



elsby & co  
chartered accountants



## Elsby & Co's PRACTICAL guide to the Budget

### Bad news for high earners

- 50% tax rate on income over £150k (plus 1.5% NI for employees) - from April 2010
  - The Personal Allowance (£6475) to be phased out for incomes over £100k so that those earning £112,950 will not get a PA. From April 2010.
  - For earnings over £150k pensions tax relief to be cut from what would be 50% to 20% on a tapered basis. From April 2011. There are also special rules to penalise people for making larger pension contributions between now and these rules taking effect.
- For our self employed clients in this situation, naturally we will discuss this with you in due course.

**Stamp duty** - no SD on house purchases < £175k during 2009. Note there are also government loan schemes for first time buyer deposits.

**VAT** - to go back up to 17.5% from 1 January 2010. The VAT registration threshold will be £68,000 from 1/5/09 and fuel VAT scale charges will reduce from 1/5/09 by approx. 9%. No doubt, the flat rate scheme rates will change again—oh joy!

**Cars** - "scrappage scheme" until April 2010 - if you buy a new car you can get a discount of £2000 to replace a vehicle over 10 years old provided you have owned it for at least a year.

**Penalty regime** (late filing of returns / late payment) - a new regime starts in April 2010 and guess what - it isn't any more favourable than the old one.

**ISA's**—The savings limit to be raised from £7,200 to £10,200 p/a - from 6/4/2010... UNLESS you're over 50 in which case you benefit this year also.

**Life's pleasures**—Alcohol duty up, tobacco duty up, fuel duties up too.

### Business Tax

- More improvements in allowances on capital expenditure.
  - Improved rules for tax relief on losses, allowing them be offset against the previous 3 years' profits up to a limit of £100,000 over 2 years.
  - Also where a business expects to make a loss but has tax to pay on a previous year, an application can be made to offset.
- Arrangements for the spreading of tax debts for businesses facing financial difficulties, remain in place.

**Trusts**—The tax rate for trusts will be 50%

**Grants**— Unfortunately the very useful Business Transformation Grant has been withdrawn. There are still grants available so please contact us if you would like more information.

Well that's about it folks. As always, there's the usual host of small changes, but the most significant change will be the increased tax burden for those earning above £150k. If you are in that position please give us a call to discuss your options or if you would like more information on any of the items mentioned above.

*Carl*

