Stewart&Co.
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2010 EMERGENCY BUDGET

The following provides a summary of some of the more important announcements made in the 22 June 2010 Budget:-

Immediate Capital Gains Tax increase for higher rate taxpayers

- With effect from midnight on 22 June 2010 measures were brought in to increase the rate of Capital Gains Tax from 18% to 28% for individuals who are taxable at higher rates due to their income and gains exceeding the basic rate band (currently £37,400) after the deduction of personal allowances and reliefs.
- Trustees will feel the full effect of the increase as they will be taxable at the highest rate regardless of their size.
- Capital Gains prior to the Budget will remain taxable at the lower rate of 18% regardless of income levels.
- HM Revenue & Customs will allow losses and the annual exemption to be offset against any gains in the most beneficial way.
- The lifetime rate of Entrepreneurs' Relief was increased from £2 million to £5 million from midnight 22 June 2010.

VAT increase and Corporation tax rates

- The standard rate of VAT is to be increased from 17.5% to 20% with effect from 4 January 2011.
- The main rate of corporation tax will be reduced from 28% to 24% over the next four years by applying a 1% reduction each year. This will commence on 1 April 2011.
- The small companies rate of corporation tax will be reduced from 21% to 20% from 1 April 2011.

Capital Allowance changes

- The Annual Investment Allowance will be reduced from £100k to £25k from April 2012.
- From April 2012 the writing down allowances for capital allowances will be reduced from 20% to 18% for all assets except those held in a special rate pool.
- Any assets held in a special rate pool will be reduced from 10% to 8%.

Other changes

- The personal allowance for those aged under 65 will be increased by £1,000 from 6 April 2011 to £7,475. However, higher rate taxpayers will not benefit from this increase as the higher rate threshold is to be adjusted accordingly. The allowances for those over 65 years of age have yet to be announced.
- Start up businesses outside London, South-East and East will be exempt from paying Class 1 employers National Insurance (NI) for up to a maximum of £5k for each of their first 10 employees. The payment holiday is to last for up to 52 weeks per employee. This new policy is expected to last for three years.
- The planned legislation to abolish the tax relief available on furnished holiday lettings will not be taken forward and the current system will continue for the time being.
- The government announced that it is considering restricting pension tax relief from 6 April 2011 and will be replacing the very complicated high income excess relief charge rules which were due to come into force on 6 April 2011.

These notes are only for guidance purposes and do not represent a complete analysis of the 2010 budget or Finance Act. If you would like a more complete appraisal, please contact us.