

BUDGET NEWS



We are pleased to provide the following update on matters already reported for the new tax year and as announced in the Chancellor's April 2009 Budget and subsequent selected government press releases.

We also take this opportunity each year to make some practical points and important reminders within the matters reported.

These changes apply from 6 April, unless otherwise stated.

Income tax rates and allowances

Starting rate for savings £0 - £ 2,440 10% (Last year £0 - £ 2,320)

This is for savings income only and does not apply if your total taxable income is above that limit

Basic rate £0 - £37,400 20% (Last year £0 - £34,800)

Higher rate £37,401 and above 40%

Rates differ for dividends (10%, but 32.5% charged to higher rate tax payers)

In practice, individuals in receipt of dividends from UK companies pay no tax personally on them, unless their total gross income including dividends exceeds the higher rate tax threshold. Higher rate tax will then be paid on dividends exceeding this threshold at an effective rate of 25% of the net dividend.

The higher rate tax threshold will be met where gross income exceeds £43,875 in the current year.

Personal tax allowances

Personal allowance up to age 65 £6,475 (Last year £6,035)

The level of weekly pay under tax & NIC thresholds will be £110 from 6 April 2009

Personal allowance 65 to 74 years £9,490 (Last year £9,030)

Personal allowance age 75 onwards £9,640 (Last year £9,180)

The personal allowances for those aged 65 and above are reduced £1 for every £2 of income over a limit of £22,900, until the basic allowance is reached.

Tax relief restricted to 10% :-

Married couples allowance age 75 and over £6,965

This relief is reduced £1 for every £2 of income over £22,900, as above, down to a minimum Married Couple's Allowance of £2,670.

Capital Gains Tax

Capital Gains Tax rate 18%

The Capital Gains annual exemption is increased from £9,600 to £10,100.

This applies separately to each spouse or civil partner and children

Entrepreneurs Relief

Gains from the sale of a business and assets thereof from 6 April 2008 onwards are taxed at an effective rate of 10% subject to a lifetime limit of gains of £1 million.

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Car and car fuel benefits

The benefit for the use of a company car will continue to be calculated based on the CO2 emissions of the vehicle. Accordingly, car benefits are calculated (for cars registered from 1 January 1998) as a percentage (calculated by reference to the car's published CO2 emissions) of the original list price.

Emissions information for cars may be obtained on www.smmmt.co.uk.

Percentages with reference to CO2 emissions may be viewed on our Tax Rates cards or on the website at www.baylissware.com.

Discounts apply to certain environmentally friendly cars. The list price is reduced for capital contributions towards the cost of the car up to £5,000.

Older cars are taxed by reference to standard percentages of original list price, based on engine capacity.

Those directors and employees who will renew their cars in the coming year should bear this in mind and talk to us about the effect of the above tax charges, if this is of interest. Obviously tax savings can be made by having a company car, which produces low CO2 emissions. Also the car benefit rates are such that it is often more tax effective for Directors of owner-managed companies, who perform a reasonable amount of business miles, to own their car personally and charge the company a tax-free mileage allowance.

Car fuel benefits are also taxed according to CO2 emissions. The benefit is therefore calculated by multiplying £16900 by the appropriate percentage that applies for car benefit. The car fuel benefit arises if the employer pays for any private fuel on company cars in a tax year.

Users of a company van (private use available)

Benefit charged : £3,000, plus £500 if any private fuel is provided

A nil charge will apply if the employee only uses the van for home to work travel, but is not allowed any other private mileage, apart from the odd trip say to the tip with private items.

Employers should document the fact that employees have been instructed that no private use is permitted and take steps by checking the odometer etc to ensure no private mileage is undertaken, if the benefit charge is to be avoided

Tax free mileage allowances

First 10,000 business miles in tax year	40p per mile
Additional miles @	25p per mile
Plus additional 5p per mile for passengers who are making the same business trip.	
Motorcycles	24p per mile
Bicycles	20p per mile

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Corporation Tax rates

Financial year 1/4/09 to 31/3/10 :-

Up to taxable profits of £300,000	21%
Next £1,200,000	29.75%
Over £1,500,000	28%

Capital Allowances

100% relief on expenditure in the year on plant & machinery up to the Annual Investment Allowance of £50,000

New temporary first year allowance of 40% applies for this tax year on expenditure bought in the year over the Annual Investment Allowance.

20% writing down allowance is available on brought forward balances.

10% writing down allowance applies to integral features and long-life assets.

Remember that the full allowance is due for the year of purchase, even if the equipment is purchased on the last day of your accounting period. If your accounting year end is approaching and you intend to purchase some equipment shortly, it would be better to purchase this before your year end, in order to receive the allowance a year earlier.

Cars

From 6 April 2009, new rules will apply to allow tax relief for depreciation on cars, based on Co2 emissions. Cars with emissions at 160g/km or less will attract an allowance of 20% per annum, whereas those with emissions above that level will only attract relief at 10%. Cars will now be included in the normal general pool or the special rate 10% pool and accordingly there will be no restriction on cost (previously £12000) and there will not necessarily be a balancing adjustment on disposal. However, cars with private use will continue to be identified separately. Motor bikes are now excluded from similar treatment and will enjoy 100% relief within the Annual Investment Allowance. For leased cars a flat rate disallowance of 15% only will be made but only on cars over the 160g/km limit.

V.A.T.

Main rate 15% until 31 December 2009, when it switches back to 17.5%

From 1 May 2009 the V.A.T. Registration Threshold will be increased from £67,000 to £68,000 and the deregistration threshold will rise from £65,000 to £66,000.

The flat rate scheme for VAT continues to be available for businesses with a turnover up to £150,000. In the scheme, such businesses could elect to calculate their VAT in a simplified way, based on a percentage of turnover.

Apart from simplifying matters, a business could potentially make a VAT saving if the percentage applying to their type of business meant reduced VAT charges, compared with their normal payment level. If you feel the above may be of benefit, we can advise further.

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Please remember to apply the VAT fuel scale charges where the VAT on fuel is being reclaimed and there is some private use of the vehicle. The tables determining the scale charge you should apply will change with effect from 1 May 2009. See www.hmrc.gov.uk for details.

The turnover threshold for the cash accounting scheme remains at £1,350,000. The scheme should be exited if turnover exceeds £1,600,000. On voluntary exit or exit due to exceeding the threshold, there is a period of grace of 6 months before the cash basis has to be abandoned.

National Insurance

The weekly threshold before NIC is charged on employees is increased from £105 to £110. *Those paying, for example, wife's wages below the NIC threshold should bear this limit in mind.*

Employers National Insurance remains at 12.8% and also applies at the starting point of pay of £110.01 per week. (No upper limit)

Employees NIC remains at 11% (up to an upper limit of weekly pay of £844) and employees paid above the upper limit are charged a further 1% on the balance of their pay over £844.

Remember Employers NIC is payable on most benefits in kind and is subject to a separate return to H M Revenue & Customs, based on benefits calculated on forms P11D

The basic self employed NIC contribution is increased to £2.40 per week (normally paid monthly by direct debit).

Not payable on profits less than £5,075 per annum in the new tax year

The additional Class 4 NIC for the self employed is charged along with your tax liability at 8% on profits between £5,715 and £43,875. Plus a 1% charge on taxable profits in excess of £43,875.

If you do not operate your business via a company, it may well be that doing so will afford savings in National Insurance, and savings in tax bearing in mind the favourable Corporation Tax rates. This should still have a positive effect on most sizes of business, but you should contact us to consider the specific ramifications to your business.

Construction Industry Scheme

The rate of tax deducted at source from subcontractors is 20%.

The rate of 30% will be deducted from unregistered subcontractors.

Individual Savings Accounts (ISA's)

See headlines

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National Minimum Wage

From October 2008 :-

For workers aged 22 and over, £5.73 per hour

Workers aged 18-21 inclusive £4.77

For 16 and 17 year olds £3.53

Inheritance Tax threshold

Estate valued up to £325,000 0%

Over £325,000 40%

Stamp Duty/Stamp Duty Land Tax

Transfer of shares and securities 0.5%

Stamp Duty Land Tax

Transfer of property	All land/property		Disadvantaged areas
	Residential	Non-residential	Residential
£0 - £125,000	0%	n/a	n/a
£0 - £150,000	n/a	0%	0%
£125,001 - £250,000	1%	n/a	n/a
£150,001 - £250,000	n/a	1%	1%
£250,001 - £500,000	3%	3%	3%
Over £500,000	4%	4%	4%

The £125,000 residential limit above has been replaced by a temporary improved threshold of £175,000 for properties acquired from 3 September 2008 to 1 January 2010.

Tax Credits

See Tax Rates card for details

Please make sure you have completed your Tax Credits claim for those with children aged 16 and under. This can be done on-line at www.hmrc.gov.uk. Working Tax Credit is also available to low earners and is assessed using the same Tax Credits claim form.

The above represents general advice and individuals should always seek specific advice concerning their own particular affairs before proceeding.