

## Budget Report 2008

March 2008



Alistair Darling's first Budget as Chancellor contained few surprises from the Private Client perspective. Much of the content related to matters announced in both the 2007 Budget and the Pre-Budget Report of October last year.

The 'nil rate band' for Inheritance Tax will rise to £312,000.00 for the 2008/2009 tax year in line with the planned increases announced in 2007, and the creation of a flat rate of Capital Gains Tax of 18% was also confirmed. The associated abolition of both Indexation Allowance and Taper Relief for Capital Gains Tax which was widely condemned by business leaders is to be mitigated slightly by the retention of the old business rate of 10% on the first £1m of gains. The annual allowance for Capital Gains Tax will rise to £9,600.00 and £4,800.00 for individuals and trusts respectively.

The cut in basic rate Income Tax from 22% to 20%, together with the removal of the starting rate of 10% on earned income and pensions (the rate is retained for savings income) was also confirmed despite the fact that this will have a negative impact on those on lower incomes. A concession was delivered to charities who will be able to continue to reclaim 22% on donations rather than 20% through the Gift Aid scheme for the next three tax years.

In addition to the usual inflationary increases to various exemptions and reliefs, the Budget contained measures designed to prove the Government's 'green' credentials, principally the revised bands for Vehicle Excise Duty. However, the planned fuel duty increase of 2 pence per litre was postponed until October 2008 in view of high oil prices.

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