



## **Pre-Budget Report 2008**

### **Summary of key proposals as they affect interim managers**

- VAT is reduced from 17.5% to 15% from 1 December 2008 until 31 December 2009
- The £120 increase in personal tax allowances is made permanent
- A new, higher rate of income tax of 45% will be introduced for those with incomes above £150,000 from April 2011. The income tax personal allowance will be restricted for those with incomes over £100,000 from April 2010
- Employer, employee and self-employed rates of national insurance to rise by 0.5% from April 2011
- The planned increase in the small companies' rate of corporation tax from 21% to 22% is deferred until 1 April 2010
- The loss carry back rules are to be extended for corporation tax periods ending between 24 November 2008 and 23 November 2009 by allowing the loss to be carried back up to three years. The carry back will be capped at £50,000

### **Income shifting**

**The Treasury has announced that the proposed legislation due to come into effect in April 2009 has been abandoned but will be kept under review. This affects family businesses which switch income between spouses to benefit from lower tax rates.**

### **VAT and duty**

There will be a temporary reduction in the standard rate of VAT from 17.5% to 15% from 1 December 2008 to 31 December 2009.

A percentage reduction on the VAT Flat Rate Scheme will also come into operation within the same dates.

### **Fuel**

A 2p per litre increase in fuel duty on petrol and diesel will take effect on 1 December 2008

### **Alcohol and cigarettes**

Duty on alcohol and tobacco will rise to match the cut in VAT. For cigarettes, this has taken effect from 24 November 2008 and for alcohol it will apply from 1 December 2008.

***The following figures form part of the pre-budget report and as such do not come into effect until April 2009 or later and are subject to Parliamentary approval:***

### **Proposed income tax**

The main rates of income tax for 2009-2010 will remain at 20% for basic rate taxpayers and 40% for higher rate taxpayers.

The £600 increase in the income tax personal allowance, announced in May 2008, will be made permanent, with a further increase of £130 in April 2009.

From April 2010, the personal allowance will be restricted to half its value for those with incomes above £100,000, so that it is worth the same as to a basic rate taxpayer, and to zero for those with incomes above £140,000.

From April 2011, an additional higher rate of income tax of 45% will be introduced for incomes above £150,000. From the same date, the lifetime and annual allowances for tax-free pension savings will be held constant at £1.8 million and £225,000 respectively, up to and including 2015-2016.

### **Proposed income tax – personal and age-related allowances 2009-2010**

	£
Personal allowance (age under 65)	6,475
Personal allowance (age 65-74)	9,490
Personal allowance (age 75 and over)	9,640
Married couple's allowance* (aged less than 75 and born before 6 April 1935)	6,865
Married couple's allowance* (age 75 and over)	6,965
Married couple's allowance* (minimum amount)	2,670
Age allowances income limit	22,900
Blind person's allowance	1,890

### **Proposed National Insurance**

From April 2011, there will be a 0.5% increase in the employer, employee and self-employed rates of national insurance contributions (both main and additional rates).

There will also be an increase in the point at which people begin to pay national insurance to bring this into line with the income tax personal allowance.

### **Some other proposed benefits**

The increase in child benefit from £18.80 per week to £20 per week for the first child (and from £12.55 to £13.20 per week for subsequent children) would be brought forward from April 2009 to January 2009. The child element of child tax credit will be increased by £25 above indexation from April 2009 rather than April 2010. This means the child element will rise by £75 above indexation to £2,235.

## **Proposed pensions and retirement**

The level of the full state pension will rise to £95.25 per week in April 2009. It was also announced that the government would make a payment in the New Year of £60 for each pensioner. Another 2.5 million people receiving certain benefits will also receive the £60 payment.

The Pension Credit minimum income guarantee would rise to £130 for single pensioners and £198.45 for couples in 2009-2010.

## **Vehicle Excise Duty (VED)**

New VED rates, designed to encourage motorists to drive fuel-efficient vehicles, will be introduced in 2009 but there will be no significant rate changes until 2010.

Six new bands will be introduced in April 2009, taking the total to 13. However, the maximum increase for any car will be £5 next year.

From April 2010, the government will start to separate out the 13 rates but no driver in a given band will pay more than £30 more in that year.

## **Proposed rates on company cars**

A new emissions-based approach to tax relief will replace the existing regime for business cars. This will take place from 1 April for corporation tax and 6 April 2009 for income tax. The government will publish draft legislation shortly.

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