

Main budget points 2010

The key points this year are:

- Personal allowances, inheritance tax threshold and capital gains tax exemption all frozen;
- Personal allowances gradually disappear for those earning £100,000 plus;
- 50% tax rate introduced for incomes of £150,000 plus;
- 10% capital gains tax band for entrepreneurs doubled to lifetime gains of £2m;
- ISA limits increased to £10,200 for all (up to half can be in cash) and indexed from next year;
- Fuel duty increase staggered over year;
- Banks told to lend more to SMEs;
- Stamp duty threshold increased to £250,000 for first time buyers for 2 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 2010/11). 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 £2 million, for individuals realising gains from qualifying 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

For first time buyers, the Zero rate applies to a purchase price of up to £250,000 between 25 March 2010 and 25 March 2012.

The above rates apply to the entire purchase price, not simply on a "top-slicing" basis.

Self assessment dates

31st July
2010

Second payment on account for 2009/10

30th
September
2010

Deadline for submitting self assessment returns to HMRC, for them to calculate

5th October
2010

Deadline to notify HMRC of new sources of income if no tax return issued for 2009/10

30th
December
2010

Deadline for submission of internet tax return, where a balancing payment under £2,000 to be collected via PAYE

31st
January
2011

Deadline for filing 2009/10 returns, balancing payment due for 2009/10, first payment due for 2010/11

The information contained in this leaflet 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.

2010-11 Tax Guide



Income tax rates

The following rates are proposed for 2010/11 (subject to passing the Finance Bill 2010):

	2009/10	Change	2010/11
Personal allowance*			
Under 65	£6,475	£0	£6,475
65 to 74	£9,490	£0	£9,490
75 and over**	£9,640	£0	£9,640

* From April 2010 the Personal Allowance for those with incomes of £100,000 or above, will be reduced by £1 for every £2 earned.

** For married couples aged 75 and over, tax relief applies to the first £6,965 of taxable income at a rate of 10%.

2009/10		2010/11	
Band	Rate	Band	Rate
£0 to £37,400	20%***	£0 to £37,400	20%
£37,401 and above	40%	£37,401 to £149,999	40%
		£150,000 and above	50%

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

National insurance rates

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

	2010/11 rates		
	Employee	E	employer
Lower earnings limit	£97	Nil	Nil
Primary threshold	£110	11%	12.8%
Upper earnings limit	£844	1%	12.8%
Upper Accruals point	£770	-	-

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

	2010/11 rates (Class 4)	
	Limit R	ate 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 from £3,600 a year up to their entire income, net of basic rate tax relief provided that personal and employer contributions combined do not exceed the annual allowance (now £255,000), or an Annual Allowance tax charge of 40% would apply. Higher rate tax payers can also claim additional tax relief via the self assessment system.

Longer term legislation to restrict tax relief for high earners is due to come in from April 2011 although details have not yet been finalised. Anti-forestalling regulations are in place to prevent significant additional pension contributions being made in the meantime. Where relevant income is more than £130,000 a year, financial advice should be sought.

There is no tax relief on new personal term assurance premiums. A lifetime allowance limit (£1.8 million for the tax years 2010/11 to 2015/16) applies to the total size your pension fund can reach, or a 25% tax charge will apply to benefits taken as an income (55% if a lump sum).

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 55 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	2009/10	2010/11
Basic state pension - single person	£95.25	£97.65
- married couple	£152.30	£156.15

Weekly benefits 2	009/11	2010/11
Statutory sick pay (earnings over £90 (£87) per week)	£79.15	£79.15
Statutory maternity pay First 6 weeks		90% of weekly earnings
Next 33 weeks	£123.06*	£124.88*
Statutory paternity pay - 2 weeks £	123.06*	£124.88*
Statutory adoption pay - 39 weeks	£123.06*	£124.88*

* or 90% of earnings, if lower.

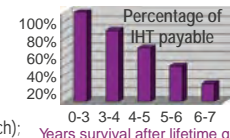
Inheritance tax

Inheritance tax (IHT) is payable on transfers in excess of a threshold set at £325,000 for 2010/11 (and for the next four years) 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.

Lifetime gifts attract reduced tax, if made up to seven years before death.

Certain gifts are tax free, including:

- Gifts between UK domiciled husband and wife or civil partners;
- 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 2010/11. The increase to 22% has been deferred to 2011/12.

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