

# CHANCERY MANAGEMENT NEWS UPDATE

Issue 05

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## On This Day In Previous Years

In 1961 Britain opened its first legalized betting shops.

In 1978 Japan's Naomi Uemura, traveling by dog sleigh, became the first person to reach the North Pole alone.

In 1997 HM Prison Pentridge, Melbourne, Australia was officially closed.

## The 2009 Spring Budget

### Overview

- ISA limits will be raised to £10,200 (£5,100 for cash deposits) in 2009-2010 for anyone aged 50 or more.
- A first year capital allowance of 40% will apply to qualifying capital expenditure if it exceeds the £50,000 annual investment allowance in the 12 months from April 2009.
- The small companies corporation tax rate will remain at 21% for the financial year 2009 as previously announced
- For the next two years, businesses will broadly be able to carry back their trading losses of up to £50,000 for three years rather than one year.
- Tax relief on pension contributions will be restricted to the basic rate for individuals with income over £180,000 from 6 April 2011. Relief will be tapered for individuals with incomes over £150,000 from 22 April 2009, only basic rate tax relief on contributions will be available where contributions exceed more than £20,000 per year or if contributions exceed the individuals normal pattern of contributions.
- There will be a new top rate of tax for 2010-2011 of 50% (42.5% on dividends) for individuals with an income of more than £150,000. The rate applicable to trusts will also rise to 50% (42.5% on dividends) from 6 April 2010.
- The personal income tax allowance £6,475 in 2009-2010 will be withdrawn at the rate of £1 for every £2 of income over 100,000 from 2010-2011.

### Personal Income Tax Allowances Reliefs & Credits

Description	2009-2010	2008-2009
Personal basic	£6,475	£6,035
Personal age 65-74	£9,490	£9,030
Personal age 75 and over	£9,640	£9,180
Married couples/ civil partners minimum at 10% *	£2,670	£2,540
Married couples/civil partners age under 75 at 10%*	N/A	£6,535

Married couples/civil partners age 75 and over at 10%	£6,965	£6,625
Age related relief reduced by 50% of income over	£22,900	£21,800
Child Tax Credit (CTC)		
Family element	£545	£545
Family element baby addition	£545	£545
CTC usually reduced by 6.67% of joint income over	£50,000	50,000
Childcare and childcare vouchers weekly	£55	£55
Blind persons	£1,890	£1,800
Rent a room tax free income	£4,250	£4,250
Venture Capital Trust (VCT) at 30%	£200,000	£200,000
Enterprise Investment Scheme (EIS) at 20%	£500,000	£500,000
EIS eligible for capital gains tax re-investment relief	No limit	No limit
Registered Pension Scheme		
Annual allowance	£245,000	£235,000
Lifetime allowance	£1,750,000	£1,650,000
Special annual allowance	£20,000	N/A
* Where at least one spouse/civil partner was born before 6 April 1935		

### Income Tax Rates

Description	2009-2010	2008-2009
10% starting rate band on savings income up to	£2,440	£2,320
Basic rate	20%	20%
Higher rate of 40% on income over	£37,400	£34,800
<b>Dividends</b>		
Basic rate taxpayers	10%	10%
Higher rate taxpayers	32.5%	32.5%
Pre-owned assets tax (charged as income) - minimum taxable Trusts		
Standard rate band	£1,000	£1,000
Dividend (rate applicable to trusts)	32.5%	32.5%
Other income (rate applicable to trusts)	40%	40%

### Income Tax Rates & Personal Allowances

The proposed changes to income tax announced in the 2008 Pre-Budget Report have been revised from 6 April 2010.

- There will be an additional higher rate of tax of 50% for taxable income above £150,000
- The corresponding rate of tax on dividends will be 42.5%
- The trust rate and dividend trust rate will rise to match these new higher rate taxes
- The basic personal allowance for income tax will be gradually reduced to nil for individuals with adjusted net incomes (mainly gross income less certain deductions) over £100,000. The allowance will be reduced by £1 for each £2 of income over £100,000.

#### Pensions: Limiting tax relief for individuals on higher income

From 6 April 2011, tax relief on pension contributions will be restricted for people with

taxable income of £150,000 or more. Above that level of income, the value of pension tax relief will be tapered down until it is 20% for those with incomes over £180,000.

There will be anti-forestalling provisions in the interim which apply to individuals with incomes of £150,000 or more who, on or after 22 April 2009 change their normal pattern of regular pension contributions or if they change the normal way in which their pension benefits are accrued and whose total pension contributions or value of additional benefits accrued (pensions savings) exceed £20,000 a year (the special annual allowance).

The provisions will apply a special annual allowance charge (SAAC) to the excess contribution which is defined as:

- The excess over regular pension savings, where those savings exceed £20,000 and
- Any excess over £20,000 where regular pension savings are below £20,000.

The SAAC will have the effect of restricting tax relief on the excess pension savings to basic rate and will be collected through the Self Assessment tax return

The pension lifetime allowance will be maintained at the 2010-2011 level of £1.8 million for a further 5 years up to and including 2015-2016 as announced in the Pre-Budget report. The annual allowance will also be held at £255,000 over the same period.

#### Company Car Taxation

Effective 6 April 2011, the £80,000 price cap used to determine the cash equivalent of the car benefit charge will be abolished. The discounts given to cars using various alternative fuels will also be abolished from the same date, except for electric only vehicles, where the appropriate percentage will be fixed at 9%. The lower threshold for CO2 emissions (135 g/km for 2009-2010 and 130 g/km for 2010-2011) will be cut to 125 g/km for 2011-2012.

#### Taxation Of Personal Dividends

From 22 April 2009, individuals with shareholdings of 10% or more who receive dividends from non UK resident companies will become entitled to a non payable 10% tax credit, subject to anti avoidance provisions, treating the same as investors with less than 10%.

From the same date, individual investors who receive distributions from offshore funds will also be entitled to a non payable tax credit where the fund does not hold more than 60% of its assets in interest bearing (or economically similar) form. Income from funds breaching the 60% threshold will be taxed as interest and will not carry a tax credit.

#### The Remittance Basis

Several minor changes will be made to the remittance rules, most of which are effective from 6 April 2008. These include the removal of the obligation to file a return where an individual has overseas employment income of less than £10,000 and overseas bank interest of less than £100 in any tax year, if all of it is subject to a foreign tax.

#### Business Tax

Corporation tax rates will remain at 28% from 1<sup>st</sup> April 2010 and the small companies' rate remains at 21% for 2009.

A new temporary first year allowance (FYA) of 40% will apply to expenditure on general plant and machinery above the first £50,000 a year that qualifies for the annual investment allowance. The allowance is available to individuals carrying on a qualifying activity (normally trades, professions and ordinary property businesses), as well as companies and partnerships.

For companies the FYA applies to qualifying expenditure in the twelve months from 1 April 2009. For individuals and partnerships the expenditure must occur in the twelve months starting on 6 April 2009. Excluded expenditure includes cars, assets for leasing, long life assets and integral features of buildings.

Expenditure on designated environmentally beneficial equipment already qualifies for a 100%

FYA under schemes for energy saving and water efficient technologies.

### **Business Expenditure On Cars**

The Government has confirmed proposals under which the rate of capital allowances on business cars will depend on the cars' CO2 emissions. Expenditure on cars with CO2 emissions of 160 g/km or less will generally attract writing down allowances of 20% per year whilst cars with higher CO2 emissions will only attract 10% allowances. Very low emission cars may attract a 100% FYA.

Fuel scale charges have been revised to reflect changes in fuel prices. Businesses must use the new scale charges from the start of their next prescribed accounting period on or after 1 May 2009. To view or print the new rates please visit our website. [www.cmlpay.co.uk](http://www.cmlpay.co.uk)

#### **Quotations of the Month**

**Is there anything so perfect that it cannot be improved?**

**Real leaders are ordinary people with extraordinary determination.**

**Only the man who is ready to help has the right to criticize.**

**The greatest mistake a man can make is to be afraid of making one.**

**It is wise to remember that no success or failure is necessarily permanent.**

**Of all business activities, 99% are routine. The entire 100% can be handled by managing the 1% of exceptions**

**Do not sell the steak; sell the sizzle. It is the sizzle that sells the steak and not the cow, although the cow is of course, mighty important.**

**Your attitude and not your aptitude will determine your altitude.**

**Source: The CML Collection**

#### **Statistics of the Month**

**More than one million Britons have never left their home town and many do not explore the town they live in. 20% of people living in Edinburgh have never visited the city's castle; 33% of those living in the Northeast have not visited the Angel of the North. On average, we only visit 2% of British towns in our lifetime. Source: Telegraph.**

**The average Briton has 16 friends and 48% of 18-45 year olds admit to keeping most of these out of habit. Over our lifetime we lose an average of 36 friends and are left with only three who we would turn to in a crisis. Source: Daily Mail.**

**57% support the 50p tax rate and 22% oppose it. After the Budget 38% of people felt Brown and Darling were the better team to manage the economy; 35% preferred Osborne and Cameron. Before the Budget 45% favoured Cameron/ Osborne. Source: The Times.**

**The Tories have increased their lead over Labour from 12% to 19%. They are now on 45% (up 5%); Labour is down 2% on 26% and the Lib Dems are down 1% at 17%. Source: The Independent.**

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