

# CONCEPT NEWS



## Budget

April 2009

Alistair Darling presented his second Budget to Parliament on 22<sup>nd</sup> April 2009.

This year's statement was made against a backdrop of recession and pressure on public finances in the UK, and continuing turbulence in the global markets which is affecting economies around the world.

This special edition of Concept News is just going to cover the 2009 Budget and detail the main key points:

### **Individual Savings Accounts (ISAs)**

- ❖ From 6<sup>th</sup> October 2009, the overall contribution limit will rise to £10,200 for individuals aged 50 and over and this contribution limit will apply to all individuals from 6<sup>th</sup> April 2010.
- ❖ Where applicable, of the £10,200, up to £5,100 can be held in a cash ISA with one provider, with any remaining allowance (i.e. up to the full £10,200) available to invest in a stocks and shares ISA with the same or another provider.

### **Pensioners**

- ❖ For pensioners, there was an increase in savings limit for pension credits (raised from £6,000 to £10,000) and a 2.5% increase in the state pension next year
- ❖ Grandparents of working age who care for their grandchildren will see that work count towards their entitlement for the basic state pension.
- ❖ Higher level winter fuel payments will also be extended for another year.

### **Housing**

- ❖ For homebuyers, the extension of the £175,000 stamp duty threshold has been extended until the end of the year.
- ❖ £500 million to kick-start stalled housing projects – including £100 million for local authorities to build energy efficient homes.



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## Tax

- ❖ An increase in the rate of income tax to 50% for those on incomes above £150,000 from April 2010. This is 5% higher than the 45% rate anticipated in the pre budget report a year earlier than originally planned.
- ❖ A reduction of the personal allowance for those with incomes over £100,000
- ❖ A restriction on pension contributions tax relief for those earning more than £150,000 with the current 40% higher tax relief being tapered down to 20% from April 2011.

## Pensions

- ❖ The Lifetime Allowance for 2009-2010 is £1.75 million. This is due to increase to £1.80million in 2010-2011. In the November 2008 Pre-Budget Report, the Government announced its intentions to freeze this allowance at £1.80million for the next 5 years.
- ❖ The Annual Allowance for 2009-2010 is £25,000. This is due to increase to £225,000 in 2010-2011. In the November 2008 Pre-Budget Report, the Government announced its intentions to freeze this allowance at £255,000 for the next 5 years.
- ❖ In anticipation of the new restriction, the Government is introducing new rules to apply from 22<sup>nd</sup> April 2009 to restrict higher rate tax relief for individuals with taxable income of £150,000 p.a. or more. Note that taxable income for this purpose includes the amount of income forgone in return for pension contributions in a salary exchange arrangement.

## Car Purchase Scheme

- ❖ From next month until March 2010 motorists are to get £2,000 discount on new cars if they trade in cars older than 10 years. You will need to show you have been the keeper of the vehicle for the previous 12 months before ordering the new car.

## VAT

- ❖ The Chancellor announced in the Pre-Budget Report that VAT would be temporarily reduced from 17.5% to 15% until 31<sup>st</sup> December 2009. The Budget has not affected this and with effect from 1<sup>st</sup> January 2010 the VAT rate will return to 17.5%.

## Cigarettes, Alcohol and Fuel

- ❖ Alcohol taxes to go up 2% putting the price of the average pint up 1p.
- ❖ Tax on tobacco to go up by 2% equivalent to an extra 7p on a pack of 20 cigarettes.
- ❖ Fuel duty to rise by 2p per litre from September, then by 1p a litre above inflation each April for the next four years

Should you wish to discuss any of these changes please do not hesitate to contact us via email or telephone

For the full budget announcement visit: [http://www.hm-treasury.gov.uk/bud\\_bud09\\_index.htm](http://www.hm-treasury.gov.uk/bud_bud09_index.htm)