

## 2009 Budget Update

April 2009



The Chancellor, Alistair Darling, announced the 2009 Budget on 22 April 2009. From a tax perspective there were very few surprises, with most measures having been pre-announced or contained in pre-budget consultations. In relation to individuals the measures that have attracted the most media attention, despite affecting only a minority of taxpayers, have been those targeting high earners.

Income tax for those with a taxable income of more than £150,000 per year, and income tax on trusts, is to rise to 50% from 6 April 2010, with dividend rates increasing to 42.5%. The new rates are 5% higher and take effect one year earlier than those announced in the 2008 Pre-Budget Report.

The basic personal allowance for income tax will be reduced for individuals earning more than £100,000 by £1 for every £2 over the income limit. From April 2011 the availability of higher-rate relief on pensions for people earning more than £150,000 is to be restricted, and for those earning over £180,000 only basic rate relief will be available. Anti-forestalling measures, which have been published in draft, will be included in the Finance Bill 2009 to discourage those affected from making contributions outside their regular contribution in the run-up to April 2011.

The Budget also signals a tougher line on tax compliance with a number of anti-avoidance measures being introduced, including the public naming of serious tax defaulters, new reporting requirements for tax defaulters and measures to counter avoidance schemes by the use of financial products. HMRC is to publish a 'Spotlight' in the near future containing details of avoidance schemes considered to be ineffective. The Chancellor has announced a final opportunity for UK residents to make voluntary disclosures of unpaid tax on offshore accounts and it is hoped by the government that HMRC will be able to secure permission to issue notices ordering banks to provide information about offshore account holders.

As regards inheritance tax, the nil-rate-band for 2009-2010 is £325,000. The Budget has extended agricultural property and woodlands relief to cover agricultural property and woodlands in the European Economic Area with effect from 22 April 2009. Property in these categories will also qualify for capital gains tax hold-over relief for gifts of business assets. This follows a formal request from the European Commission for the British Government to review these reliefs which were in breach of European treaties by only applying to land within the United Kingdom, Channel Islands and Isle of Man.

The savings limit for individual savings account will increase from £7,200 to £10,200, of which £5,100 can be saved in cash. This will come into effect for people aged 50 and over from 6 October 2009, and will apply to all other savers with effect from 6 April 2010.

The temporary increase in the SDLT threshold to £175,000 for residential properties will continue until 31 December 2009 rather than ending on 2 September 2009 as was originally intended.

The current rate of VAT of 15% will return to the standard rate of 17.5% with effect from 1 January 2010. The cut to 15% was only ever intended to last until 31 December 2009.

*Please note: The content of this article is for information purposes only and further advice should be sought from a professional advisor before any action is taken.*

The Chancellor also announced that the government will consult further with the charitable sector about amendments to the legislation on substantial donors to create a purpose test. Prior to the 2009 Budget where a donor made a donation to a particular charity of £25,000 or more in any 12 month period, or £100,000 or more within 6 years, such individuals and persons connected with them were treated as being 'substantial donors' of that charity. All donations from 'substantial donors' are liable to taxation. From 23 April 2009 the relievable threshold that an individual donor can make to any given charity in a 6 year period increased to £150,000. The annual threshold of £25,000 remains unchanged.

*Please note: The content of this article is for information purposes only and further advice should be sought from a professional advisor before any action is taken.*

Cleaver Fulton Rankin Solicitors, 50 Bedford Street, Belfast, BT2 7FW  
T: 028 9024 3141, Fax: 028 9024 9096, [www.cfrlaw.co.uk](http://www.cfrlaw.co.uk)  
All Island Law – A legal alliance Matheson Ormsby Prentice, Dublin & Cleaver Fulton Rankin, Belfast