

BUDGET SUMMARY 24th MARCH 2010

Business Tax

The small companies' rate of corporation tax remains at 21% and the main corporation tax rate will remain as 28%.

The Annual Investment Allowance has been doubled to £100,000 for small companies, giving 100% relief for expenditure on plant and machinery. The increase will take effect from 1st April 2010 for companies and 6th April 2010 for unincorporated businesses.

New zero-emission goods vehicles will get a 100% first year allowance for a 5 year period from 1st April 2010 for companies and 6th April 2010 for unincorporated businesses.

Where a car or van that cannot produce CO2 engine emissions is provided to an employee there will be no benefit in kind charge and company cars with emissions of 75g/km or less will attract only a 5% benefit in kind. This will have effect between 6th April 2010 and 5th April 2015.

From 24th March 2010 there will be no corporation tax relief for companies who write off loans to participants.

The requirement for a company granting qualifying Enterprise Management Incentives (EMI) will be changed from 'operating wholly or mainly in the UK' to having a 'permanent establishment' in the UK.

VAT

From 1st April 2010, VAT registration and deregistration thresholds will be increased by £2,000 to £70,000 and £68,000 respectively.

From 1st May 2010 there will be new scale charges for the recovery of VAT on fuel used for private motoring.

National Insurance

All National Insurance rates and thresholds remain unchanged.

Income Tax

Tax bands for 2010/2011 are:

- 0% up to £6,475 (£9,490 and £9,640 for those over 65 and 75 respectively).
- 20% on first £37,400 of taxable income
- 40% from £37,400 to £150,000 of taxable income
- 50% on excess taxable income

From 6th April 2010 there will be an additional higher rate of 50% tax for those with a taxable income above £150,000. There will also be a second 42.5% higher rate of dividend tax for these individuals. At the same time those earning above £100,000 will have their personal allowance tapered to nil.

Capital Gains Tax

The capital gains tax exemption threshold remains the same at £10,100 for 2010/2011

From 6th April 2010 the limit for capital gains qualifying for entrepreneurs' relief will increase from £1 million to £2 million.

Stamp Duty

First time purchasers of residential property up to £250,000 will not pay stamp duty providing they intend to occupy the property as their only or main home. The relief is available for completion dates from 25th March 2010 and before 25th March 2012.

From 6th April 2011 purchases of residential property over £1 million will attract stamp duty of 5%.

Other

The main fuel duty rates will increase by 1p per litre from 1st April 2010, with another 1p increase on 1st October 2010 and a further 0.76p increase on 1st January 2011.

Alcohol duty will be increased from 29th March 2010, resulting in a 36p rise on a bottle of spirits, a 2p rise on a pint of beer and a 10p rise on a bottle of wine. Cigarettes will rise by approximately 10p per packet.

The Inheritance Tax threshold for years 2010/2010 to 2014/2015 will be frozen at £325,000 for individuals and £650,000 for married couples and civil partners.

As previously announced, from April 2010 there will begin a standardisation of penalties arising, from late filing and late payment, across the different taxes. Penalties will be introduced for late payment of PAYE during the PAYE year.

Pensions

From 6th April 2010 the annual investment permitted is raised to £255,000, with a lifetime allowance of £1,800,000. These rates will then be frozen until 2015/2016.

From 6th April 2011 tax relief on pension contributions will be restricted to the basic rate of tax for individuals with taxable incomes above £150,000, although this will be tapered for annual incomes between £150,000 and £180,000.

Savings

From 6th April 2010 the annual Individual Savings Account (ISA) investment limit is raised to £10,200 with the cash limit rising to £5,100. From 6th April 2011 the annual limits will increase in line with the Retail Prices Index.

Venture Capital Trust (VCT) schemes will be allowed to invest on EU regulated markets but will be required to increase the proportion of investment in shares from 30% to 70%.

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