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# The Budget 2010

by Chantrey Vellacott DFK

## A INCOME TAX RATES

<b>Individuals</b>	2009/10	2010/11
Basic Rate on (£37,400) <b>£37,400</b>	20%	<b>20%</b>
Higher Rate (over £37,400) <b>£37,400 - £149,999</b>	40%	<b>40%</b>
Cumulative tax thereon		<b>£52,520</b>
Additional Rate over <b>£150,000</b>	N/A	<b>50%</b>
<b>On Savings Income, excluding dividends</b>		
Taxable income up to lower rate limit (£2,440)		
<b>£2,440max*</b>	10%	<b>10%</b>
Taxable income between lower and basic rate limit	20%	<b>20%</b>
Taxable income between basic and additional rate	40%	<b>40%</b>
Taxable income over additional rate limit	40%	<b>50%</b>
* the 10% band will not apply to non savings income		
<b>On Dividend Income</b>		
Taxable income up to basic rate limit	10%	<b>10%</b>
Taxable income between basic and additional rate	32.5%	<b>32.5%</b>
Taxable income over additional rate limit	32.5%	<b>42.5%</b>
<b>Trusts</b>		
Interest in Possession	10/20/40%	<b>10/20/50%</b>
Discretionary:		
Income used for expenses & next £1,000	10/20%	<b>10/20%</b>
Dividend Rate	32.5%	<b>42.5%</b>
Other Rate	40%	<b>50%</b>

## B INCOME TAX ALLOWANCES

<b>Effective at all rates of income tax</b>	£	£
Personal Allowance	6,475	<b>6,475</b>
Age Allowance (65 - 74)	9,490	<b>9,490</b>
Age Allowance (75 & over)	9,640	<b>9,640</b>
Blind Person's Allowance	1,890	<b>1,890</b>

### **Effective at only 10%**

Age Allowance (Married, elder born before 6/4/35)	6,965	<b>6,965</b>
Age Allowance (Married, elder 75 & over)	6,965	<b>6,965</b>
Minimum Allowance (Married, elder born before 6/4/35)	2,670	<b>2,670</b>

All Age Allowances are reduced by £1 for every £2 of income over (£22,900) **£22,900**

**NB From 6/4/10 there will be a gradual loss of personal allowances on income over £100,000, £1 of allowance lost for every £2 until removed completely**

## C INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

	£	£
Overall Maximum Investment	7,200	<b>10,200</b>
Cash	3,600	<b>5,100</b>

## D SCALE BENEFITS FOR VEHICLES

**Company Cars:** Employees provided with a company car available for private use are taxable according to a scale based on CO<sub>2</sub> emissions. The basic car benefits charge will be the car's list price multiplied by the percentage charge for the CO<sub>2</sub> emissions band in which the car falls, subject to the addition of any diesel supplement or a discount for cars using alternative fuels and technologies.

### For the tax year 2010/11

CO <sub>2</sub> emissions in gms/km	% of car's list price	CO <sub>2</sub> emissions in gms/km	% of car's list price	CO <sub>2</sub> emissions in gms/km	% of car's list price
130	15 <sup>1</sup>	165	22 <sup>1</sup>	200	29 <sup>1</sup>
135	16 <sup>1</sup>	170	23 <sup>1</sup>	205	30 <sup>1</sup>
140	17 <sup>1</sup>	175	24 <sup>1</sup>	210	31 <sup>1</sup>
145	18 <sup>1</sup>	180	25 <sup>1</sup>	215	32 <sup>1</sup>
150	19 <sup>1</sup>	185	26 <sup>1</sup>	220	33 <sup>2</sup>
155	20 <sup>1</sup>	190	27 <sup>1</sup>	225	34 <sup>3</sup>
160	21 <sup>1</sup>	195	28 <sup>1</sup>	230	35 <sup>4</sup>

**Supplement if car runs solely on diesel** <sup>1</sup>Add 3%. <sup>2</sup>Add 2%. <sup>3</sup>Add 1%.  
<sup>4</sup>Maximum charge, therefore no diesel supplement.

**Reduction if car runs on E85 fuel:** For 2008-09 until 5 April 2011 there will be a reduction of 2% for cars manufactured to run on E85 fuel.

The benefit will be reduced for employee contributions up to £5,000 and/or where the car is unavailable for part of the year.

Cars with a CO<sub>2</sub> emission below 75gms/km will be taxed on 5% of the list price from 2010-11, between 75gms/km and 120gms/km the rate will be 10%.

**Fuel Benefit:** The annual charge is linked to the car's CO<sub>2</sub> emissions using the same percentage figures as the company car benefit charge and multiplying them by **£18,000**, prior to 6-4-10 £16,900.

**Fuel Benefit: VAT Scales** (Accounting Periods beginning on or after 1 May 2010)

The VAT on private use is charged like Company Cars on the level of CO<sub>2</sub> emissions, ranging from a quarterly charge of £141 (VAT inclusive) on a car with a CO<sub>2</sub> emission of 120gms/km or below to £496 (VAT inclusive) for a car with emissions of 230gms/km or above.

Scale charge tables are available for 1 month, 3 monthly and 12 monthly periods.

**National Insurance Contributions:** Employers' NICs (Class 1A) are chargeable on both company cars and fuel by reference to the above Income Tax scales. They are assessed annually together with other taxable benefits in kind and collected in arrears (**12.8% for 2009/10**).

**Company Vans:** There is no charge where an employee merely takes a company van home with only insignificant private use. If there is unrestricted private use then vans up to 3.5 tonnes are taxed at a scale rate of £3000 from 6 April 2007 plus a fuel charge if applicable, irrespective of the age of the van.

## E MILEAGE PAYMENTS

<b>Business Mileage</b>	<b>per mile</b>
Motor Cars and Vans	
Up to 10,000 miles	<b>40p</b>
Excess over 10,000 miles	<b>25p</b>
Motorcycles	<b>24p</b>
Cycles	<b>20p</b>

The rates are tax free allowances, which may be used to reimburse employees who use their own vehicle for business purposes.

Employers can use the following fuel only rates to reimburse employees for business travel in their company cars or require staff to repay the cost of fuel used for private travel, on or after 1 December 2009.

<b>Engine size</b>	<b>Petrol Fuel Cost (per mile)</b>	<b>Diesel Fuel Cost (per mile)</b>	<b>LPG Fuel Cost (per mile)</b>
1400cc or less	11p	11p	7p
1401cc – 2000cc	14p	11p	8p
Over 2000cc	20p	14p	12p

## F PENSIONS

The new pension simplification legislation came into force on the 6 April 2006, 'A day'.

### Key Points

All individuals up to the age of 75 can invest up to £3,600 regardless of income.

The maximum that can be invested is the lower of 100% of net relevant earnings and the annual allowance of **£255,000** for **2010/11** (£245,000 for 2009/10).

Employers may be able to contribute more than employees into a scheme.

For people with income (including employer pension contributions) over £150,000 there will be a gradual withdrawal of higher rate relief from 06/04/11. Relief will be restricted to the basic rate of tax for those with income above £180,000. This is subject to transitional rules with effect from 22 April 2009.

Lifetime allowance is £1.8m (£1.75m for 2009/10).

## G DOMICILE

From 6 April 2008 non UK domiciled adult residents with relevant income or gains over a de minimis limit of £2,000 pay an annual tax charge of £30,000 if they wish to retain the benefit of the remittance basis.

Remittance basis users do not receive the tax free personal allowances or the annual exemption for capital gains. The tax charge applies to those who have been resident for more than 7 of the past 10 years, and is in addition to any tax on income or gains remitted.

## H CAPITAL GAINS TAX

Rates	2009/10	2010/11
Individuals, trusts and personal representatives*	18%	18%
Annual Exemptions	£	£
Individuals & certain trusts	10,100	10,100
Trusts generally	5,050	5,050
Personal representatives for year of death & next two years	10,100	10,100

\* subject to any claim for Entrepreneurs Relief, which could reduce the liability to an effective rate of 10% on gains up to a lifetime limit of £2million. (lifetime limit £1million for disposals prior to 6 April 2010)

## I CORPORATION TAX

YEAR TO 31 MARCH	2010	2011
Taxable Profits		
Small Companies Rate: £0 - £300,000	21%	21%
Marginal Rate £300,001 - £1,500,000	29.75%	29.75%
Main Rate Over £1,500,000	28%	28%
Closely controlled investment-holding companies are always taxed at the Main Rate.		
YEAR TO 5 APRIL	2010	2011
Rate of tax credit on dividends	½	½

## J ENCOURAGING BUSINESS INVESTMENT

Investments qualifying under the Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) rules will attract the benefits detailed below, if certain criteria are satisfied.

Limits for 2009/10 & 2010/11	EIS	VCT
Income Tax Credit (ITC)	20%	30%
Limit for ITC	£500,000	£200,000
Capital Gains Tax Deferral	Yes	No
Capital Gains Tax Exemption on Disposal	Yes	Yes

## K INHERITANCE TAX

### Rates

From the **6 April 2010** the first **£325,000** of cumulative chargeable transfers are taxed at NIL rate. Those in excess are taxed at 40% on death, 20% for lifetime transfers. Potentially exempt transfers within 7 years before death are taxed at death rate with tapering relief as follows:

Years between gift & death	Percentage of death rate
Up to 3	100%
3 – 4	80%
4 – 5	60%
5 – 6	40%
6 – 7	20%
Over 7	NIL

### Exemptions

		£
Annual exemption	Per donor	3,000
Small gifts	Per donee	250
Gifts in consideration of marriage by:	Parent	5,000
	Grandparent/ Remoter ancestor	2,500
	Party to the marriage	2,500
	Other person	1,000

A claim can be made to transfer any unused proportion of the IHT nil-rate band on a person's death to the estate of their surviving spouse or civil partner who dies on or after 9 October 2007.

## L VALUE ADDED TAX

	Rate	Fraction
<b>Standard rate until 31/12/09</b>	<b>15%</b>	<b>3/23</b>
<b>Standard rate from 01/01/10</b>	<b>17.5%</b>	<b>7/47</b>
Effective from	1 May 2009	<b>1 May 2010</b>
<b>Registration Limits - Annual</b>		
Future/past turnover	£68,000	<b>£70,000</b>
<b>Deregistration Limit - Annual</b>		
Future turnover	£66,000	<b>£68,000</b>
<b>Cash Accounting Threshold</b>		
Future turnover	£1,350,000	<b>£1,350,000</b>
<b>Annual Accounting Threshold</b>		
Future turnover	£1,350,000	<b>£1,350,000</b>

## M STAMP DUTY LAND TAX

### Residential Properties

£0 - £125,000 *	0%
£125,001* - £250,000	1%
£250,001 - £500,000	3%
Over £500,000	4%

### Non Residential Properties & Residential Properties in Disadvantaged Areas

£0 - £150,000	0%
£150,001 - £250,000	1%
£250,001 - £500,000	3%
Over £500,000	4%

From 1 October 2007 all new zero-carbon rated homes costing up to £500,000 will pay no stamp duty land tax; homes costing in excess of £500,000 will receive a reduction in stamp duty land tax of £15,000.

\*From 25/03/10 until 25/03/12 first time buyers can pay 0% on transactions up to £250,000.

**N NATIONAL INSURANCE CONTRIBUTIONS  
FROM 6 APRIL 2010**

**Class 1 - Individuals in Employment**

**Lower Earnings Limit**

**£97 wkly / £421 mthly / £5044 yrly.**

There is no liability for either employees' or employers' contributions if earnings are below these limits.

**Earnings Threshold (Employees & Employers)**

**£110 wkly / £476 mthly / £5,715 yrly.**

For earnings between the lower earnings limit and the earnings threshold although no NICs are actually paid they are treated as having been paid for the purposes of claiming benefits.

**Upper Accrual Point**

**£770 wkly / £3,337 mthly / £40,040 yrly.**

**Upper Earnings Limit**

**£844 wkly / £3,656 mthly / £43,875 yrly.**

Applies to employees only.

**Not Contracted-out rates on the following bands of weekly earnings**

	<b>Employee</b>	<b>Employer</b>
£0.00 to £97.00	NIL	NIL
£97.01 to £110.00	0%	0%
£110.01 to £844.00	11%	12.8%
Over £844.00	1%	12.8%

**Contracted-out rates on the following bands of weekly earnings**

	<b>Employee</b>	<b>Employer</b>	
		<b>COSR</b>	<b>COMP</b>
£0.00 to £97.00	NIL	NIL	NIL
£97.01 to £110.00	0%	0%	0%
£110.01 to £770.00	9.4%	9.1%	11.4%
£770.01 to £844	11%	12.8%	12.8%
Over £844.00	1%	12.8%	12.8%

**Employer Contributions** - COSR above relates to contracted-out salary-related schemes and COMP to contracted-out money purchase schemes.

**Class 2 - Self Employed Individuals** - £2.40 a week. Earnings under £5,075 per annum are excepted.

**Class 3 - Voluntary Contributions** - £12.05 a week, for protection of benefits by those not liable under Class 1 or 2

**Class 4 - Self Employed Individuals** - 8% on assessable profits between £5,715 and £43,875 a year. 1% above £43,875

**Disclaimer:** These tables are based on the proposals set out by the Chancellor in his Budget of 24 March 2010 but may be amended in the Finance Bill. They are produced as a general guide and are not a substitute for professional advice specific to your circumstances.

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