

2009-10 Tax Guide

Main budget points 2009

The key points this year are:

- Annual ISA allowance increased to £10,200 per person (over 50s now, others from April 2010);
- Personal allowances reduced for those earning over £100,000 p.a. from April 2010;
- New 50% tax rate for those earning £150,000 p.a. from April 2010;
- Pension tax relief limited to 20% for those earning £180,000 p.a. from April 2011;
- Stamp Duty holiday on properties less than £175,000 extended to the end of 2009;
- Fuel duty will increase by 2 pence per litre in September, and then by 1 penny a litre above inflation each April for the next four years.

Capital gains tax

From 6th April 2008, capital gains tax is levied at 18% on all gains in excess of a personal exemption of £10,100 (for 2009/10). For trustees, the tax is levied at 18% on gains in excess of £5,050. There is a lower rate of 10% on the first £1 million, for individuals realising gains from business assets of which they are owner, officer or employee with more than 5% ownership of the business.

Stamp duty land tax

The following rates of stamp duty apply for land and homes:

Rate	In disadvantaged areas	All other land in the UK
Zero	Up to £150,000	Up to £125,000
1%	£150,001 to £250,000	£125,001 to £250,000
3%	£250,001 to £500,000	£250,001 to £500,000
4%	£500,001 and above	£500,001 and above

The above rates apply to the entire purchase price, not simply on a "top-slicing" basis. An increased limit of £175,000 applies to the Zero rate band until 31st December 2009.

The information contained in this article is based on our understanding of the Budget proposals, which are subject to change as the Finance Bill passes through parliament. No action should be taken without further advice being sought.

Self assessment dates

31st July 2009	Second payment on account for 2008/9
30th September 2009	Deadline for submitting self assessment returns to HMRC, for them to calculate
5th October 2009	Deadline to notify HMRC of new sources of income if no tax return issued for 2008/9
30th December 2009	Deadline for submission of internet tax return, where a balancing payment under £2,000 to be collected via PAYE
31st January 2010	Deadline for filing 2008/9 returns, balancing payment due for 2008/9, first payment due for 2009/10



Income tax rates

The following rates are proposed for 2009/10 (subject to passing the Finance Bill 2009):

	2008/9	Change	2009/10
Personal allowance*	£6,035	+\$440	£6,475
20% tax on first	£34,800	+\$2,600	£37,400
40% tax on income over	£34,800	+\$2,600	£37,400

A 10p rate applies to savings if total income is up to £2,440

* The personal allowance is increased by the following amounts for older people:

	2008/9	Change	2009/10
Aged 65 to 74	£2,995	+\$20	£3,015
Aged 75 and over a further	£150	+\$0	£150
Blind person's allowance	£1,800	+\$90	£1,890
Married couples** 70 to 74	£6,535	+\$330	£6,865
Married couples** 75 and over	£6,625	+\$340	£6,965

** The married couple's allowance is taxed at 10%. Income limit for age related allowance increased by £1,100 to £22,900.

National insurance rates

The following Class 1 rates will apply for employees (weekly figures):

	2009/10 rates		
	Employee	Employer	
Lower earnings limit	£95	Nil	Nil
Primary threshold	£110	11%	12.8%
Upper earnings limit	£884	1%	12.8%
Upper Accruals point	£770	-	-

Class 4 contributions for the self employed (annual figures):

	2009/10 rates (Class 4)	
	Limit	Rate payable to limit
Lower profits limit	£5,715	Nil
Upper profits limit	£43,875	8%

Rate above limit 1%

Pension contributions

Everyone under 75 can contribute up to £3,600 a year into a pension scheme net of 20% tax relief, even non tax-payers. Tax-payers receive tax relief at the highest marginal rate they pay on contributions up to their entire earnings from trade, profession or employment, provided they do not exceed the annual allowance:

Year	2008/9	2009/10
2008/9	£235,000	£245,000
2010/11	£255,000	This will apply until April 2016

Contributions can be made in excess of earnings, but there will be no tax relief. There is no tax relief on personal term assurance premiums. Rules are proposed to forestall high earners who may wish to increase contributions ahead of next year's reduction of relief for those earning in excess of £150,000 a year.

A lifetime allowance limit applies to the total size your pension fund can reach (or a tax charge of up to 55% will apply):

Year	2008/9	2009/10
2008/9	£1,650,000	£1,750,000
2010/11	£1,800,000	This will apply until April 2016

Pension benefits

It is not necessary to draw an income at the same time as accessing the tax-free pension commencement lump sum.

Options between ages 50 (rising to 55 in April 2010) and 74

- Take up to 25% tax free cash (more in some older cases); and
- Purchase an annuity; &/or
- Draw an unsecured pension of £0 to 120% of the annuity that would be available to a person of the same age and sex.

Options at age 75

The ability to take up to 25% tax free cash is lost; you can now:

- Purchase an annuity &/or draw an income of 55% to 90% of the annuity available to a person of 75.

Principal state benefits

Weekly benefits	2008/9	2009/10
Basic state pension - single person	£90.70	£95.25
- married couple	£145.05	£152.30

Weekly benefits	2008/9	2009/10
Statutory sick pay (earnings over £90 (£87) per week)	£75.40	£79.15
Statutory maternity pay First 6 weeks	90% of weekly earnings	
Next 33 weeks	£117.18*	£123.06*
Statutory paternity pay - 2 weeks	£117.18*	£123.06*
Statutory adoption pay - 39 weeks	£117.18*	£123.06*

* or 90% of earnings, if lower

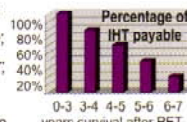
Inheritance tax

Inheritance tax (IHT) is payable on non-exempt and potentially exempt transfers (PETs) in excess of the threshold (£325,000 for 2009/10 rising to £350,000 by 2010/11) at a rate of 40%. However, the proportion of the threshold 'unused' on the first death of husband and wife (or civil partners) is effectively transferable to the surviving partner and serves to increase his or her threshold by the appropriate percentage.

PETs (lifetime gifts, other than to a discretionary trust) attract reduced tax, if made up to seven years before death.

Certain gifts are tax free, including:

- Gifts between husband and wife;
- Total gifts up to £3,000 in a year;
- Small gifts (up to £250 each);
- Gifts in consideration of marriage ranging from £5,000 from each parent of the couple, to £1,000 from anyone else.



Corporation tax

The starting rate for small companies (with profits of up to £300,000) remains at 21% for 2009/10. The increase to 22% has been deferred to 2010/11.

The main corporation tax rate is reduced to 28% on profits in excess of £1,500,000. A marginal rate applies in respect of profits between £300,001 and £1,500,000.