

J F HORNBY & CO

Chartered Accountants

The Tower, Daltongate Business Centre, Daltongate, Ulverston, Cumbria LA12 7AJ

T: 01229 588077 F: 01229 588061 E: jfh@jfhornby.com W: www.jfhornby.com

NEWSLETTER MARCH 2010

MAIN TAX RATES, ALLOWANCES AND RELIEFS 2010/2011

Income Tax

	2010/2011	2009/2010
Taxable bands		
Starting rate for savings - 10% *	£0 - £2,440	£0 - £2,440
Basic rate - 20%	£0 - £37,400	£0 - £37,400
Higher rate - 40%	£37,401 - £15,000	over £33,300
Additional rate - 50%	Over £150,000	N/A

* The 10% starting rate is for savings income only. If non-savings taxable income is above this limit then the 10% starting rate for savings will not apply.

Dividends

10% for income below the basic rate limit and 32.5% above that.
For 2010/11 a 42.5% rate will apply where taxable income is over £150,000.

Rate applicable to trusts:

• Dividends	42.5%	32.5%
• Other income	50%	40%

Main allowances and reliefs

Personal

Age under 65 (1)	£6,475	£6,475
Age 65 – 74 (1)(2)	£9,490	£9,490
Age 75 and over (1)(2)	£9,640	£9,640
Income limit for personal allowance	£100,000 *	N/A

Married Couple's

Age 75 and over (2)	£6,965 *	£6,965 *
Minimum allowance	£2,670 *	£2,670 *

Income limit - age allowances	£22,900	£22,900
Blind Person	£1,890	£1,890
Payment on loss of office	£30,000	£30,000
Enterprise Investment Scheme	£500,000 **	£500,000 **
Venture Capital Trusts	£200,000 ***	£200,000 ***
Maintenance payments (3)	£2,670 *	£2,670 *

* Relief restricted to 10% ** Relief restricted to 20% *** Relief up to 40%

- (1) From 2010/11 the personal allowance reduces where income is above £100,000 by £1 for every £2 of income above the £100,000 limit.
- (2) Reduced by £1 for every £2 of income in excess of the age-related limit. For 2009/10 the allowance will never be less than the basic personal allowance or minimum amount of married couple's allowance. For 2010/11 the personal allowance for people aged 65 to 74 and 75 and over can be reduced below the basic personal allowance where the income is above £100,000.
- (3) Only applies where either party born before 6/4/35

Capital Gains Tax

Rates

Companies: Gains charged to corporation tax.

Individuals: Gains charged at 18%

Reliefs

	2010/2011	2009/2010
Annual exemption		
• Individuals	£10,100	£10,100
• Most trusts	£5,050	£5,050
Chattels exemption	£6,000	£6,000
Entrepreneur's relief		
• Lifetime allowance	£2,000,000	£1,000,000
• Reduction in gain	4/9ths	4/9ths
• Effective rate of tax	10%	10%

Company car benefits

Car benefit charges - 2010/2011

Tax is charged on a percentage of the value of the car and this percentage varies according to the level of the car's carbon dioxide (CO2) emissions measured in grams per kilometre (g/km). The value of the car will normally be the list price, together with any accessories. The percentage ranges from 9% to 35% for petrol cars. Reduced percentages apply to cars running on alternative fuels. There is a 3% supplement for most diesel cars, subject to a maximum charge of 35% of the list price.

Provision of fuel - 2010/2011

Flat rate benefit of £18,000 x CO2 emission percentage.
No fuel benefit if the employee is required to pay for (and actually pays) all private fuel or if fuel is only provided for business journeys.

VAT on fuel benefits - 2010/2011

Rates vary according to CO2 emissions in grams per kilometre. The CO2 bands correspond to those for the income tax car benefit charges.

Corporation Tax rates and fractions

	Year to 31/3/2011	Year to 31/3/2010
Small companies' rate: 21%	£0 - £300,000	£0 - £300,000
Marginal rate: 29.75%	£300,001 - £1,500,000	£300,001 - £1,500,000
Full rate: 28%	£1,500,001 or more	£1,500,001 or more
Marginal relief fraction	7/400	7/400

Statutory mileage rates – 2010/2011

	Up to 10,000 miles	Excess
Cars and vans	40p	25p
Motor cycles	24p	24p
Bicycles	20p	20p
Each passenger on same trip	5p	5p

**MAIN TAX RATES, ALLOWANCES
AND RELIEFS 2010/2011 (contd.)**

National Insurance Contributions 2010/11

Lower earnings limit, primary Class 1	£97 per week
Upper earnings limit, primary Class 1	£844 per week
Upper accruals point	£770 per week
Primary threshold	£110 per week
Secondary threshold	£110 per week
Employees' primary Class 1 rate	11% of £110.01 to £ 844 per week
	1% above £844
Employees' contracted-out rebate	1.6%
Married women's reduced rate	4.85% of £110.01 to £844 per week
	1% above £844
Employers' secondary Class 1 rate	12.8% above £110 per week
Employers' contracted-out rebate, salary-related schemes	3.7%
Employers' contracted-out rebate, money-purchase schemes	1.4%
Class 2 rate	£2.40 per week
Class 2 small earnings exception	£5,075 per year
Special Class 2 rate for share fishermen	£3.05 per week
Special Class 2 rate for volunteer development workers	£4.85 per week
Class 3 rate	£12.05 per week
Class 4 lower profits limit	£5,715 per year
Class 4 upper profits limit	£43,875 per year
Class 4 rate	8% of £5,715 to £43,875 per year 1% above £43,875

Pensions and Annuities

Tax is charged on the value of the contributions that exceed the annual allowance or relevant earnings. Tax is also charged if the value of the pension at retirement exceeds the individual's lifetime allowance.

	2010/2011	2009/2010
Annual allowance	£255,000	£245,000
Lifetime allowance	£1,800,000	£1,750,000

Inheritance Tax

	2010/2011	2009/2010
Nil rate band	£325,000	£325,000
Tax on excess	40%	40%
Annual exemption - donor	£3,000	£3,000
Small gifts to any one person	£250	£250
Gifts made in consideration of marriage:		
• Parent	£5,000	£5,000
• Grandparent	£2,500	£2,500
• Between the parties to the marriage	£2,500	£2,500
• Other	£1,000	£1,000

Relief on gifts made within 7 years of death:

Years before death	0 - 3	3 - 4	4 - 5	5 - 6	6 - 7
Death charge percentage	100%	80%	60%	40%	20%

Main capital allowances

	2010/2011	2009/2010
Plant and machinery		
• Annual Investment Allowance - expenditure up to	£100,000	£50,000
• First year allowance - general plant	N/A	40%
• Writing down allowance		
- General plant	20%	20%
- Long life assets	10%	10%
- Integral features	10%	10%
Motor cars pre April 2009 (maximum £3,000 per car)	N/A	20%
Motor cars on or after April 2009:		
• CO2 not exceeding 110g/km	100%	100%
• CO2 between 111g/km and 160g/km	20%	20%
• CO2 exceeding 160g/km	10%	10%
Research and development	100%	100%
Industrial buildings, hotels and agricultural buildings	1%	2%
Enterprise zone commercial and industrial buildings	100%	100%

Value Added Tax

From	1/4/2010	1/1/2010
Rates:		
Standard	17.5%	17.5%
Reduced	5%	5%
Zero	0%	0%
VAT fraction	7/47	7/47
Registration limit	£70,000	£68,000
Deregistration limit	£68,000	£66,000
Cash accounting scheme – max turnover	£1,350,000	£1,350,000
Annual accounting scheme – max turnover	£1,350,000	£1,350,000
Flat rate scheme - max turnover	£150,000	£150,000

Stamp Duty and Stamp Duty Land Tax

Shares Up to £1,000 exempt Over £1,000 0.5%

Land and buildings

Rate	Residential in disadvantaged areas	Residential outside disadvantaged areas or mixed	Non-residential
NIL	£0 - £150K	£0 - £125K	£0 - £150K
1%	£150,001 - £250K *	£125,001 - £250K *	£150,001 - £250K
3%	£250,001 - £500K	£250,001 - £500K	£250,001 - £500K
4%	More than £500K	More than £500K	More than £500K

* First time buyers can claim relief from Stamp Duty Land Tax on residential transactions up to £250,000 between 25/03/2010 and 24/3/2012.

The above information has been prepared from proposals contained in the Budget of 24 March 2010. These proposals may be amended in the Finance Bill.

BUDGET 2010 – A SUMMARY OF THE TAXATION PROVISIONS

Set out below is a summary of the main contents of the Chancellor's Budget statement presented to the House of Commons on Wednesday 24 March 2010. We have concentrated on the taxation aspects of the Budget that are most likely to affect individuals and smaller businesses. Should you have any queries relating to the contents of this summary or require advice concerning any aspect of the Budget, please do not hesitate to contact us.

Introduction

This was the last Budget in this Parliament before the forthcoming general election, which is likely to be held in May. It is Labour's thirteenth Budget since coming into power in 1997 and Alistair Darling's third Budget.

The Chancellor explained that this Budget was taking place as the UK economy was emerging from the deepest global recession for over 60 years.

He stated that this Budget is fiscally neutral and confirms the Government's plans to more than halve the deficit over four years.

The Chancellor reported that the economy had contracted by 6% during the recession. However, he predicted growth of 1% to 1.25% in the year 2010 which was in line with forecasts. For 2011 the forecast had been lowered from 3.5% growth to 3% – 3.5%.

Borrowings for the current year were forecast to be £167 billion, £11 billion lower than originally forecast in December. He forecast that in 2010/11 borrowings would fall from £163 billion to £74 billion by 2014/15

He expected public sector net debt to reach 54% of gross domestic product this current year increasing to 75% in the year 2014/15.

Individuals

Income tax rates

The main rates for income tax for 2010/11 will remain at 20% for basic rate taxpayers and 40% for higher rate taxpayers. A new additional rate of tax of 50% will apply on incomes over £150,000.

Personal allowances

The Chancellor confirmed that income tax allowances will be frozen in 2010/11 at a time when RPI is negative.

National Insurance Contributions

In a similar approach to that adopted for income tax rates and allowances, the Chancellor froze all but two figures for National Insurance contributions. The increases are £2 per week on the lower earnings limit and 10p on the special Class 2 rate for volunteer development workers.

Tax Credits

Child element

The Child Element of Tax Credits will be increased for those families with children aged one or two by £4 per week from April 2012.

Over 60s

From 6 April 2011, people aged 60 and over will qualify for Working Tax Credits if they work at least 16 hours per week.

Rates and thresholds

As announced in the 2009 Pre-Budget Report, from 6 April the child element of the Child Tax Credit will rise by £20 above indexation in April 2010. This represents an increase of £65 in cash terms.

An increase by 1.5% in April 2010 will be made in relation to the following benefits:

- Child Benefit
- Guardian's Allowance
- The disability elements of the Child Tax Credit
- All elements of the Working Tax Credit (apart from the childcare element)

The threshold for the receipt of the maximum Child Tax Credit award will be increased to £16,190. All other rates and thresholds in tax credits are unchanged.

Stamp Duty Land Tax

The Chancellor announced that no Stamp Duty Land Tax will be payable for first time buyers who purchase residential properties up to £250,000 between 25 March 2010 and 24 March 2012.

A new Stamp Duty Land Tax rate of 5% on residential property sales over £1 million is to be introduced from April 2011.

Capital gains tax

The standard rate for capital gains tax remains at 18%.

The annual exemption threshold for capital gains tax will be frozen at £10,100.

The lifetime limit for Entrepreneur's Relief is increased from £1,000,000 to £2,000,000 for 2010/11.

Inheritance tax

The Chancellor announced a freezing of the nil rate threshold at £325,000 for individuals and at £650,000 for married couples and civil partners. This threshold will be frozen for until 5 April 2015.

Pensions

In April 2010 the basic State Pension will increase by 2.5%. A full basic State Pension will then be worth £97.65 a week. A full couples' rate will increase to £156.15 a week.

There will be an increase in the Pensions Credit's minimum income guarantee to £132.60 for single pensioners and £202.40 for couples.

Pensions tax relief

The Chancellor announced changes to the tax relief on pension contributions which had previously been announced in the 2009 Budget. At that time the Chancellor announced that tax relief on pension contributions would be restricted from April 2011 for individuals with incomes of £150,000 or more. The Government has now announced that the restriction will apply to those with gross incomes of £150,000 or more, where gross income incorporates all pension contributions, including the value of any pension benefit funded by, or eventually funded, by an individual's employer.

Winter fuel allowance

The amounts paid in winter fuel allowance are to be extended for another year.

Individual Savings Accounts (ISAs)

For all individuals, irrespective of age, the maximum annual ISA investment in 2010/11 is £10,200, up to £5,100 of which can be saved in cash.

Vehicle excise duty

Vehicle Excise Duty for cars registered on or after 1 March 2001

<i>VED band</i>	<i>CO2 emissions (g/km)</i>	<i>Standard rate 2009-10*</i>	<i>Standard rates 2010-11*</i>	<i>First year rate 2010-11*</i>
A	Up to 100	£0	£0	£0
B	101-110	£35	£20	£0
C	111-120	£35	£30	£0
D	121-130	£120	£90	£0
E	131-140	£120	£110	£110
F	141-150	£125	£125	£125
G	151-165	£150	£155	£155
H	166-175	£175	£180	£250
I	176-185	£175	£200	£300
J	186-200	£215	£235	£425
K**	201-225	£215	£245	£550
L	226-255	£405	£425	£750
M	Over 255	£405	£435	£950

*Alternative fuel discount: 2009-10, A-I £20, J-M £15; 2010-11, £10 all cars

** Includes cars emitting over 225g/km registered before 23 March 2006

There have also been increases in Vehicle Excise Duty for vans registered on or after 1 March 2001 and for cars and vans registered before 1 March 2001. In addition, increases have been announced for motor cycles and for Heavy Goods Vehicles.

Fuel duty rates

The increase in Fuel Duty will be implemented in three stages: 1 pence per litre on 1 April 2010, 1 pence per litre on 1 October 2010, and 0.76 pence per litre on 1 January 2011.

Alcohol and tobacco

Alcohol duty rates on beer, wine and spirits will increase by 2% above inflation. Cider duty rates will increase by 10% above inflation. These changes come into force at midnight on 28 March 2010.

From midnight on 28 March 2010 duty on tobacco will increase by 1% and by 2% in real terms each year until 2014.

Air passenger duty

There have been increases made to the air passenger duty, as follows:

	From 1 November 2009	From 1 November 2010
Band A (0-2000m) reduced rate	£11	£12
Band A (0-2000m) standard rate	£22	£24
Band B (2001-4000m) reduced rate	£45	£60
Band B (2001-4000m) standard rate	£90	£120
Band C (4001-6000m) reduced rate	£50	£75
Band C (4001-6000m) standard rate	£100	£150
Band D (>6,000m) reduced rate	£55	£85
Band D (>6,000m) standard rate	£110	£170

Bingo duty

The rate of bingo duty is reduced to 20%.

Landline duty

As announced in the 2009 Pre-Budget Report, a new landline duty on telephones will be introduced from 1 October 2010 to help fund the increase in broadband coverage. The duty will be at a rate of 50 pence per fixed line.

Business

Skills and innovation

The Chancellor announced a package of £2.5 billion for small businesses to assist them in boosting skills and innovation.

Corporation tax

No changes were announced to corporation tax rates on profits. The rise to 22% in the small companies' rate will be deferred until 2011/12.

Capital allowances

The annual Investment Allowance on plant and machinery is increased from £50,000 to £100,000.

Company cars

Car benefit charges

No changes have been made to the method of calculating car benefit charge although reduced percentages have been included for cars running on alternative fuels.

Provision of fuel

No changes have been made to the method of calculating provision of fuel charges.

Value added tax

The standard rate for VAT remains at 17.5%. The registration threshold is increased from £68,000 to £70,000 and the de-registration threshold from £66,000 to £68,000.

Business rates

To assist smaller businesses, the business rate will be cut from October for one year. It is estimated that this would assist some 500,000 businesses.

Bank lending

The Chancellor announced that RBS and Lloyds Bank Group had agreed to provide £94 billion in small business loans.

A new service is to be introduced to adjudicate on disputes when small businesses were refused loans by banks.

Training

The six month work or training guarantee for those under 24 is to be extended to 2012.

Furnished holiday lettings

The furnished holiday lettings rules are to be withdrawn from 6 April 2010 which means that the tax treatment for furnished holiday lettings will be the same as for other property rental businesses.

INFORMATION TO BE GIVEN BY SERVICE PROVIDERS

The Provision of Services Regulations 2009 (SI 2009/2999) came into force on 28 December 2009 and enacts EU legislation intended to allow providers of services to move more easily across borders of EU member states and to provide those services in those states.

The main thrust of the Regulations is the requirement that all service providers must provide certain information about their services to their customers and to other parties who wish to use the services of the service provider. Note that the required information does not need to be provided to existing customers of the business, ie those who were customers before 28 December 2009.

A service is defined as "any self-employed economic activity normally provided for remuneration" and will include a whole range of businesses. However, there are a number of businesses that are excluded from the Regulations and these are set out in regulation 2.

The information to be provided by a firm falls into two categories:

- Information which must be provided even if not requested. Some of this information must be provided before any contract for the provision of services is concluded or, if there is no such contract, before the service is provided. Some information can be provided after a contract is concluded or the service is provided.
- Information which need only be provided if requested.

Whilst the Regulations require that the required information must be supplied in a "clear and unambiguous manner" the Regulations do not state how and where the information has to be provided. However, in practice, the required information will be provided in a number of ways, as follows:

- In any contract
- On the business's letterhead (this will include the name and address of the firm, telephone and fax numbers, email addresses and website address.
- By posting the information on the business's website.
- By including information on a notice displayed in the business's office.
- On any promotional or marketing literature.

ELECTRONIC FILING OF VAT RETURNS

Those clients that are registered for VAT should be aware that from April 2010 HM Revenue & Customs (HMRC) is phasing out paper VAT Returns. From this date a number of businesses may have to submit their VAT Returns online and pay any VAT due electronically. The payment methods include Direct Debit, internet or phone banking.

Businesses which are affected are those which have an annual turnover of £100,000 or more (exclusive of VAT) and you register or should have registered for VAT on or after 1 April 2010 (regardless of your turnover).

These businesses will still have to complete their VAT returns online and paying electronically even if their turnover drops below £100,000.

Those businesses whose annual turnover was £100,000 or more on 31 December 2009 will have been sent a letter by HMRC in February explaining the new regime and informing these businesses that they will have to submit their VAT Returns online and pay their VAT electronically for all returns starting on or after 1 April 2010. The letter includes a guide on how to register to complete returns on line and make electronic payments.

ANOTHER BUDGET?

Having just digested the contents of the latest Budget and considered the effect it may have on us personally and to our businesses, many of us will be dismayed to learn that there may be another Budget in the none too distant future.

Should there be shift of power to the Conservatives following the general election in (probably) early May, then another Budget may be called by the new government as early as July. If this were the case the Budget of March would be reversed and the passing of the Finance Bill delayed.

Just what would be included in another Budget, should the Conservatives gain power, remains to be seen but there is little doubt that there will be a move to increase the tax take. This may take the form of a hike in tax rates in relation to income tax and maybe to capital gains tax as well. In addition, there maybe changes made in relation to corporation tax.

And, of course, if there is a hung parliament, the situation could become even more interesting with the Liberal Democrats wishing to impose some of their own tax policies in the Budget.