

Budget 2009

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Budget 2009: personal tax issues



Tax rates



Overview

- Tax bands rising more than inflation
- For 2009/10, higher-rate limit is £43,875
– £40,835 in 2008/9
- But the NIC threshold has crept up too
- More tax for those with incomes above £150,000 from April 2010



NIC: a stealth tax?

- For 2008/9 NIC charged on band between £5,435 and £40,040
 - £34,605 band
- 2009/10, between £5,715 and £43,875
 - £38,160 band
 - Both years there is 1% on top, and there is no upper limit for employers anyway
- But for 2009/10, there is Upper Accruals Limit of £40,040
 - ie pension benefit does not rise with the contributions



Tax the rich! From 6 April 2010...

- 50% tax rate for taxable income over £150,000
- Gradual loss of personal allowance over £100,000
 - Lose £1 for every £2 of income over £100,000
- Restriction of pension contribution relief over £150,000 from 6 April 2011
 - With “anti-forestalling provisions” from today



Company cars



Who still has a company car?

- Benefit is taxed on list price: between 10% and 35%
 - Depending on CO₂ emissions
 - 2009/10 figs same as 2008/9
 - 2010/11 tighter; and 2011/12 tighter still
- Low emission cars are tax-efficient enough; but high emission cars are expensive



Low emissions cars

- **The Ford Fiesta ECOnetic**
- Diesel
- 76.3 mpg
- possibly the lowest emission five seat family car available in the UK, with just 98g/km of CO₂





Free private fuel

- Use the same percentage and apply to £16,900
- Almost never tax-efficient
- If it's your own business, get rid of free fuel



Scrappage allowance

- £2,000 allowance to be set against purchase of a new car



Capital Gains Tax



Exemption

- Upgrade of exempt amount to £10,100



Last year's reform

- CGT rate of 18% on gains since 6/4/8
 - individuals, trusts
- None of this applies to **companies**
 - they still use the same rules as before



Entrepreneurs' Relief

- From 6/4/08, first £1m of gains on business sales are now taxed at 10%
 - on business sales, but not asset sales
 - not everyone qualifies
- Lifetime allowance per person



Stamp Duty Land Tax



“Holiday”

- Residential property up to £175,000 exempted until 31 December 2009



Investments



Some changes

- ISA limit to £10,200
 - For aged 50+ now
 - Otherwise next year
- Extension of EIS relief
 - More carry back



Inheritance Tax



Reliefs

- Threshold (“nil-rate band”) up to £325,000
- Otherwise no big changes



Still available

- Business and Agricultural Property Relief
- PETs
- Gifts to trusts (new rules since 2006)
- Passing on value in your home
- Nil-rate band discretionary trust in Will
 - not so important now as nil-rate band can be passed on to spouse



Still caught by

- Gifts with Reservation
- Pre-Owned Assets regime