



## Pre-Budget Newsletter David Allen & Co

With Christmas looming and the state of the economy holding centre stage in the media, you may well have heard or seen coverage of today's Pre Budget Report. But with a general election on the horizon and so much political self-importance taking place, how do you know exactly what's happening and more importantly how it impacts on you or your business?

At David Allen & Co we understand that for many of our clients, the Chancellor's lunch time announcements might appear to be adding even more confusion to an already complex economical balancing act. So in order to help you understand clearly what the Government's economic recovery strategy means to you, we're highlighting the key points and giving you a straightforward explanation.

We hope this "Pre Budget Report" newsletter is helpful, but if you require specific advice on any of the points covered, please don't hesitate to give us a call.

### **Individuals**

- The time to pay scheme for the payment of taxes has been extended for the inevitable future.
- Stamp Duty Land Tax holiday ends 1 January 2010.
- Training or employment will be guaranteed for individuals under 24 years of age who have been unemployed for 6 months.
- Individuals over 50 years of age will be provided with training and support to get back into employment.
- There will be a decrease in the number of working hours which individuals over 65 years of age will need to work, to be entitled to Tax Credits.
- From April 2010 the basic State Retirement Pension will increase by 2.5%.
- From April 2010 child benefit and disability benefit will increase by 1.5%.

- The rate of Tax on Bingo Duty will be cut from 22% to 20%
- A new boiler scrappage scheme will be introduced for 125,000 households, to improve efficiency.
- Electric cars will be free from company car tax for 5 years.
- Income from the sale of solar & wind power to the National Grid by households will be tax free.
- Superfast broadband will be provided to 90% of households by 2017. This will be funded by a 50p per month increase on landline bills.
- Banks paying bonuses to high paid employees will suffer a 50% tax charge on bonuses paid above £25,000.
- The pension tax relief for earners above £150,000 is going ahead. Relief will be given for maximum pension contributions of £20,000.
- Inheritance Tax band has been frozen at £325,000 until 2011.
- From April 2011, all employer, employee and self-employed rates of National Insurance will rise by a further 0.5%, but those who earn £20,000 or less will be protected from the increase.
- Pay settlements to individuals working in the public sector are to be capped at 1% for 2 years from 2011.
- From 2012 state contributions towards pensions of individuals working in the public sector are to be capped.

## **Businesses**

- The time to pay scheme for the payment of taxes has been extended for the inevitable future.
- VAT rate to return to 17.5% from 1 January 2010. No other changes to VAT.
- Empty commercial buildings, with a rateable value of less than £18,000 will be exempt from business rates.
- The rate of Corporation Tax for small businesses will remain at 21%.
- 100% Capital Allowances will be given for new electrical vans.
- There will be a 10% Corporation Tax rate for Income from Patents in the UK.