

Pre-Budget Report 2009

December 2009



The Chancellor delivered his Pre-Budget Report (PBR) on 9 December 2009 and it contained a number of measures seemingly designed to maximise the available tax revenues without doing anything likely to further damage the government's electoral chances in advance of next year's general election. Although there were very few surprises there were a number of announcements which may impact upon our clients.

The key announcement was that the £325,000.00 current 'nil rate band' for Inheritance Tax purposes will remain unchanged for the 2010/2011 tax year, despite previous announcements that it was due to rise to £350,000.00.

Individual tax allowances and thresholds will also remain at 2009/2010 levels. National insurance rates and thresholds are also unchanged for next year, although a further increase of 0.5% for 2011/2012 was announced. This increase together with the 0.5% increase included in the 2008 Pre-Budget Report will mean a 1% rise overall in national insurance contributions from 6 April 2011.

The PBR also included a one-off Bank Payroll Tax applied to bonuses over £25,000 paid by financial sector companies between 9 December 2009 and 5 April 2010. This had been widely reported by the media in advance of the PBR and, while it is likely to have significant public support, some commentators have questioned the wisdom of another move to target the beleaguered financial sector.

As expected, it was confirmed that VAT will return to 17.5% from 1 January 2010 and the current Stamp Duty Land Tax 'holiday' will also come to an end from that date.

The new higher rate of income tax of 50% for those earning over £150,000.00 announced in the 2009 Budget was confirmed and the restrictions on higher-rate pensions tax relief for those with incomes over that amount was also subject to further clarification. The £150,000.00 threshold has been defined as relating to gross income before pension or charitable contributions and will also include any employer pension contributions for those earning over £130,000.00.

The PBR also announced a number of anti-avoidance measures which HMRC expect to raise a further £5bn in tax. These include measures to combat schemes developed to reduce the inheritance tax payable when property is transferred into a trust.

There are also a number of new rules relating to disclosure of tax avoidance schemes aimed at achieving earlier disclosure and enhanced penalties for non-disclosure. One area which has been specifically targeted are schemes which seek to convert income into capital to take advantage of the more favourable rate of capital gains tax, currently 18%.

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.