



# Budget Report 2010

## Overview

This year's budget announced by Alistair Darling on 24 March 2010 had very few new policies affecting taxation. With this in mind we have not prepared our usual budget summary. This report shows the major changes detailed in the budget. We have however compiled a Tax Tables booklet showing information on tax rates and allowances etc. which is enclosed. We hope you find this to be a valuable reference booklet to aid your business.

## Business Taxation

### Capital Allowances

The Annual Investment Allowance is to be increased from £50,000 to a new limit of £100,000. The increase will have effect for expenditure incurred on or after 1<sup>st</sup> April 2010 for businesses liable to corporation tax and on or after 6<sup>th</sup> April 2010 for businesses liable to income tax.

The allowance is available for most expenditure on plant and machinery, but there are certain exceptions, the main one being expenditure on cars.

*GH Comment – The doubling of this allowance may encourage businesses to invest in new Capital Equipment which may improve efficiency and profitability.*

### Corporation Tax

For the finance year commencing 1 April 2010 the small companies rate remains at 21% and the full rate 28%.

### VAT

The taxable turnover threshold, which determines whether a business must be registered for VAT will increase from £68,000 to £70,000 from 1st April 2010. The taxable turnover threshold which determines whether a business may apply for deregistration will be increased from £66,000 to £68,000.

### Penalties for late filing of VAT returns and payment

Further information was announced detailing the penalties for late filing and late payment of VAT which appear to be very severe. The implementation will be staged over a number of years to allow for changes in computer systems and substantial education for tax payers and agents.

## Personal Taxation & National Insurance

The 2010 Budget confirmed the 2009 Pre Budget Report of rates and thresholds. These are detailed in full in our Tax Tables booklet.

### Restriction of Pensions Tax Relief

As previously announced from 6<sup>th</sup> April 2011 pensions tax relief will be restricted for individuals with high incomes. For people with an annual income of between £150,000 and £180,000 tax relief on pension contributions will be reduced from the individuals marginal rate to basic rate as income increases. Where income is over £180,000 the measures restrict tax relief on contributions to basic rate. For those people in employment, earnings will include the value of employer contributions.

As announced in the 2009 Pre Budget Report there are complicated anti-avoidance measures for employees with income over £130,000 as at 9 December 2009 or in the previous two tax years.

The restrictions and recovery of tax relief will be via the Self Assessment tax system with a new high income excess relief charge payable by those affected.

*GH Comment – The restrictions of Pensions Tax Relief is a complex area and professional advice should be sought.*

## Capital Gains Tax

### Entrepreneurs relief

On certain business disposals the lifetime limit on gains qualifying for entrepreneurs relief is to increase from £1million to £2million. This increase is to be effective from 6<sup>th</sup> April 2010.

*GH Comment – The saving could be as much as £160,000 for a couple, but beware not all disposals qualify, therefore it is important to seek professional advice before selling.*

## Inheritance Tax

The Chancellor announced the nil rate band for 2010-11 will remain at the current level of £325,000. This will now be extended to cover the tax years 2011-12 to 2014-15.

### Individual Savings Accounts (ISA's)

As announced in last years Budget from 6<sup>th</sup> April 2010 the ISA annual subscription limits are being increased for all savers to £10,200 of which £5,100 can be saved in cash. From April 2011 and over the course of the next Parliament, the ISA limits will be increased in line with the Retail Price Index on an annual basis.

## Stamp Duty Land Tax

From 25<sup>th</sup> March 2010 relief for stamp duty land tax will be available for purchases of residential property at up to £250,000 where the purchaser or all the purchasers are first time buyers and intend to occupy the property as their only or main home. This relief is time linked to two years.

At the other end of the scale a new higher rate of stamp duty land tax of 5% will be introduced for purchases of residential property where the consideration exceeds £1million with effect from 6<sup>th</sup> April 2011.

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