

Budget letter as sent
To all clients on
13 March 2008
Following Mr Darling's
Budget of the previous day.

13 March 2008

Budget Summary 2008 (effective 6 April 2008)

Please note- although this is just our usual information update about the budget, there are a couple of points that warrant your attention this year.

Widely reported as Alistair Darling's first budget, this was, in reality, his second. So much of today was pre-announced in October that there was really little new of note, other than the formalisation of a couple of climb downs.

- ☞ A Following the case of our national heroes, Mr and Mrs Jones of Arctic Systems fame, draft (or possibly daft) proposals were circulated to tax cases where income is artificially shifted, especially between spouses/ civil partners or other family members. This remains a real threat but has been deferred at least until 2009. If you feel you may be affected by this issue, please contact us over the next few months.

Changes to capital gains announced in October, remain largely in force. That is, a flat rate of 18% on all gains. This, of course, represents a near doubling for business owners who pay an effective rate of 10% at worst currently. Following the outcry about this, an entrepreneurs' relief has been introduced to retain the 10% band for the first £1 Million of lifetime gains.

- ☞ B Less widely reported is the fact that indexation, which will cease to apply from 6 April, can be frozen in certain cases. If the following points **all** apply to your situation, you **must** contact us immediately to see if there is scope for us to save you tax:
 - you are married or in a civil partnership
 - you have a valuable asset, other than your main home (such as a buy to let property), that you have owned since the mid nineties
 - this asset is worth significantly more than you paid for it.

On the back of this letter, we set out the main "headlines", although I am sure you will appreciate it has been hard to make this interesting. Please let us know as soon as possible if you have any questions, etc.

Mark Ringrose

Julie Konczyk

P T O

P.S. Don't forget- if point B applies to you, you need to contact us **immediately**.

The main highlights of the budget are:

- Income tax headline changes:
 - Personal allowance up from £5,225 to £5,435;
 - Big rise in personal allowance for those over sixty five from £7,550 to £9,030;
 - 10% band abolished, except for savings income which has a band of £2,330;
 - Current 22% rate to be reduced to 20% (22% retained for gifts to charities);
 - 40% tax threshold up from £34,600 to £36,000. From April 2009 the point at which people pay income tax at 40% (i.e. this band plus personal allowance) to rise to £43,000.
- Significant rise of £5,200 in the 11% employees NI band to £40,040.
- Corporation tax rates from 1 April 2008:
 - Profits up to £300,000 taxed at 21% (increasing to 22% in 2009);
 - Profits from £300,000 to £1,500,000 taxed at 29.75% (then 29.5% in 2009);
 - Profits above £1,500,000 taxed at 28% (down from 30%).
- First year allowance on capital purchases cease from 1 April 2008, writing down allowance rate to reduce from 25% to 20%. Annual investment scheme allows small businesses to claim 100% first year allowances on purchases up to £50,000. "Small business" has yet to be defined but is unlikely to be less than £5.6 Million turnover.
- Stamp duty bands and rates unchanged, despite pressure for an increase in the first band.
- Inheritance tax threshold up from £300,000 to £312,000. Rate above this unchanged at 40%. Further increases in the threshold: 2009: £325,000 and 2010: £350,000.
- Beer up 4p per pint; wine 14p per bottle; spirits 55p per bottle; cigarettes 11p per pack of 20.
- Further hikes in road tax for "gas guzzling" cars- from 2010 "showroom tax" will make the top end first year cost £950. Subsequent years up to £455.
- Previously proposed fuel duty increase of 2p per litre deferred to October.
- Company car and fuel benefits continue to increase (as they will in 2009 and 2010) but the mileage reimbursement rate remains at 40p per mile and 25p after 10,000 miles.
- VAT registration threshold raised from £64,000 to £67,000.
- Annual capital gains tax exemption increased from £9,200 to £9,600.
- Cash ISA limit to increase to £3,600 and the overall limit to £7,200.
- Environmental measures include a "per flight" airline tax and laws to be introduced in 2009 to force shops to charge for carrier bags.

As is always the case with budgets, "the devil is in the detail". Over the next few weeks we will continue to analyse the budget and any Inland Revenue clarification that emerges.

If the above raises any issues that you would like to discuss then please do not hesitate to get in touch.

With best wishes for the coming tax year.