

# Pre-Budget Report 2008

## Other taxes

**Corporation Tax** - The main rate of corporation tax is to be reduced from 30% to 28% from April 2008.

**Capital Allowances** - Fire Safety expenditure - Relief for expenditure on fire safety equipment will continue to be available to all businesses. However expenditure made in response to a notice from a Fire Authority will no longer qualify for a capital allowance. This will apply as from 1 April 2008 for companies and 6 April 2008 for sole traders and partnerships.

## Taxation of Non-Domiciled tax payers in the UK

Changes are proposed regarding the taxation of UK residents who are paying tax on a remittance basis and non-residents who spend a significant time in the UK.

After 6 April 2008 non-domiciled persons using the remittance basis for more than 7 years will have to pay an annual charge of £30,000 per year if they wish to continue using the remittance basis. If they do not pay the £30,000 they will need to declare all their world-wide income for UK tax purposes, rather than restrict their disclosure to income remitted to the UK.

All residence in the UK prior to 6 April 2008 will count towards the 7 year period.

There are also a number of other proposed changes that will tend to increase the annual tax bill of non-domiciled tax payers in the UK.

**Increase in Fuel Benefit Charge** - If you still receive fuel for private purposes from your employer the amount of taxable benefit you will be charged is set to increase from 6 April 2008.

The current fuel benefit charge multiplier of £14,400 is to be increased to £16,900. A percentage rate is applied to this multiplier dependent on the CO2 rating of your company vehicle.

**Air Passenger Duty** - For passenger travel after 1 November 2008 single class flights offering business class travel will attract air passenger duty at the standard rate. Up to 1 November 2008 this class of service qualifies for the reduced rate APD.

There is also an intention to replace APD with a tax payable by each plane rather than per passenger - this change is proposed from 1 November 2009.

**VAT and housing** - From 1 January 2008 renovations and alterations to residential properties that have been empty for at least two years will be eligible for a reduced VAT rate of 5%. Currently such properties must have been empty for three years.