Budget Report

2009

Budget Report 22 April 2009

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

With the recession deepening in its effect and severity this Budget was awaited with some trepidation regarding the impact on the Chancellor's intentions with regard to raising taxes. Now that the changes have been announced you will need to consider the impact on you and, if you are in business, your business.

We can help you revaluate your plans, and adapt them as necessary taking into account the changing economy and your personal and business circumstances. With our help, you can plan ahead embracing the very different economy compared with that which we were accustomed to before the credit crunch.

How to make the most of our services

- Please read the Report as soon as possible.
- 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.

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This report is based on press releases issued immediately after the Budget on 22 April 2009. These proposals may be amended. Professional advice should be obtained before acting on any information contained herein. No responsibility can be accepted by the publishers or this firm for any loss occasioned as a result of action taken or refrained from in consequence of the contents of this publication.

Business and Investment Incentives

Corporation tax rates

Corporation tax rates and bands are as follows:

Financial year to	31 March 2010		31 March 2009	
Taxable profits				
First	£300,000	21%	£300,000	21%
Next	£1,200,000	29.75%	£1,200,000	29.75%
On profit over	£1,500,000	28%	£1,500,000	28%
Tax credit on dividends	10%		10%	
Marginal relief fraction	7/400		7/400	

As previously announced the main rate of corporation tax will remain at 28% from 1 April 2009. The rate for 'ring fenced' profits arising from oil rights in the UK and Continental Shelf will remain at 30%.

The small companies rate will remain at 21% from 1 April 2009 (19% for ring fence profits). Marginal rates will apply for profits between £300,000 and £1,500,000 with the small companies relief fraction being set at 7/400 (11/400 for ring fenced profits).

Capital allowances

The Chancellor has announced a new temporary rate of first year allowance on plant and machinery of 40% for expenditure incurred by companies between 1 April 2009 and 31 March 2010 (Unincorporated businesses 6 April 2009 to 5 April 2010).

The annual investment allowance of £50,000 remains unchanged.

The list of environmentally beneficial technologies qualifying for 100% capital allowances will be revised in 2009 prior to the summer Parliamentary recess. The main change will be to add uninterruptible power supplies to the list.

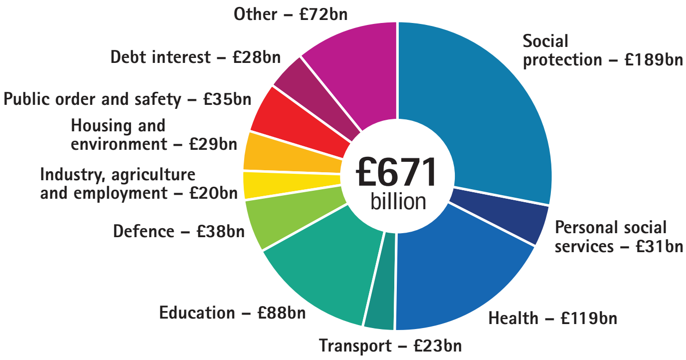
Extension of trading loss carry back for businesses

As announced in the Pre-Budget Report the Chancellor has given some relief to businesses suffering from the effects of the recession by allowing current losses to be carried back against profits of the previous three years (subject to a maximum £50,000 notwithstanding the standard carry back relief) with consequent tax repayments resulting. The measure will have effect on and after 22 April 2009 for company accounting periods ending in the period 24 November 2008 to 23 November 2010 and for the two tax years 6 April 2008 through to 5 April 2010 for unincorporated businesses.

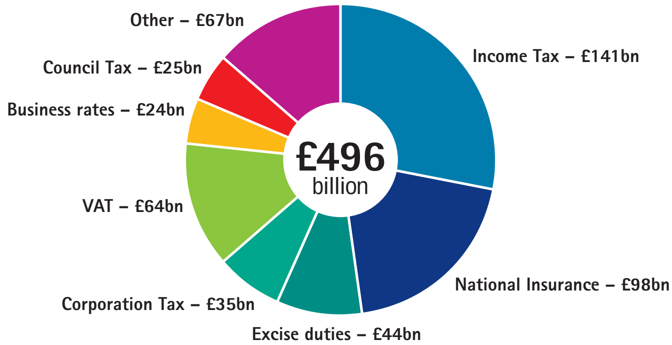
Tax payments

At some point on or after April 2011 HM Revenue & Customs will introduce voluntary managed payment plans (MPPs) which will allow taxpayers to spread their income tax or corporation tax payments equally over a period straddling the normal due dates. It is also proposed to introduce arrangements whereby small tax debts may be collected through the PAYE system, but the arrangements required to facilitate this are unlikely to be in place until April 2012.

Government spending



Government receipts



Deliberate tax defaulters

Names and details of individuals, businesses and companies who are penalised for deliberate defaults leading to a loss of tax of more than £25,000 will have their names published. Details will be published quarterly on HM Revenue & Customs's website within one year of the penalty becoming final and will be removed from the website after 12 months. This will not apply where a full unprompted disclosure is made or a full prompted disclosure is made within the required time.

Taxation of foreign profits and dividends

This is an important measure for companies receiving foreign dividends as it brings the treatment of foreign dividends received by UK companies into line with the receipt of dividends from other UK companies. Foreign dividends have until now been subject to UK corporation tax whereas UK dividends are exempt. This measure exempts foreign dividends from UK corporation tax and will be particularly important to UK holding companies with foreign subsidiary or associated companies. This will apply to distributions received on or after 1 July 2009.

The other measures in this package include a cap on finance expenses paid by UK members of a group limiting it to the consolidated gross finance expense of the group. This takes effect for accounting periods beginning on or after 1 January 2010. Consequentially the controlled foreign company 'superior and non-local' exemptions and 'acceptable distribution policy' exemption will be removed. The changes to the CFC regime have effect for accounting periods starting on or after 1 July 2009 with provisions for straddling periods. The exemption for non-local and superior holding companies may be available until 1 July 2011.

The package also replaces the Treasury Consent Rules for pre-transaction clearances with a post-transaction reporting requirement this will be effective for transactions on or after 1 January 2010.

Legislation will also be introduced in the Finance Bill 2009 to ensure that the reduction in the main rate of corporation tax to 28% does not unjustly restrict the amount of double tax relief available to companies in receipt of foreign dividends. This measure will have retrospective effect from the financial year beginning 1 April 2008 onwards.

An anti-avoidance provision has been announced to prevent companies claiming double tax relief where there has been a repayment of foreign tax suffered to a person other than the claimant. Companies will now be obliged to notify HM Revenue & Customs and amend their claims for double tax relief accordingly. This takes effect on 22 April 2009.

Corporate intangible assets

The Budget measures include clarification of certain aspects of the 'regime' applicable to goodwill and other internally generated assets. The Finance Bill 2009 will confirm that the definition of goodwill includes internally-generated goodwill and also clarify whether this should be treated as created before or after 1 April 2002. The legislation will take effect from 22 April 2009 and will be treated as always having had effect.

Loan relationships and connected companies

There are two changes to the rules regarding the taxation of loan relationships between connected companies and these will mostly affect companies in groups. The first change will give symmetry of treatment for the debtors and creditors within a group in that the write off of a debt between connected companies will have no tax effect for either party: this takes effect on 22 April 2009. The second change allows interest to be allowable as a deduction on an accruals basis to a connected company which is outside of the loan relationship rules so long as the creditor company is not resident in a 'tax haven.' This change takes effect for accounting periods beginning on or after 1 April 2009.

Venture capital schemes

This Budget sees a number of improvements to the various schemes. For Enterprise Investment Schemes there is a relaxation of time limits for the employment of the money invested (effective 22 April 2009) and also the removal of the link to other shares of the same class issued at the same time as qualifying shares (effective for shares issued on or after 22 April 2009). There is also an extension of the period for carry back of relief and the ability to carry back the full amount subscribed subject only to the overriding limit which will be effective for tax years commencing 6 April 2009 onwards. An anomaly has also been cleared up which arose on an investor's capital gains tax position in the event of a share for share exchange (effective for new holdings issued on or after 22 April 2009).

There is a relaxation of the time limits for investment of sums raised by Corporate Venturing schemes (effective 22 April 2009) and the Venture Capital Trust schemes (effective for funds raised on or after 22 April 2009).

Groups

Groups which include subsidiaries with preference shareholders issued to external investors will not loose the ability to claim group relief. This will be of particular importance to subsidiaries registered with the FSA which have been recapitalised using preference shares as Tier 1 regulatory capital. This will become effective for accounting periods commenced on or after 1 January 2008.

Losses denominated in foreign currency

Companies which incur a loss for tax purposes computed in foreign currency and then use that loss to offset a profit in a different accounting period must now use the same conversion rates for the loss and profit offset. This was first announced on 18 December 2008 and will apply to accounting periods commencing on or after 29 December 2007 unless an election is made for deferment until the first accounting period beginning on or after Royal Assent to the Finance Bill 2009.

Anti avoidance provisions

In common with all recent Budgets this year's announcements include a long list of various anti avoidance measures the most notable being those below.

Two schemes have been reported to HM Revenue & Customs which are now being tackled. The first concerns intra-group finance arrangements under a bond which is highly likely to convert into shares of the issuing company. The scheme involved obtaining a deduction for the accrued interest on the bond which exceeded the amount accounted for as received by the creditor.

In the second scheme a company would de-recognise a derivative contract carried at fair value resulting in profits falling out of account for tax purposes. Both these schemes are rendered ineffective for debits and credits on or after 22 April 2009.

Draft legislation had been published on 13 November 2008 to deal with tax avoidance in respect of plant and machinery leasing. This ensures that sale and leaseback arrangements do not result in more relief than would have been due if the lessee had obtained its own finance. It also dealt with tax avoidance by lessors granting long leases and obtaining an excessive amount of relief at the end of the leasing period. These measures will take effect from 13 November 2008. There are also new definitions of sale and leaseback arrangements which take effect on 22 April 2009.

Schemes which abuse the foreign exchange matching rules by matching gains or losses on borrowings or derivatives will also be blocked for accounting periods beginning on or after 22 April 2009.

Returns from arrangements which produce 'disguised interest' will be treated as interest and taxed accordingly for corporation tax purposes (effective for arrangements entered into on or after 22 April 2009). The Finance Bill will also introduce a measure to deal with the 'payment of manufactured interest.' This measure was first announced on 27 January 2009 following a High Court decision.

The tax treatment of such payments will follow the accounting treatment applicable under UK Generally Accepted Accounting Practice (effective for payments made on or after 27 January 2009).

New regime for business cars

The 2008 Budget announced the abolition of 'expensive cars' for the purposes of capital allowances and its replacement by an emissions based system. The details of the proposals were announced in December 2008. The Government confirmed the changes on 1 April 2009 and published revised draft legislation. The new rules will generally be effective for expenditure (or leases) on or after 1 April 2009 for companies and 6 April 2009 for unincorporated businesses. The regime provides for capital allowances to be given according to the CO_2 emissions of the car.

Personal Taxation and Savings

Income tax rates

Rates announced for 2009/10 are as follows:

	2009/10	2008/09
Basic rate band	£37,400	£34,800
Basic tax rate	20%	20%
Dividend ordinary rate	10%	10%
Starting savings rate band to	£2,440	£2,320
Tax rate	10%	10%
Higher rate	40%	40%
UK dividend income tax rate	32.5%	32.5%

Personal allowances

Rates announced for 2009/10 are as follows (*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
Allowances that reduce tax			
Married couple's allowance			
Age of elder spouse	74*	nil	653.50
	75 and over*	696.50	662.50
	minimum	267.00	254.00
The age-related allowances are progressively withdrawn if income exceeds		22,900	21,800

Additional rate of income tax and income-related reduction of the personal allowance from 2010–11

The following income tax changes will have effect on or after 6 April 2010:

- Taxable income over £150,000 will be subject to an income tax rate of 50%
- Dividends otherwise taxable at the 50% rate will be taxed at a new 42.5% additional rate
- Where an individual's 'adjusted net income' is above the income limit of £100,000, the personal allowance will be gradually reduced to nil. The amount of the personal allowance will be reduced by £1 for every £2 above the income limit. 'Adjusted net income' will be calculated in the same manner as the prevailing income related adjustments to personal allowances for those aged over 65
- The dividend trust rate will be increased from 32.5% to 42.5%. The trust rate will increase from 40% to 50%.

Taxation of personal dividends

Individuals with shareholdings of less than 10% in a non-UK resident company are entitled under the prevailing tax legislation to a non-payable dividend tax credit when they receive a dividend from that company. From 22 April 2009, individuals with shareholdings of 10% or more in a non-UK resident company will be entitled to a similar non-payable dividend tax credit. The only caveat is that the country from which the dividend is paid must have a double tax treaty with the UK that contains a non-discrimination clause.

Taxation of personal dividends – distributions from offshore funds

From 6 April 2008, individual shareholders with less than ten per cent of the equity in a non-UK resident company have been entitled to a non-payable dividend tax credit. The tax credit was withdrawn for offshore funds.

Legislation will be introduced in Finance Bill 2009 to restore the non-payable dividend tax credit for offshore funds which are largely invested in equities – the changes which are effective from 22 April 2009 will apply to all holdings in offshore funds. In cases where the offshore fund is substantially invested in interest bearing assets, individuals receiving distributions will be treated as having received interest rather than a dividend.

Anti-avoidance: interest relief

With effect from 19 March 2009, legislation will be introduced in Finance Bill 2009 to block tax avoidance schemes that allow individuals to claim relief for interest payments that are used in avoidance arrangements that guarantee that the borrower will be able to make a profit as a result of the availability of the relief.

Transfers of income streams

In cases where a person sells or otherwise disposes of a right to receive income, without selling the underlying asset from which the income derives, tax law provides that the receipt is taxed as income rather than as a capital gain – however these statutory rules are not comprehensive. A principles-based code is to be introduced in Finance Bill 2009 to ensure that all such receipts are taxable as income, rather than as capital. The legislation will have effect for transfers taking place on or after 22 April 2009.

Avoidance using employment income legislation

Legislation will be introduced in Finance Bill 2009 to curtail avoidance schemes that seek to abuse reliefs available for employment-related liabilities and losses incurred by employees and former employees. These contrived employments are only established for the purposes of the schemes. Such liabilities and losses are generally created by intentional acts of default. The measures will be effective from 12 January 2009, but will have no impact if individuals using the relief are not seeking to avoid tax.

Living accommodation provided by reason of employment: payments of lease premiums

Employees who occupy living accommodation provided by reason of their employment are subject to a tax charge usually based on the actual rent paid. Schemes have been devised whereby a large lease premium is paid, thereby depressing the level of the rentals, and also the tax charge. For leases entered into or extended on or after 22 April 2009, if a lease premium is paid for a lease of ten years or less, that premium will be treated as if it were a rental payment, and taxed by spreading the premium over the term of the lease.

The new rules will not apply to leases that are entered into that are used mainly for business purposes by the employer, and only partly for the domestic use of an employee.

Reclaiming income tax, capital gains tax and corporation tax overpayments

Legislation will be included in Finance Bill 2009 to provide a means of reclaiming overpayments of income tax, corporation tax and capital gains 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 following should be noted:

- The measure will be effective on or after 1 April 2010
- The time limits for claiming repayments are currently five years and ten months to six years from the end of the period for which the return was made. This will be reduced to four years from 1 April 2010.

UK personal allowances and reliefs for non-resident individuals

Individuals who are not resident in the UK normally have no entitlement to claim UK personal allowances and reliefs for income tax. There is a limited range of circumstances under which such allowances may be claimed, one of which is being a commonwealth citizen. HM Revenue & Customs has been advised that this is not compliant with the Human Rights Act, and legislation will be introduced to withdraw that entitlement. The vast majority of individuals affected will still be able to benefit through other means, such as the provisions of a double tax treaty. The change will mainly affect citizens of countries such as Bahamas, Samoa and Tonga. The restriction for commonwealth citizens will have effect from 6 April 2010.

Offshore funds

Legislation will be introduced in Finance Bill 2009 to change the definition of an offshore fund for UK tax purposes and to amend the existing powers to provide for the modernisation of the regime in regulations. The new definition of an offshore fund uses a characteristics based approach which has been the subject of detailed consultation. Transitional rules will provide 'grandfathering' for investors in existing arrangements. The new regime will be effective from 1 December 2009.

Child trust fund – payments for disabled children

The Government will contribute £100 per year to the child trust fund accounts of all disabled children, with £200 per annum for the severely disabled. The payments will commence in April 2010 for all children in receipt of disability allowance at any point in 2009/10.

The remittance basis – minor amendments

A number of changes will be made in Finance Bill 2009 to the remittance basis regime which became effective from 6 April 2008, including the following:

- An individual can use the remittance basis to bring property in to the UK which has been purchased out of income from overseas investments and savings without triggering a liability to UK tax. The scope of this exemption will be extended from 6 April 2008 to include property purchased out of foreign employment income and foreign chargeable gains.
- Individuals employed in the UK have to file a UK tax return if they have also received income from an overseas employment in the same year. This obligation will be removed from 6 April 2008 where the overseas employment income is less than £10,000, and any overseas bank interest is less than £100 in a tax year, providing that the income has been subject to foreign tax.
- It has been specifically confirmed that if an individual has unremitted foreign gains and income of less than £2,000 in any tax year, that individual will be treated as having used the remittance basis unless HM Revenue & Customs are specifically notified that the arising basis applies.

Individual savings accounts

The ISA limit is currently £7,200, of which £3,600 can be saved in a cash ISA with one provider. The limit will be raised to £10,200, up to £5,100 of which can be saved in cash. The new limits will apply to people aged 50 or over in 2009/10, and for all ISA investors from 2010/11 onwards. Raising the ISA limits for people aged 50 or over for 2009/10 will have effect on or after 6 October 2009, and for everybody else on or after 6 April 2010.

Pensions: limiting tax relief for high income individuals

The Government has announced its intention to restrict, to the basic rate of income tax, tax relief on pension contributions with effect from 6 April 2011 for people with taxable income of £150,000 or more.

It will not be possible to increase pension contributions between now and 6 April 2011 to take advantage of the restriction in the tax relief, if the following conditions are met, for an individual with an income of £150,000 or more who, on or after 22 April 2009:

- Changes their normal pattern of regular pension contributions, or
- Changes the normal way in which their pension benefits are accrued, and
- Their total pension contributions/benefits accrued exceed £20,000 a year.

These anti-forestalling provisions will apply to both final salary and money purchase pension schemes on or after 22 April 2009. Individuals with income of less than £150,000 for the tax year, and both the preceding two tax years will not be affected. Neither will individuals with income of £150,000 or more between now and 6 April 2011, providing their existing pattern of making pension contributions does not change, and they do not make any additional contributions.

In cases where regular pension savings exceed £20,000, the new tax charge only applies to any pension savings made on or after 22 April 2009 in excess of regular savings. If the regular savings are less than £20,000, the tax charge only applies to any excess over £20,000. The tax charge restricts tax relief on the additional pension savings to the basic rate of income tax.

Capital Taxes

Capital gains tax	**2009/10**	**2008/09**
Capital gains tax rate	18%	18%
Entrepreneurs' relief: Effective rate	10%	10%
Lifetime limit	£1,000,000	£1,000,000
Annual exemption		
Individual	£10,100	£9,600
Settlement	£5,050	£4,800
Inheritance tax		
Nil rate band	£325,000	£312,000
Chargeable rate on lifetime transfers	20%	20%
Rate on transfers on or within 7 years of death	40%	40%

Inheritance tax – extension of agricultural property and woodlands relief to land in the European Economic Area (EEA)

Legislation will be introduced in Finance Bill 2009 to extend inheritance tax agricultural property relief and woodlands relief to property in the EEA. Property qualifying for this extended IHT relief will also qualify for capital gains tax holdover relief. The extension of the relief will be available from 22 April 2009, as well as from an earlier date in certain circumstances including holdover relief for prior disposals of agricultural property in a qualifying EEA state.

Chargeable gains and offshore funds

The chargeable gains treatment of investments in contract-based offshore funds, which are transparent for the purposes of tax on income and gains, will be amended from 1 December 2009. An interest in a transparent offshore fund will be an asset for the purposes of calculating capital gains tax on chargeable gains, and it will no longer be necessary to consider disposals of the underlying assets when computing the chargeable gain.

Elections into the new treatment can be made on or after 22 April 2009 and can be applied retrospectively back to the tax year 2003/04. Partnerships that are transparent for tax purposes will not be affected by the change in the legislation, as they will be specifically excluded from the definition of offshore funds. Investors subject to corporation tax will continue to treat their gains as transparent for the purposes of tax at present, until the law is amended.

Duties

Stamp duty land tax

The £175,000 higher threshold level of stamp duty for purchases of residential property will now remain in place until 31 December 2009. This was due to revert back to £125,000 from 3 September 2009.

Tobacco and alcohol duties

Excise duties rise by 2 per cent with the resultant increase in retail prices:

Tobacco and alcohol: from 6pm on 22 April 2009	
Cigarettes	7p for a packet of 20
Cigars	3p for a packet of 5
Hand-rolling tobacco	7p for 25g
Other smoking/chewing tobacco	4p for 25g

Alcohol: from 23 April 2009	
Beer	1p a pint
Wine	4p for a 75cl bottle
Sparkling wine	5p a 75cl bottle
Spirits	13p for a 70cl bottle
Spirits-based ready to drink	1p for a 275 ml bottle
Cider and perry	1p a litre

Fuel duty

Fuel duty will increase by 2 pence per litre on 1 September 2009, and by 1 pence per litre in real terms each year from 2010 to 2013.

Landfill tax

The standard rate of landfill tax increases from £40 per tonne to £48 per tonne in respect of the disposal of waste made, or treated as made, on or after 1 April 2010.

Climate change levy

A measure that affects those who manufacture certain plastic products is proposed whereby a restricted entitlement to claim relief from climate change levy is being introduced in respect of the supplies of electricity and liquefied petroleum gas only. This measure applies on or after the date the Finance Bill receives Royal Assent and is introduced to ensure compliance with state aid rules.

Supplies of low value solid fuel valued at no more than £15 per tonne are now liable to climate change levy. This measure comes into force on or after 1 January 2010.

Value Added Tax

From	1.1.2010	1.5.2009	1.12.2008	1.4.2008
Standard rate	17.5%	15%	15%	17.5%
VAT fraction	7/47	3/23	3/23	7/47
Taxable turnover limits				
Registration – last 12 months or next 30 days over	£68,000	£68,000	£67,000	£67,000
De-registration – next 12 months under	£66,000	£66,000	£65,000	£65,000

There were not many unexpected changes in the Budget, the most significant being the detailed changes to cross-border supplies of goods and services from 1 January 2010. The key points are as follows:

Registration and de-registration

The usual, small increases have been applied. The registration threshold will be £68,000 and the de-registration threshold £66,000 from 1 May 2009.

Standard rate changes

It has been confirmed that the standard rate will revert to 17.5% from 15% on 1 January 2010. To accompany the increase in the VAT rate anti-avoidance provisions will allow an additional 2.5% charge where invoices are issued artificially early.

Fuel scale charges

As usual changes to fuel scale charges will apply to tax periods starting on or after 1 May 2009. The changes reflect fluctuations in fuel prices and are based on the CO_2 emissions of vehicles.

Further simplification of the option to tax

Fewer businesses opting to tax land or buildings will need prior written permission from HM Revenue & Customs as a new automatic permission condition will be introduced from 1 May 2009.

Bingo and other games of chance – scope of VAT exemption widened

From 27 April 2009, participation charges for all bingo and other games of chance will be exempt.

Reduced rate to apply to children's car seat bases

From 1 July 2009, the 5% rate will apply not only to children's car seats but also to related wheeled framework, booster seats and booster cushions.

Cross-border VAT changes from 2010

From 1 January 2010, changes will be made to cross-border VAT to improve simplicity and help prevent fraud. The place of supply of most services will be where they are received and subject to the reverse charge; the time of supply will change to when a service is performed or when it is paid for, whichever is the earlier (with special rules for continuous supplies of services); European Community (EC) sales lists will include business to business supplies of services with filing times reduced, and refunds of VAT incurred in other Member States will be claimed electronically from HM Revenue & Customs.

Car Taxation

Company cars

Tax and National Insurance Contributions (NICs) are calculated on the benefit-in-kind (BIK) on a car, which is determined, principally, by the price of the car and its official carbon dioxide (CO_2) emissions rating. The list price of the car when new (including accessories) is multiplied by the indicated percentage from the table below, using the official emissions rating for the appropriate fuel of the car to derive the BIK.

2009/10 Taxable benefits table

CO_2 in g/km*	Taxable % Petrol	Taxable % Diesel
Less than 121	10%	13%
121 to 139	15%	18%
140 to 144	16%	19%
145 to 149	17%	20%
150 to 154	18%	21%
155 to 159	19%	22%
160 to 164	20%	23%
165 to 169	21%	24%
170 to 174	22%	25%
175 to 179	23%	26%
180 to 184	24%	27%
185 to 189	25%	28%
190 to 194	26%	29%
195 to 199	27%	30%
200 to 204	28%	31%
205 to 209	29%	32%
210 to 214	30%	33%
215 to 219	31%	34%
220 to 224	32%	35%
225 to 229	33%	35%
230 to 234	34%	35%
235 and over	35%	35%

* The exact CO_2 figure is rounded down to the nearest 5g/km

Discounts from the above percentages can apply for 'greener' cars running on alternative fuels, including Euro IV diesel cars first registered up to 31 December 2005.

Fuel for private mileage

If an employer provides fuel for any private travel, the taxable benefit is calculated by multiplying £16,900 by the percentage used to calculate the benefit on the car, the employer pays NICs on the same amount at 12.8%.

Baseline fuel mileage rates

Engine capacity	Rates per mile Petrol	Rates per mile Diesel	Rates per mile Gas
Up to 1400cc	10p	11p	7p
1401 – 2000cc	12p	11p	9p
Over 2000cc	17p	14p	12p

These rates are reviewed biannually depending on changes in the price of fuel, and changes (if any) take effect on 1 January and 1 July each year, so the next change in rates would be due on 1 July 2009.

If the employee uses a privately owned car for business journeys, the employer may reimburse the costs at the following standard rates without the employee incurring a tax or NIC charge:

Vehicle	First 10,000 miles	Thereafter
Car/van	40p	25p
Motorcycle	24p	24p
Bicycle	20p	20p

If the employer reimburses at a lower rate per mile, the employee is permitted to claim tax relief on the shortfall. Although unchanged for some time, as a policy issue it has been decided to retain these rates for the future.

Vehicle excise duty rates

On cars registered on or after 1 March 2001.

£0	BAND A	up to 100 g/km
£35	BAND B/C	101–120 g/km
£120	BAND D/E	121–140 g/km
£125	BAND F	141–150 g/km
£150	BAND G	151–165 g/km
£175	BAND H/I	166–185 g/km
£215	BAND J/K	Over 186–225 g/km
£405	BAND L/M	Over 225 g/km

Scrappage scheme

To help the car industry, a scrappage scheme is introduced next month giving drivers a £2,000 discount on new vehicles if they trade in cars which they have owned for more than 12 months and that are more than 10 years old. The scheme will run until March 2010.

The Recession – Planning Suggestions

With the recession deepening in its affect and severity this Budget was awaited with some trepidation in the economic community regarding the impact on the Chancellor's intentions with concerns about raising taxes. Now that the changes have been announced you will need to consider the impact on you and, if you are in business, your business. We can help you revaluate your plans, and adapt them as necessary taking into account the changing economy and your personal and business circumstances. With our help, you can plan ahead embracing the very different economy compared with that which we were accustomed to before the credit crunch.

The recession

This Budget was later than usual and set against an economic landscape that is far removed from that encompassing any previous Budget statements. Presenting a balanced Budget was never an option given the extreme borrowing and 'investment' announcements made by the Government in recent months. A Budget statement normally emphasises a Government's mastery of the economy – that may be a situation enjoyed by previous Chancellors, but sadly, not on this occasion.

There are very few that have not been impacted by the path taken by the global economy in the past twenty months. The causes of this recession have been well documented and while every recession has different causes and effects it is certain that this one is deeper and, probably, longer than previous recessions. It has taken 13 to 14 quarters for GDP to recover to its pre-recession level in all the post war recessions thus far – how long it will take for 'recovery' to take effect is unknown.

What action should you take to survive the recession? A commentary preceding an analysis of this year's Budget provides little or no opportunity to offer advice other than in general terms. However, as accountants, our role is to give personal and business counsel. None of our recommendations are new, and we recognise that it is easier to make recommendations than to implement them.

Business owners

Cash flow: With the availability of credit still restricted, make sure that where you provide credit to customers you do not act as a replacement source of finance. Monitor and manage your slow paying accounts. Do you need to introduce more credit checking procedures?

Marketing: During past recessions businesses have reduced their marketing spend. Examine what you need to spend to maintain or even extend your top line. Should you change your marketing channels? Could you use the web more effectively? What more could you cross sell to existing customers? What are your competitors doing that you should be doing?

Funding: Whatever your mix of overdraft or loans, managing your relationship with your lender is more important than ever before. Making sure you do not breach lending covenants and providing requested information on time is essential. Do you need further funds for investment? If so, please talk to us as early as possible.

Costs and efficiency: How can you improve efficiency? Are there costs that you can reduce or eliminate?

Information: What information do you need to have to manage your business through the recession? What are the key numbers that inform you how your business is standing up to the current climate? How quickly is the necessary information available? Do you need more regular accounting reports?

Individual

Debt: Where households have unsecured debt, that debt averages more than £22,000 per household. How much unsecured debt do you have? What will it take to pay off that debt? Start by repaying the smallest debt and then 'snowball' your repayment from that debt when repaid to the next lowest debt.

Savings: Do you have emergency savings of up to three months expenditure? If your personal account is overdrawn then any unexpected bills will almost certainly result in an increase in debt. Are you saving regularly? Do you need to increase your savings? Saving for a particular cost may well be a better alternative than borrowing.

Personal budgets: Not everyone maintains a personal spending budget. Recording all your personal and household expenditure and preparing a balanced spending budget is important. Non regular costs (e.g Christmas and holidays) could be calculated and saved for on a monthly basis.

Retirement: We must all look at how we are going to live in retirement. Reduced asset values and low returns on capital only necessitate the importance of an early review of plans for the future.

Taxation: Minimising tax on income, capital and on our estates remains a high priority. With taxes on the increase planning is now an essential element of retaining as much of what you earn as possible. Further, property values may have reduced, but estates over £325,000 remain liable for tax @40%.

The above cover a sample of ten basic important planning areas. Please contact us to discuss these and any other areas that represent concerns for you.

2009/10 Tax Rates and Allowances

Income Tax

Tax bands and rates		2009/10	2008/09
Basic rate band		£37,400	£34,800
Tax rate		20%	20%
Starting savings rate		10%	10%
Dividend ordinary rate		10%	10%
Higher rate – taxable income over basic rate band		40%	40%
Dividend upper rate		32.5%	32.5%
Allowances that reduce taxable income			
Personal allowances	under 65	£6,475	£6,035
	65 to 74	£9,490	£9,030
	75 and over	£9,640	£9,180
Blind persons allowance		£1,890	£1,800
Allowances that reduce tax			
Married couple's allowance (MCA)			
Tax reduction	74	nil	£653.50
	75 and over	£696.50	£662.50

Ages are as at the end of the tax year, for MCA the age is of the elder spouse or civil partner.

Age related allowances are reduced by £1 for each £2 of excess income over £22,900 (2008/09 £21,800); the loss of tax reduction is 10p for each £2 of excess income until the minimum of £267 (2008/09 £254) is reached.

Inheritance Tax

	2009/10	2008/09
Standard threshold	£325,000	£312,000
Combined threshold maximum for married couples and civil partners	£650,000	£624,000
Rates of tax on balance		
Chargeable lifetime transfers	20%	20%
Transfers on or within seven years of death	40%	40%

All lifetime transfers not covered by exemptions and made within 7 years of death will be added back into the estate for the purposes of calculating the tax payable. This may then be reduced:

Years before death	0–3	3–4	4–5	5–6	6–7
Tax reduced by	0%	20%	40%	60%	80%

Main exemptions

1 Most transfers between spouses and between civil partners.

2 First £3,000 of lifetime transfers in any tax year plus any unused from the previous year.

3 Gifts up to £250 p.a. to any number of persons.

4 Gifts made out of income that form part of normal expenditure and do not reduce the standard of living.

5 Gifts in consideration of marriage/civil partnership up to £5,000 by a parent, £2,500 by grandparents, or £1,000 by any other.

6 Gifts to charities, whether made during lifetime or on death.

National Insurance

	Employer	Employee
Class 1 (not contracted out)		
Lower earnings limit		£95
Payable on weekly earnings of £110.01 to £844	12.8%	11%
Over £844	12.8%	1%
Over state retirement age	12.8%	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*

Capital Gains Tax

		2009/10	2008/09
Tax rate		18%	18%
Annual exemption	Individual	£10,100	£9,600
	Settlement(s)	£5,050	£4,800

Entrepreneurs' relief

The first £1,000,000 of lifetime gains from certain assets (mainly unincorporated trading businesses, personally owned assets used in the business, and shares in trading limited companies where at least 5% is held) is taxed at a reduced rate of 10%.

Pension contributions

There is no limit on the amount that may be contributed to a registered pension scheme. The maximum amount on which an individual can claim tax relief in any tax year is the greater of the individual's UK relevant earnings or £3,600.

If total pension input exceeds the annual allowance of £245,000 there is a tax charge at 40% on the excess. This limit does not apply in the year that full pension benefits are taken.

Maximum age for tax relief		74
Minimum age for taking benefits		50
Lifetime allowance charge	– lump sum paid	55%
	– monies retained	25%
on cumulative benefits exceeding		£1,800,000*
Maximum tax-free lump sum		25%*

**Subject to transitional protection for excess amount*

Note – Total pension input is the increase in value of the aggregate of all the individual's pension savings. The pension input period is usually the year to the anniversary date which falls within the relevant tax year.

Corporation Tax

	Financial Year to	31.3.2010	31.3.2009
Taxable profits	First £300,000	21%	21%
	Next £1,200,000	29.75%	29.75%
	Over £1,500,000	28%	28%

Main Capital Allowances

Plant and machinery

Energy saving and environmentally beneficial equipment, electric and low CO_2 emission (up to 110 g/km) cars, natural gas/hydrogen refuelling equipment: first year allowance	100%
Annual investment allowance (AIA) – on first £50,000 of investment *(excludes cars and expenditure already qualifying for 100% first year allowance)*	100%
First year allowance	40%
Writing down allowance (WDA) on expenditure not qualifying for AIA: Long-life assets, integral features of buildings	10%
Other plant and machinery	20%

Buildings

Industrial and agricultural buildings and hotels WDA (on building cost)	2%
Enterprise Zone Allowance, conversion of parts of business premises into flats, business premises renovation: max. initial allowance	100%
Industrial Buildings Allowance (2010/11 – 1%; thereafter nil)	2%

Due Dates for Tax Payments and Filing Deadlines

Income Tax and Class 4 NIC		2009/10	2008/09
1st payment on account	31 January	2010	2009
2nd payment on account	31 July	2010	2009
Balancing payment	31 January	2011	2010
Capital Gains Tax	31 January	2011	2010

Inheritance Tax – Normally six months after the end of the month in which death occurs.

Corporation Tax

Small and medium companies	Nine months and one day after the end of accounting period
Large companies	Four quarterly instalments commencing 6.5 months into the accounting period

2008/09 Returns filing and issuing deadlines

P14, P35, P38 and P38A	19 May 2009
Issue P60s to employees	31 May 2009
P9D, P11D and P11D(b) – and copies to employees as appropriate	6 July 2009
Self assessment tax return: paper	31 October 2009
online	31 January 2010
2008/09 Class 1A NICs on relevant benefits – Payment due	19 July 2009

Tax Free Mileage Allowances

	Higher rate	Lower rate
All cars	40p	25p
Motorcycles	24p	24p
Bicycles	20p	20p
Business passengers	5p	5p

The higher rate is applicable for up to 10,000 business miles.

Fuel only allowance for company cars

From 1 January 2009	Petrol	Diesel	LPG
Up to 1400cc	10p	11p	7p
1401 – 2000cc	12p	11p	9p
Over 2000cc	17p	14p	12p

These rates may change within the tax year.

Car Benefits

The taxable benefit is calculated as a percentage of the car's UK list price. The percentage depends on the car's CO_2 emissions in grams per kilometre.

Rating	Petrol	Diesel
0 – 120g/km	10%	13%
121 – 139 g/km	15%	18%
Over 139g/km	add 1% for every 5g/km	
Maximum 235g/km and over	35%	35%

Lower rates may apply to alternative fuel cars

Chargeable on employees earning £8,500 or over (including benefits) and directors.

The list price is on the day before first registration, including accessories and is reduced by any employee's capital contribution (max £5,000) when the car is first made available. The price is subject to an upper limit of £80,000.

Special rules apply to cars at least 15 years old worth £15,000 or more.

Vans where private use is more than home to work travel £3,000 and £500 for private fuel.

Payments by employees for private use may reduce these benefits.

Value Added Tax

From	1.1.2010	1.5.2009	1.12.2008
Standard Rate	17.5%	15%	15%
VAT Fraction	7/47	3/23	3/23

Taxable turnover limits

Registration – last 12 months or next 30 days over	£68,000	£67,000
De-registration – next year under	£66,000	£65,000
Annual Accounting Scheme	£1,350,000	£1,350,000
Cash Accounting Scheme	£1,350,000	£1,350,000
Flat Rate Scheme	£150,000	£150,000

Stamp Taxes

Stamp duty is payable at a rate of 0.5% on transfers of shares and securities of £1,000 and over.

On the transfer of property	£0 – £125,000*	nil
	£125,001 – £250,000	1%
	£250,001 – £500,000	3%
	£500,001 and over	4%

Thresholds:

*Residential property: From 3.9.08 to 2.9.09	£175,000
From 31.12.09	£125,000
Residential property in disadvantaged areas from 31.12.09	£150,000
Commercial property	£150,000

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