to avoid an automatic 5% surcharge.

March 2010

- 31 End of corporation tax financial year.
End of CT61 quarterly period.
Filing date for Corporation Tax Return Form CT600 for period ended 31 March 2009.



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- *Tax planning and mitigation*
- *Inland Revenue investigations*
- *Information Technology and computer consultancy*
- *Finance raising for both corporate and property acquisitions*
- *Company formation and administration in all jurisdictions*
- *Comprehensive charity services*
- *Business start-up advice*
- *PAYE and VAT administration services*

