



**AYRES BRIGHT VICKERS**

CHARTERED ACCOUNTANTS  
BUSINESS & TAX ADVISERS



## Emergency Budget 2010

### Income Tax

- **Rates and Allowances**

From 6 April 2011, the personal allowance for individuals under 65 will be increased by £1,000 to £7,475. To remove the benefit of this increase from higher rate taxpayers, the basic rate limit will be reduced by approximately £2,500 (exact figures to be announced when September's RPI is known).

- **Pensions – Compulsory Annuity Purchase**

The Government has announced that the age at which members of a pension fund must buy an annuity will rise from 75 to 77 with effect from 22 June 2010.

### Capital Gains Tax

- **Rates**

The rate of capital gains tax (CGT) for individuals will increase to 28% for gains, or any parts of gains, which taken together with the individual's income for the year exceed the upper limit for payment of basic rate income tax (higher rate taxpayers).

The rate of CGT will remain at 18% for individuals whose total income and gains are less than the upper limit for payment of basic rate income tax (basic rate taxpayers).

- **Entrepreneurs Relief**

The effective rate of CGT for gains qualifying for entrepreneurs' relief remains at 10% but the lifetime limit is increased to £5million.

Both the rate changes and the change to the entrepreneur's relief limit take effect for gains arising on or after 23 June 2010. Gains arising before this date are not included when comparing total income and gains for the tax year with the basic rate income tax band.

## National Insurance Contributions (NIC)

For National Insurance, the threshold at which employers start paying Class 1 NICs will be increased by an additional £21 per week above indexation.

The starting point for employees' and self employed NICs will be maintained at £110 per week. The upper earnings and profit limits for Class 1 and Class 4 NICs respectively will also be maintained at the same level that higher rate tax becomes payable.

From 2011/12, Class 1 NICs rise by 1% to 12% for employees and 13.8% for employers. The increased rate will also apply to Class 1A and 1B contributions. Class 4 NICs will also be increased by the same amount to 9%.

The additional rate of Class 1 and 4 NICs payable on earnings above the upper earnings limit will also be increased by 1% to 2% from 2011/12.

## Corporation and Business Tax

### • Rates

The main rate of Corporation Tax will reduce from the current rate of 28 % to 27% on 1 April 2011.

There will be further reductions of 1% per annum so that the main rate will be 24% by 1 April 2014.

The threshold for the main rate remains at £1,500,000.

The Small Companies Rate will reduce from the current rate of 21% to 20% on 1 April 2011.

The threshold for the small companies' rate remains at £300,000.

### • Capital Allowances

For chargeable periods ending on or after 1 April 2012 (companies) and 6 April 2012 (unincorporated businesses) there will be:

- An annual writing down allowance of 18% (previously 20%) per annum for qualifying plant & machinery expenditure in the general pool; and
- An annual writing down allowance of 8% (previously 10%) per annum for qualifying expenditure in the special rate pool.

In addition, from 1 April 2012, the Annual Investment Allowance (AIA) will be significantly reduced from £100,000 to £25,000.

## IR35

The government has promised a review of IR35 as part of a wider review of small business taxation with details to be revealed 'shortly'.

## Value Added Tax

- **Rate**

The standard rate of VAT will rise to 20% on 4 January 2011. The new VAT fraction for working out the VAT in a VAT inclusive price will be 1/6.

- **Registration Thresholds**

The VAT Flat Rate Scheme percentages will be recalculated to reflect the higher VAT rate applicable from 1 January 2010. The tax inclusive exit threshold has been increased to £230,000

## Inheritance Tax

It was previously announced that the nil rate band for 2010/11 would not increase and would instead be frozen at the 2009/10 level of £325,000.

Legislation will be introduced into the Finance Bill 2010 to extend this 'frozen' nil rate band for the next five years, setting the threshold at £325,000 from 6 April 2010 until the end of the tax year 2014/15.

The rate of Inheritance Tax remains at 40% on death estates and 20% for chargeable lifetime transfers.

**The above is for information only and is not intended to be specific advice.**

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