



CHARTERED
ACCOUNTANTS

The Chancellor's Pre-Budget Report 2009

Crisis, what crisis? Alistair Darling's final Pre-Budget Report before a General Election, delivered on 9 December, was inevitably politically charged. The Chancellor spoke of both growing confidence and continuing risks to the recovery. A lot of the technical content relates to anti-avoidance measures. However, the main changes likely to affect you are as follows:

- 1. VAT**
The main rate will revert to 17.5% from 15% on 1 January 2010. No further increases are planned.
- 2. National insurance contributions rates and thresholds**
Last year, increases of 0.5% in the main rates of NIC from 2011-12 onwards were announced. Now the increase is to be doubled. The employee and employer rates for Class 1 will be 12% and 13.8% respectively, Class 4 NIC increases to 9% and the additional rate for Class 1 and 4 NICs increases to 2%. The primary threshold and lower profits limit will go up to compensate the lowest earners for these increases.
- 3. Pensions**
A restriction to tax relief on pension savings for people with incomes of at least £150,000 with effect from 6 April 2011 had already been announced. For this purpose, the definition of income will now include the value of employer pension contributions. Also, from 9 December 2009, the level of tax relief on contributions paid by individuals with income of £130,000 or more is varied.
- 4. Personal allowances**
Allowances for income tax are frozen for 2010/11 as are the tax rates and bands. The only change is the introduction of a 50% tax rate for all with incomes over £150,000. For inheritance tax, the nil rate band is frozen at £325,000.
- 5. Car and van benefits**
From 6 April 2010, the base figure for calculating car fuel benefit increases to £18,000 (from £16,900). Fuel benefits for vans increase to £550 (from £500). Car benefits are also subject to change but not until 6 April 2012.
- 6. Furnished holiday lettings**
The measures announced in Budget 2009 have been confirmed and the FHL rules will be repealed from 2010-11. Existing capital allowance pools can continue, but no allowances will be available for new expenditure.
- 7. Small companies corporation tax rate**
The rate will remain at 21% for the year commencing 1 April 2010.
- 8. Time to pay arrangements**
These have helped many businesses with temporary cash flow problems which the Government views as good for business in the long run. The facility will continue for the foreseeable future.

If you would like further guidance on any of the measures listed or wider issues arising from the Pre-Budget Report, our specialists are here to help you. Please get in touch with your usual Larking Gowen contact, call 0845 6120426 or email businessadvice@larking-gowen.co.uk.