

Emergency Budget Newsletter



Emergency Budget Summary 22nd June 2010

Welcome to the latest edition of our new regular financial newsletter. We hope you find it of interest. If you know someone else who would also appreciate a copy, please just send us their email and we'll add them to the mailing list.

Please find enclosed our Budget review covering the key tax issues in George Osborne's first Budget. The June Budget had been characterised as 'the unavoidable Budget' and the 'emergency Budget' and contained a number of very important announcements about tax.

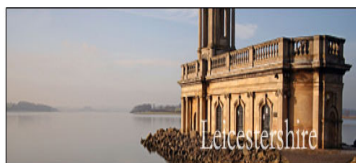
These included:

In this issue

Budget Summary

- *Increased VAT to 20%*
 - *Capital gains tax at up to 28%*
 - *Rise in entrepreneurs' relief*
 - *Cuts in corporation tax*
 - *The abolition of the effective requirement to annuitise pensions at 75*
- The increase in the rate of VAT from 17.5% to 20% to take effect in the new year.
 - The increase in the personal allowance in the tax year 2011/12.
 - The immediate increase in the rate of capital gains tax for higher rate income tax payers from 18% to 28%.
 - The rise in entrepreneurs' relief for capital gains tax from £2 million to £5 million.
 - The progressive cuts in the rates of corporation tax over the next four years, financed by cuts to capital allowances.
 - The abolition of the effective requirement to annuitise pensions at age 75 and the prospect of changes to higher rate tax relief on pension contributions.

capital gains will be taxed at up to 28%



The requirement to buy an annuity at age 75 will be scrapped

Income tax bands and personal allowances

The personal allowance for those under 65 will rise by £1,000 to £7,475 for 2011/12. The basic rate limit for 2011/12 will be reduced, so that higher rate taxpayers will not benefit from the increase in the personal allowance.

National insurance rates and bands

The main national insurance contribution (NIC) rates will rise by 1% in 2011/12, as previously announced. The employer's NIC (secondary) threshold will rise by £21 a week more than indexation to reduce the impact of this increase.

Deferring the requirement to buy an annuity

The effective requirement to use registered pension scheme funds to buy an annuity at age 75 will be scrapped from 2011/12. Pending implementation of the necessary changes, from 22 June 2010 the age threshold will rise from 75 to 77. This change will also apply for the purposes of inheritance tax (IHT) charges for pension scheme members aged 75 or more.

For members of money purchase pension schemes who reach age 75 after 21 June 2010, the strict alternatively secured pension (ASP) income limits will apply from age 77.

Capital gains tax (CGT) rates and annual exemption

There will be a new rate of CGT of 28% from 23 June 2010. For individuals, the rate of CGT remains at 18% where their net taxable gains and taxable income are less than the income tax basic rate limit, currently £37,400. The 28% rate applies to gains or parts of gains that exceed that limit. Trustees and the personal representatives of deceased persons are subject to the 28% rate rather than the 18% rate on all taxable gains.

The annual exempt amount (AEA) will remain at £10,100 and will continue to be indexed in future years.

Entrepreneurs' relief

The lifetime limit for entrepreneurs' relief has been increased from £2 million to £5 million for disposals after 22 June 2010. Entrepreneurs' relief applies to the disposal of qualifying business assets by individuals and certain trustees.

Gains that qualify for the relief are subject to a tax rate of 10%.

The standard rate of VAT will increase from 17.5% to 20%



Corporation tax rates

It is proposed to cut the main corporation tax rate to 24% reducing the rate by 1% a year over a four year period.

VAT - Change of standard rate

The standard rate of VAT will increase from 17.5% to 20% from Tuesday 4th January 2011. Goods and services that are currently exempt from VAT or subject to VAT at the zero or 5% rates will not be affected by this change.

Retirement age and state pensions

The state pension age (SPA), from which individuals can receive the state pension, is currently 65 for men and is rising to 65 for women. Legislation is already in place to increase the SPA to age 66 for everyone from 2026, but the Government wishes to bring this date forward. The Government will consult soon on how it will phase out the default retirement age from April 2011.

From April 2011, the state pension will be increased each year by the rise in earnings, or prices, or 2.5%, whichever is the highest.

The information regarding taxation is based on our understanding of current legislation, which may be altered and depends on the individual financial circumstances of the investor.

“You know it makes sense”