

For Immediate Release

26th November

Post Mortem on Mr Darling's Pre-Budget Report (from a personal tax perspective)

Whilst the debate continues to rage over Mr Darling's fiscal policies and the measures introduced in his Pre-Budget Report, this writer would like to take a look at how they will impact on the individual taxpayer and increase our spending power.

Clearly we don't know what sort of measures the Chancellor will introduce in the main Budget in March 2009, however, the measures announced in his Pre-Budget statement, so far as personal tax is concerned, do not give away much to the British taxpayer.

So far the only personal tax saving that Joe Public will benefit from is the increase in the personal allowance, which is effective from 6 April 2009. This amounts to £440 for the standard allowance, which for a basic rate tax payer means that you will have an extra £88 per annum. If you are a higher rate taxpayer you will have an extra £176 per annum.

Pensioners will be slightly better off than their younger counterparts in that their increase of £460 means that, if they are liable to basic rate tax only, they will have an additional £92 in their pockets whilst the higher rate tax payers will have an additional £184.

Getting away from personal tax, we will all, of course, benefit in varying degrees from the reduction in the standard rate of VAT from 17.5% to 15% and the Chancellor is relying on us to take advantage of this and spend, spend, spend. The question remains as to whether the public has the confidence to do that.

As mentioned, we do not yet know if Mr Darling is proposing to introduce any further changes to personal tax in his Budget statement that will be designed to increase our spending power, or indeed maintain the status quo, but we do know that measures announced in the Pre-Budget report in relation to the 2010/11 and 2011/12 tax years will mean that we are likely to have less money in our pockets.

These measures include a restriction to personal allowances for those of you who earn in excess of £100,000 and £140,000, an additional tax band of 45%, which will be charged on taxable income that exceeds £150,000, and an increase in national insurance contributions. The personal allowance restriction will take effect from 6 April 2010 whilst the other two measures will be effective from 6 April 2011.

The writer has calculated, using the current personal allowance, basic rate band and national insurance limits, that an individual who earns £170,000 per annum will find that his/her overall tax and national insurance liability could increase by over £4,000.

Will the prospect of being worse off in the next decade deter the public from spending and hold up our economic revival? Only time will tell...

If you think you may be affected by this and for intelligent personal tax planning, please contact Janice Parker, Director of Personal Tax advisory on 01865 261100

Notes

As a leading firm of chartered accountants and business advisers, Critchleys is committed to providing quality advice to businesses and individuals. Our approach is based on expertise, excellence and personal service. Critchleys' services include: audit and accounting, corporate finance, corporate tax, corporate recovery, financial outsourcing, financial planning, insolvency and bankruptcy, management accounting, payroll, personal tax, trusts and VAT.

Critchleys is a member of the UK200Group of independent chartered accountants www.uk200group.co.uk. We access local financial expertise on a global basis through our affiliation to JHI, an international network of accountancy practices. www.jhi.com
Fresh Start is an industry led initiative to encourage new entrants into farming as well as to help established farmers think about how they can develop their business or even plan their exit from the industry handing on to the next generation.

Contact

Robert Pinheiro, Marketing Manager
Critchleys, Greyfriars Court, Paradise Square, Oxford OX1 1BE
t: 01865 261144 f: 01865 261201 e: rpinheiro@critchleys.co.uk
www.critchleys.co.uk