



SPRING BUDGET 2009



# Budget highlights

- ISA limits will be raised to £10,200 (£5,100 for cash deposits) in 2009/10 for anyone aged 50 or more. The higher limits apply to all investors from 6 April 2010.
- A first year capital allowance of 40% will apply to qualifying capital expenditure if it exceeds the £50,000 annual investment allowance in the 12 months from April 2009.
- The small companies corporation tax rate will remain at 21% for the financial year 2009 as previously announced.
- For broadly the next two years, businesses will be able carry back their trading losses of up to £50,000 for three years rather than just one year.
- Tax relief on pension contributions will be restricted to the basic rate for individuals with incomes over £180,000 from 6 April 2011. Relief will be tapered for incomes over £150,000. From 22 April 2009, only basic rate tax relief on contributions will be available where contributions exceed the greater of £20,000 a year or the individual's 'normal pattern of contributions'.
- There will be a top rate of income tax for 2010/11 of 50% (42.5% on dividends) for individuals with incomes of more than £150,000. The rate applicable to trusts will also rise to 50% (42.5% on dividends) from 6 April 2010.
- The personal income tax allowance (£6,475 in 2009/10) will be withdrawn at the rate of £1 for every £2 of income over £100,000 from 2010/11.

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This summary has been prepared very rapidly and is for general information only. The proposals are in any event subject to amendment before the Finance Act is passed. You are recommended to seek competent professional advice before taking any action on the basis of the contents of this publication.

## Introduction

In an unusually late April Budget, Alistair Darling introduced important tax and other changes against a background of deepening economic difficulties in the UK and globally.

There was welcome news for savers in the increase of the ISA limit to £10,200 and the cash ISA limit to £5,100, although this was restricted to investors aged 50 or over in the current tax year, and it will only be extended to others from 2010/11.

Those with high incomes were targeted in three announcements. An increase in the top rate of tax was heralded in the Pre-Budget Report last November, along with restrictions to the personal allowance. But the provisions turned out to be tougher than originally proposed and will now be introduced a year earlier.

There were rumours of the removal of higher rate tax relief for pension contributions but no announcement was made in the Pre-Budget Report. The relief will start to be withdrawn for people with incomes over £150,000. The full provisions do not come into force until April 2011, but there are temporary measures to stop a rush to make unusually large pension contributions in the next two years.



**PERSONAL AND TRUST TAXATION**

| <b>Income tax allowances, reliefs and credits</b>        | <b>2009/10</b>    | <b>2008/09</b> |
|--|-------------------|----------------|
| Personal (basic)   | <b>£6,475</b>     | £6,035         |
| Personal (age 65–74)                                     | <b>£9,490</b>     | £9,030         |
| Personal (age 75 and over)                               | <b>£9,640</b>     | £9,180         |
| Married couples/civil partners (minimum) at 10%*         | <b>£2,670</b>     | £2,540         |
| Married couples/civil partners (age under 75) at 10%*    | <b>N/A</b>        | £6,535         |
| Married couples/civil partners (age 75 and over) at 10%  | <b>£6,965</b>     | £6,625         |
| Age-related relief reduced by 50% of income over         | <b>£22,900</b>    | £21,800        |
| Child Tax Credit (CTC):                                  |                   |                |
| • family element   | <b>£545</b>       | £545           |
| • family element baby addition                           | <b>£545</b>       | £545           |
| CTC usually reduced by 6.67% of joint income over        | <b>£50,000</b>    | £50,000        |
| Childcare and childcare vouchers (weekly tax-free limit) | <b>£55</b>        | £55            |
| Blind persons  | <b>£1,890</b>     | £1,800         |
| Rent-a-room tax-free income                              | <b>£4,250</b>     | £4,250         |
| Venture Capital Trust (VCT) at 30%                       | <b>£200,000</b>   | £200,000       |
| Enterprise Investment Scheme (EIS) at 20%                | <b>£500,000</b>   | £500,000       |
| EIS eligible for capital gains tax re-investment relief  | <b>No limit</b>   | No limit       |
| Registered Pension Scheme:                               |                   |                |
| • annual allowance                                       | <b>£245,000</b>   | £235,000       |
| • lifetime allowance                                     | <b>£1,750,000</b> | £1,650,000     |
| • special annual allowance                               | <b>£20,000</b>    | N/A            |

\* Where at least one spouse/civil partner was born before 6 April 1935

| <b>Income tax rates</b>                                    | <b>2009/10</b> | <b>2008/09</b> |
|--|----------------|----------------|
| 10% starting rate band on savings income up to             | <b>£2,440</b>  | £2,320         |
| Basic rate   | <b>20%</b>     | 20%            |
| Higher rate of 40% on income over                          | <b>£37,400</b> | £34,800        |
| Dividends:   |                |                |
| • basic rate taxpayers                                     | <b>10%</b>     | 10%            |
| • higher rate taxpayers                                    | <b>32.5%</b>   | 32.5%          |
| Pre-owned assets tax (charged as income) – minimum taxable | <b>£5,000</b>  | £5,000         |
| Trusts:  |                |                |
| • standard rate band generally                             | <b>£1,000</b>  | £1,000         |
| • dividends (rate applicable to trusts)                    | <b>32.5%</b>   | 32.5%          |
| • other income (rate applicable to trusts)                 | <b>40%</b>     | 40%            |

## PERSONAL AND TRUST TAXATION continued

### Income tax rates and personal allowances

The proposed changes to income tax announced in the 2008 Pre-Budget Report have been revised. From 6 April 2010:

- There will be an additional higher rate of 50% for taxable income above £150,000.
- The corresponding rate of tax on dividends will be 42.5%.
- The trust rate and dividend trust rate will rise to match these new higher tax rates.
- The basic personal allowance for income tax will be gradually reduced to nil for individuals with 'adjusted net incomes' (broadly gross income less certain deductions) over £100,000. The allowance will be reduced by £1 for each £2 of income over £100,000.

### **£** saver

**Maximise your age allowance.** Once you are 65 or older you may qualify for an extra tax allowance, but it is reduced for every pound your income is over £22,900 in 2009/10. If you are under 75 you could make a pension contribution to bring your income down to £22,900 and benefit from the full allowance.

### Pensions: limiting tax relief for high income individuals

From 6 April 2011, tax relief on pension contributions will be restricted for people with taxable income of £150,000 or more. Above that level of income, the value of pension tax relief will be tapered down until it is 20% for those with incomes over £180,000.

There will be 'anti-forestalling' provisions in the interim which apply to individuals with incomes of £150,000 or more who, on or after 22 April 2009, change their normal pattern of regular pension contributions; or the normal way in which their pension benefits are accrued; and whose total pension contributions or value of additional benefits accrued ('pension savings') exceed £20,000 a year (the special annual allowance).

The provisions will apply a special annual allowance charge (SAAC) to the excess contribution, which is defined as:

- The excess over regular pension savings, where those savings exceed £20,000; and
- Any excess over £20,000 where regular pension savings are below £20,000.

The SAAC will have the effect of restricting tax relief on the excess pension savings to basic rate and will be collected through the self assessment tax return.

## PERSONAL AND TRUST TAXATION continued

### Pension lifetime allowance and annual allowance

The lifetime allowance will be maintained at the 2010/11 level of £1.8 million for a further five years, up to and including 2015/16, as announced in the 2008 Pre-Budget Report. The annual allowance will also be held at £255,000 over the same period.

### Company car taxation

From 6 April 2011, the £80,000 price cap used to determine the cash equivalent of the car benefit charge will be abolished. The discounts given to cars using various alternative fuels will be abolished from the same date, other than for electric-only vehicles, where the 'appropriate percentage' will be fixed at 9%. The lower threshold for CO<sub>2</sub> emissions (135 g/km for 2009/10 and 130 g/km for 2010/11) will be cut to 125g/km for 2011/12.

### Taxation of personal dividends

From 22 April 2009, individuals with shareholdings of 10% or more who receive dividends from non-UK resident companies will become entitled to a non-payable 10% tax credit, subject to certain anti-avoidance provisions, treating them the same as investors with less than 10%.

From the same date, individual investors who receive distributions from offshore funds will also be entitled to a non-payable tax credit where the fund does not hold more than 60% of its assets in interest bearing (or economically similar) form. Income from funds breaching the 60% threshold will be taxed as interest, and will not carry a tax credit.

### The remittance basis

Several 'minor' changes will be made to the remittance rules, mostly with effect from 6 April 2008. These include the removal of the obligation to file a return where an individual has overseas employment income of less than £10,000 and overseas bank interest of less than £100 in any tax year, if all of it is subject to a foreign tax.

### saver

**Check you are not paying too much NIC.** If you have more than one job, or you are employed and self-employed at the same time, you may well overpay your NICs. You can avoid this by applying to defer payment on one of your incomes.

## PERSONAL AND TRUST TAXATION continued

### UK personal allowances and reliefs for non-resident individuals

From 6 April 2010, non-resident individuals who currently qualify for UK personal allowances and reliefs from income tax solely by virtue of being a Commonwealth citizen will have their entitlement to these allowances and reliefs withdrawn. The vast majority of individuals affected will still benefit through other means, for example double taxation treaties.

### Individual savings account (ISA) limits

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

### **don't forget**

Use as many tax reliefs and tax-free benefits as you can. Some, such as the personal allowance and age allowances, are given automatically, but others need to be claimed, such as child tax credits and child benefit.

### Investment trusts investing in interest bearing securities

A new elective tax framework is to be introduced that will allow investment trust companies (ITCs) to invest in interest bearing assets in a tax efficient way. An ITC that invests in interest bearing assets and makes the appropriate election will receive a tax deduction for any interest distributions it makes, effectively removing any corporation tax liability that would otherwise arise. The new rules will have effect for any interest distributions made on or after 1 September 2009.

### Tax elected funds

From 1 September 2009, UK authorised investment funds that meet certain conditions can opt to be treated as a tax elected fund (TEF). TEFs will have to make two types of distribution of the income they receive – a dividend distribution and a non-dividend (interest) distribution. UK dividend income will not be taxable in the fund and will be distributed as a dividend. All other income distributed will be classed as a non-dividend distribution, with the fund receiving a corresponding tax deduction. UK investors will be treated as receiving UK dividend income (including the non-payable dividend tax credit) and a payment of yearly interest. This will mainly benefit non-taxpaying investors.

## PERSONAL AND TRUST TAXATION continued

### Improvements to venture capital schemes

There are a number of minor changes to the rules for the enterprise investment scheme (EIS), corporate venturing scheme (CVS) and the venture capital trust (VCT) scheme. These include the extension of the period for EIS carry back of relief to cover investments throughout the tax year, and from 22 April 2009, the full amount subscribed can be carried back (subject to the overriding limit of £500,000).

### Furnished holiday lettings

The furnished holiday lettings rules will be repealed from 2010/11. Until then, the rules will be extended to apply to qualifying holiday lets in other EEA countries.

### Income shifting

The Government will not legislate on income shifting in the 2009 Finance Bill, but will keep it under review.

## CAPITAL TAXES

### Capital gains tax

The 2009/10 capital gains tax annual exemption is £10,100 and the exemption for trusts is generally £5,050.

### Inheritance tax

The 2009/10 inheritance tax nil rate band is £325,000 and the rate of tax on death remains at 40%.

### Inheritance tax: agricultural property relief and woodlands relief

Both inheritance tax agricultural property relief and woodlands relief will be extended to property in the European Economic Area (EEA). The change will affect inheritance tax due or paid after 22 April 2003 for agricultural property in an EEA state. The earliest deadline for reclaiming overpayments of inheritance tax will be 21 April 2010.



**CAPITAL TAXES** continued

**Capital gains tax hold-over relief**

Hold-over relief on gifts or sales at an undervalue of business assets will be extended to agricultural property in EEA states which has been farmed by a person other than the owner. The extension will apply retrospectively to disposals of agricultural property in a qualifying EEA state for five years from 31 January following the tax year to which the claim relates. Therefore, claims for disposals taking place in the 2003/04 tax year must be made by 31 January 2010. The time limit for making claims for hold-over relief will be reduced to four years from 1 April 2010.

**> think ahead**

Take advantage of low values. Depressed property and share values could mean you can make lifetime gifts of investments now with little or no capital gains tax to pay. The gift's value will also be lower if inheritance tax ultimately has to be paid.

**Stamp duty land tax (SDLT)**

The stamp duty land tax 'holiday' announced in September 2008 has been extended to 31 December 2009. This exempts from SDLT individuals' purchases of residential property for up to £175,000. Legislation will be introduced with effect from 22 April 2009 to allow leaseholders to claim SDLT relief where they acquire the freehold of their block of flats through the statutory right of leasehold enfranchisement.

**Stamp duty land tax (based on consideration)**

| Residential  | Commercial                   | Rate |
|--|------------------------------|------|
| £175,000* or less  | £150,000 or less             | Nil  |
| Over £175,000* up to £250,000  | Over £150,000 up to £250,000 | 1%   |
| Over £250,000 up to £500,000   | Over £250,000 up to £500,000 | 3%   |
| Over £500,000  | Over £500,000                | 4%   |
| * From 1 January 2010 £125,000 (or £150,000 for property in disadvantaged areas) |                              |      |
| Stamp Duty (including SDRT): stocks and marketable securities                    |                              | 0.5% |
| No charge unless the duty exceeds £5   |                              |      |



## BUSINESS TAX

### Corporation tax rates

The main rate of corporation tax will remain at 28% from 1 April 2010 and the small companies' rate continues at 21% for 2009.

### First year allowances

A new temporary first year allowance (FYA) of 40% will apply to expenditure on general plant and machinery above the first £50,000 a year that qualifies for the annual investment allowance. The allowance is available to individuals carrying on a qualifying activity (normally trades, professions and ordinary property businesses), as well as companies and partnerships.

For companies, the FYA applies to qualifying expenditure in the 12 months from 1 April 2009. For individuals and partnerships, the expenditure must occur in the 12 months starting on 6 April 2009.

Some expenditure does not qualify, such as cars, assets for leasing, long-life assets and integral features of buildings.

Expenditure on designated environmentally beneficial equipment already qualifies for a 100% FYA under schemes for energy-saving and water efficient technologies. Some changes are being made to the equipment included in the schemes and to the criteria. New lists will be published later in 2009.

### Business expenditure on cars

The Government has confirmed proposals under which the rate of capital allowances on business cars will depend on the car's CO<sub>2</sub> emissions. Expenditure on cars with CO<sub>2</sub> emissions of 160g/km or less will generally attract writing down allowances of 20% a year. Expenditure on cars with higher CO<sub>2</sub> emissions will attract only 10% allowances. Very low emission cars may attract a 100% FYA.

The special rules that restrict the amount of car rentals deductible for tax purposes will be reformed. There will be a flat rate disallowance of 15% of leasing payments for cars with CO<sub>2</sub> emissions exceeding 160g/km. However, there will be no restriction where the car is leased for a period of no more than 45 days. A business that hires a car to lease to a customer for more than 45 consecutive days will not be subject to any restriction. Leases that started before the commencement date of the new rules will remain subject to the previous rules until the end of the lease.

### *think ahead*

**Get the timing right for your investment in new business equipment.**

Businesses of any size generally benefit from immediate tax relief on the first £50,000 a year spent on most types of equipment. Expenditure over £50,000 in a year qualifies for the 40% first year allowance for 2009/10.

## BUSINESS TAX continued

The proposed legislation includes specific anti-avoidance rules to restrict balancing allowances in certain circumstances. The new rules started on 1 April 2009 for companies and on 6 April 2009 for individuals and partnerships.

### saver

**Choose the right company car and reduce your tax.** You can set the full cost of buying a new company car against your company's profits this year, if you choose one from over 50 models with CO<sub>2</sub> emissions of 110 g/km or less. In contrast, cars with higher emissions just qualify for a 10% or 20% annual writing down allowance. What's more, the driver will benefit from a lower income tax charge on the benefit in kind.

### Trading losses

The period for which businesses can carry back trading losses has been temporarily extended by two years. Businesses can currently carry back unlimited trading losses against profits of the preceding year. For a temporary period, businesses will be able to carry back losses of up to £50,000 a year against profits of the two years before the preceding year. Losses must first be set against the preceding year's profits, then any balance up to £50,000 can be carried back further, setting the losses against the later of the two years first.

The measure applies to company accounting periods ending between 24 November 2008 and 23 November 2010 and for the tax years 2008/09 and 2009/10 for unincorporated businesses.

### Foreign profits and losses

- From 1 July 2009, dividends received from foreign companies will be largely exempt from corporation tax. Until now they were taxable.
- Changes are being made to the controlled foreign companies regime to remove the exemptions for 'acceptable distributions' and certain holding companies. The new rules take effect for periods starting after 30 June 2009, with transitional provisions.
- The Treasury Consents rules for certain transactions involving subsidiary companies resident outside the UK will be repealed and replaced by a post-transaction reporting requirement from 1 July 2009.
- There will be a cap on tax relief for finance expenses payable by UK members of a group of companies for accounting periods beginning after 31 December 2009.
- New currency conversion rules will affect companies that compute their profits and losses in a currency other than sterling or may be carried forward or back in the same currency. Where such losses are set against the profits of another period, the losses may be converted into sterling at the same exchange rate as the profits.

## BUSINESS TAX continued

- The amount of double taxation relief on a dividend must match the corporation tax rate in periods that straddle 1 April 2008, when the corporation tax rate was reduced to 28% (from 30%).

### Groups of companies

New rules will make it easier for groups to match gains and losses on disposals without the need to transfer assets between group companies. From Royal Assent, companies will be able to transfer the actual gain or loss without the current restrictions for deemed transfers of assets.

Changes to the definition of a group will ensure that companies issuing particular types of preference shares to external investors will not lose the ability to claim and surrender group relief. It will therefore be more difficult to break a group structure inadvertently. The changes will generally apply to accounting periods beginning after 31 December 2007.

### Personal accountability

Senior accounting officers of large companies (those defined as not 'small' or 'medium-sized') will have to certify annually that their company's accounting systems are adequate for reporting tax accurately or they will have to specify any inadequacies. The obligations, which will apply to returns for accounting periods beginning on or after Royal Assent, will be supported by penalties on the officer personally as well as on the company.

### Loan relationships

The corporation tax rules on the late payment of interest between connected companies are being relaxed. For accounting periods beginning after 31 March 2009, interest will be deductible under the normal corporation tax rules as it accrues unless the creditor is located in a tax haven.

The release of a trade debt between connected persons after 21 April 2009 will not give rise to a tax charge on release. The position is thus aligned with the general loan relationship provisions.

### saver

**Get paid for filing PAYE returns over the internet.** If you have fewer than 50 employees and you submit your 2008/09 end of year PAYE return to HMRC over the internet, you will receive a tax-free cash incentive of £75. The deadline is 19 May. You need to register in advance.

## **BUSINESS TAX** continued

### **Business rates**

Businesses will be able to spread the payment of the 2009/10 inflation increase in business rates over three years, as announced on 31 March 2009. Those affected by the end of the 2005 transitional relief scheme will also be able to spread the increase in their bills over three years. Certain businesses facing significant backdated business rates bills issued before 31 March 2010 can pay over eight years interest-free, as announced in the 2008 Pre-Budget Report.

From 1 April 2009, the threshold at which business rates are charged on empty property in England has been temporarily increased from £2,200 to £15,000 until 31 March 2010, also as announced in the 2008 Pre-Budget Report.

## **VALUE ADDED TAX (VAT)**

### **Registration and deregistration thresholds**

The VAT registration threshold will increase to £68,000 (from £67,000) from 1 May 2009. The threshold at which a business can apply for deregistration will increase from £65,000 to £66,000 from the same date.

### **Temporary change of standard rate**

The Chancellor has confirmed that the temporary reduction in the standard VAT rate to 15% will end on 31 December 2009.

From 25 November 2008 there are rules to counter 'forestalling' schemes that aim to apply the 15% rate to goods or services supplied after 31 December 2009. Forestalling works by the supplier issuing an invoice or receiving payment before the rate rises. A supplementary 2.5% VAT will be charged where the customer cannot recover all the VAT on the supply and one of the three following conditions is met. These are that the supplier and customer are connected, the supplier funds the purchase, or a VAT invoice is issued where payment is not due for at least six months.

There will also be a supplementary charge on certain prepayments of more than £100,000 made before the rate rise for goods or services to be supplied after 31 December 2009, unless the prepayment is in accordance with commercial practice. This rule has effect after 30 March 2009.

### **f saver**

Consider switching to the flat rate VAT scheme for small businesses if your business has few costs and overheads, and your turnover is less than £150,000 a year. The VAT you pay is calculated by multiplying your gross sales by a flat rate determined by your business sector. Purchases are ignored, so the scheme is very simple to use.

## VALUE ADDED TAX (VAT) continued

### Opting to tax land and buildings

It will be easier to opt to tax supplies of land and buildings on which the taxpayer has made previous exempt supplies. Such taxpayers currently have to obtain HMRC's permission to tax supplies unless they meet one of four automatic permission conditions. These conditions will be widened from 1 May 2009.

### Children's car seats

The existing 5% reduced rate of VAT for children's car seats will be extended from 1 July 2009 to include bases for such seats.

### Gaming

VAT will be removed from participation fees for playing bingo and other games of chance. Participation fees are charges that a gaming operator makes to customers for participating in gaming. The VAT exemption will be introduced alongside a package of changes to bingo and gaming duties that will take effect on 27 April 2009.

### Cross-border VAT

Amendments will be made to the VAT rules for cross-border supplies from 1 January 2010.

- Changes to the place of supply rules for services will ensure that, as far as possible, VAT is due in the country in which the service is consumed rather than where the supplier is established. Most UK business customers will therefore have to account for UK VAT on most services provided by overseas suppliers under the reverse charge provisions. There will be some exceptions. Land-related services will be deemed to be supplied where the land is situated, as at present. Some of the changes will be delayed until 1 January 2011 and others until 1 January 2013.
- New rules for determining the time of supply of cross-border services will affect supplies treated as made in the UK by the recipient. The time of supply will be governed primarily by when a service is performed.
- Where a UK business makes supplies to a customer who has to account for a reverse charge in their own country, the supplier will have to complete EC sales lists for each calendar quarter.

### **don't forget**

#### Register for VAT in time!

If you are running a new business, you may be too busy to notice how much your turnover has grown. Track your sales in the 12 months up to the end of each month. If the total tops £68,000, you must register for VAT within 30 days. If you delay, the penalties can be painful.

**VALUE ADDED TAX (VAT)** continued

- A new electronic VAT refund procedure is being introduced across the EU to replace the current paper-based system. UK businesses will submit claims electronically for overseas VAT on a standardised form to HMRC rather than direct to the member state of refund. There will be changes to the time limits governing refund claims.

**Fuel scale charges**

The fuel scale charges have been revised to reflect changes in fuel prices. Businesses must use the new scale charges from the start of their next prescribed accounting period beginning on or after 1 May 2009.

| <b>CO<sub>2</sub> Emissions<br/>g/km</b> | <b>VAT fuel scale charge<br/>£</b> | <b>VAT due per car<br/>£</b> |
|--|------------------------------------|------------------------------|
| <b>120 or less</b>                       | 126.00                             | 16.43                        |
| <b>121–139</b>                           | 189.00                             | 24.65                        |
| <b>140–144</b>                           | 201.00                             | 26.22                        |
| <b>145–149</b>                           | 214.00                             | 27.91                        |
| <b>150–154</b>                           | 226.00                             | 29.48                        |
| <b>155–159</b>                           | 239.00                             | 31.17                        |
| <b>160–164</b>                           | 251.00                             | 32.74                        |
| <b>165–169</b>                           | 264.00                             | 34.43                        |
| <b>170–174</b>                           | 276.00                             | 36.00                        |
| <b>175–179</b>                           | 289.00                             | 37.70                        |
| <b>180–184</b>                           | 302.00                             | 39.39                        |
| <b>185–189</b>                           | 314.00                             | 40.96                        |
| <b>190–194</b>                           | 327.00                             | 42.65                        |
| <b>195–199</b>                           | 339.00                             | 44.22                        |
| <b>200–204</b>                           | 352.00                             | 45.91                        |
| <b>205–209</b>                           | 365.00                             | 47.61                        |
| <b>210–214</b>                           | 378.00                             | 49.30                        |
| <b>215–219</b>                           | 390.00                             | 50.87                        |
| <b>220–224</b>                           | 403.00                             | 52.57                        |
| <b>225–229</b>                           | 416.00                             | 54.26                        |
| <b>230–234</b>                           | 428.00                             | 55.83                        |
| <b>235 &amp; over</b>                    | 441.00                             | 57.52                        |

## MISCELLANEOUS ISSUES

### Tax avoidance

The Government has announced action to counter a number of tax avoidance schemes including legislation to:

- Tackle tax avoidance where an employee or company director is provided with accommodation through the payment of a lease premium rather than a full market rent for the use of the property.
- Stop individuals obtaining relief for interest payments on loans to invest in partnerships or small companies where the borrower is guaranteed to make a profit as a result of the availability of the relief.
- Prevent taxpayers from avoiding tax by transferring rights to receive future income streams.

A new disclosure opportunity for offshore account holders will run until March 2010 giving them the opportunity to disclose any unpaid tax.

### Publishing tax defaulters' names

Taxpayers will have their names and details of unpaid tax, interest and penalties published for one year on HMRC's website if they deliberately understate tax due, or overstate claims or losses, by more than £25,000, or fail to notify HMRC of their tax liability leading to a loss of tax of more than £25,000, or commit certain deliberate VAT or excise wrongdoings.

### Payment of tax

Some time after April 2011, taxpayers will be allowed to make voluntary managed payment plans which will permit them to spread their income tax or corporation tax payments equally over a period straddling the normal due dates without accruing interest and penalties. Small debts will be collectable through PAYE probably from April 2012.

Businesses will also be required to supply contact details for individuals who are in debt to HMRC and with whom HMRC has lost contact. The penalty regime for late filing of tax returns and late payment of tax has been revised. Penalties will be introduced for employers who are late in making monthly PAYE and NICs payments and paying corporation tax. Interest due on under or over paid tax and refunds for most taxes will be harmonised.

### *think ahead*

The minimum age at which you can draw benefits from a pension arrangement will generally rise from 50 to 55 from 6 April 2010.

**NATIONAL INSURANCE CONTRIBUTIONS (NICs)****Class 1 (Employees)****Not Contracted-out of State Second Pension S2P**

|          | 2009/10  | 2008/09   |
|----------|--|---|
| Employee | <b>No NICs where earnings are up to £110 pw</b><br><b>11% NICs on £110.01–£844 pw</b><br><b>1% NICs over £844 pw</b> | No NICs where earnings are up to £105 pw<br>11% NICs on £105.01–£770 pw<br>1% NICs over £770 pw |
| Employer | <b>No NICs on the first £110 pw</b><br><b>12.8% NICs over £110 pw</b>  | No NICs on the first £105 pw<br>12.8% NICs over £105 pw   |

| Earnings limit or threshold | 2009/10 |         |        | 2008/09 |         |        |
|-----------------------------|---------|---------|--------|---------|---------|--------|
|                             | Weekly  | Monthly | Annual | Weekly  | Monthly | Annual |
|                             | £       | £       | £      | £       | £       | £      |
| Lower limit (LEL)           | 95      | 412     | 4,940  | 90      | 390     | 4,680  |
| Earnings threshold          | 110     | 476     | 5,715  | 105     | 453     | 5,435  |
| Upper accrual point         | 770     | 3,337   | 40,040 | N/A     | N/A     | N/A    |
| Upper limit (UEL)           | 844     | 3,656   | 43,875 | 770     | 3,337   | 40,040 |

|                            | 2009/10               | 2008/09        |
|----------------------------|-----------------------|----------------|
| Reduction on band earnings | <b>£95.01–£770 pw</b> | £90.01–£770 pw |
| Employer rate reduction:   |                       |                |
| • Salary-related scheme    | 3.7%                  | 3.7%           |
| • Money-purchase scheme    | 1.4%                  | 1.4%           |
| Employee rate reduction    | 1.6%                  | 1.6%           |

| <b>Class 1A (Employers)</b>    | 2009/10 | 2008/09 |
|--------------------------------|---------|---------|
| Most taxable employee benefits | 12.8%   | 12.8%   |

| <b>Class 2 (Self-Employed)</b> | 2009/10                    | 2008/09             |
|--------------------------------|----------------------------|---------------------|
| Flat rate                      | <b>£2.40 pw £124.80 pa</b> | £2.30 pw £119.60 pa |
| Small earnings exception       | <b>£5,075 pa</b>           | £4,825 pa           |

| <b>Class 4 (Self-Employed)</b> | 2009/10  | 2008/09                                    |
|--------------------------------|--|--|
| On profits                     | <b>£5,715–£43,875 pa 8%</b><br><b>Over £43,875 pa 1%</b> | £5,435–£40,040 pa 8%<br>Over £40,040 pa 1% |

| <b>Class 3 (Voluntary)</b> | 2009/10                     | 2008/09             |
|----------------------------|-----------------------------|---------------------|
| Flat rate                  | <b>£12.05 pw £626.60 pa</b> | £8.10 pw £421.20 pa |



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