

Budget Newsletter

April 2009



Chartered Accountants and Business Advisers

The budget highlights

- Name and shaming
- Personal tax issue
- Business tax issue
- Air passenger duty
- Car scrapping scheme

It's now a week since the budget and most of the budget secrets not announced but hidden away in pages of government releases have now come out.

This Newsletter is intended to provide a brief overview of the announcements most likely to affect you and your business. Following these changes you will need to consider the impact upon you and your business.

Have a look through the information below and please contact us if you would like to discuss any of the issues raised in more detail.

Since the 2008 Pre-budget report, the economy and financial position of UK plc. has deteriorated at an even faster rate than forecast. As a result and as a sign of things to come, in the space of 5 months the proposed new top tax rate has increased from 45% to 50%. Furthermore, the date on which this new top rate comes into force has been brought forward from April 2011 to 2010.

HMRC have also announced a new power to be introduced to "name & shame". This appears to be a high profile reminder that HMRC are bearing down in the case of deliberate tax defaulters by publishing the names of individuals, businesses and companies.

Who we are:

Providing a friendly yet professional service catering for all your accounting and tax requirements.

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Give us a call to arrange a free initial consultation

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Personal tax issues

These are the main figures and information you need to know about for this current tax year and beyond

2009-10

Rates and allowances for 2009-10:

Basic personal allowance £6,475
(£6,035 2008-09)

Basic rate of tax 20%

Higher rate of tax 40%

Basic rate tax band
£37,400 (£34,800 2008-09)

Dividend tax rates remain at 10% and 32.5%

Thus, allowing for the basic personal allowance, gross taxable income in excess of £43,875 will be taxable at higher rates.

Capital gains tax annual exemption £10,100
(£9,600 2008-09)

Inheritance tax - Nil rate band £325,000
(£312,000 2008-09)

2010-11 onwards

Higher rate tax - as mentioned earlier, the new top rate of tax will be 50% to be charged on incomes in excess of £150,000. Furthermore, the personal allowance will be restricted on income above £100,000 at a rate of £1 for every £2 of income above that level. This means that income within the range £100,000 and £113,000 will be taxed at a top marginal rate of 60%. Some forward planning will be advisable if income levels are likely to be within this range.

Dividend higher rate tax - will also increase from 32.5% to 42.5% for those with incomes of £150,000 +.

Furnished holiday lettings - the rules are to be extended to include holiday homes within the EEA for the tax year 2009-10 but, from 2010-11 onwards, the furnished holiday lettings rules will be abolished and this income will be taxed as property income.

Business Tax issues

*“Mr Darling’s
budget
assumes a
quick return
to growth.....
.....only
time will tell!*

Here are the highlights for businesses in the next few months and years

Corporation tax small companies rate will remain at 21% for 2009-10

VAT

Rate remains at 15% until 1 January 2010 when it will revert back to 17.5%

The registration threshold will be £68,000 with effect from 1 May 2009

Business losses

The losses carry back announced in the 2008 Pre-Budget report has been extended to cover 2 years losses of accounting periods ending between 24 November 2008 and 23 November 2010. This will permit carry back against total profits of the three years preceding the year of the loss.

Capital allowances

A new First year allowance of 40% was announced. However, given the new £50,000 Annual Investment Allowance which was introduced with effect from April 2008, this can only likely to benefit larger businesses.

- On cars

With effect from April 2009 the rules that restrict the amount of capital allowances available for cars costing over £12,000 are abolished. In future the amount of the allowance will depend on the car’s emissions level. Cars with very low (up to 110g/km) emissions continue to qualify for 100% First year Allowance.

Income splitting

The Chancellor made no announcements in connection with this issue; it seems that HMRC are now directing their efforts in other areas as they are struggling to find a way to succeed with this.

The other bits..

Here are some other points that came out in the budget.

Business payment support service

Contrary to the name given to this service when it was introduced, this is intended to provide help to both individual and businesses who are struggling to pay any tax. It has now been extended to help businesses which think they are likely to make a loss in the current year.

Increased ISA allowances –

The limits for ISA investments are to be increased to £10,200 of which a maximum of £5,100 may be in cash. The new limits will be introduced:

For those aged 50 or over – with effect from 6 October 2009 (2009-10 tax year)

For those aged under 50 – with effect from tax year 2010-11

Air passenger duty

This is to be increased substantially with effect from November. Medium and long-haul destinations will be hit hardest, so if you are planning a long distance holiday go soon!

Car scrapping scheme

Between May 2009 and March 2010 you will be entitled to £2,000 if you scrap a car or van which is over 10 years old. The vehicle must have been owned by you for at least a year and have a current MOT certificate.

Grandparents as child carer’s

NI credits will be available for grandparents caring for children under the age of 12 years if they care for the children for at least 20 hours per week.

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