



The budget...mission impossible?

“...inheritance tax allowance increased... to £325,000 for individuals or £650,000 for married couples and civil partners...”

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Inheritance tax

As announced in Budget 2006, the inheritance tax allowance increased in 2009-10 to £325,000 for individuals or £650,000 for married couples and civil partners. The value of estates over and above the allowance is taxed at 40 per cent. The proportion of estates left on death in 2009-10 which are expected to be liable for inheritance tax is 2 per cent.

National insurance contributions

As announced at the 2008 Pre-Budget Report the starting point for employers', employees' and self employed National Insurance Contributions (NICs) will increase in line with inflation to £110. The upper earnings and profits limits for Class 1 and Class 4 NICs respectively will increase from 2009 from £770 to £844 per week. For the self-employed, the rate of Class 2 contributions rise to £2.40 a week.

Capital Gains Tax

The capital gains tax (CGT) annual exempt amount increased in line with statutory indexation to £10,100 for the tax year 2009-10 for individuals, personal representatives of deceased persons and trustees of certain settlements for the disabled. The annual exempt amount for most other trustees is increased to £5,050. Every husband, wife, civil partner and child has his or her own £10,100 annual exempt amount. For capital gains above the annual exempt amount the CGT rate for 2009-10 will continue to be 18 per cent.

Vehicle excise duty (VED)

Changes to this year's VED rates will take effect from 1 May 2009. On 1 May 2009, new emissions

based VED bandings will be introduced for all cars registered on or after 1 March 2001. Both VED rates for cars and light goods vehicles registered before 1 March 2001 will increase by £5 in 2009. In 2010, the higher rate will increase by £15 and the lower rate will be frozen.

The standard VED rate for light goods vehicles registered on or after 1 March 2001 will increase by £5 in 2009. The discounted rate for eligible light goods diesel vehicles achieving early compliance with Euro 4 and 5 emissions standards will also be increased by £5. In 2010, the standard rate will be increased by £15 and the discounted rate will be frozen. VED rates for motorbikes, Heavy Goods Vehicles (HGVs), Special Types Vehicles, Combined Transport vehicles and all related vehicles will be frozen in 2009.

Tax relief for business expenditure on cars

New rules for tax relief for business expenditure on cars were announced on 1 April. These take effect from 1 April 2009 for businesses in the charge to Corporation Tax and 6 April 2009 for businesses in the charge to Income Tax. The rate at which qualifying expenditure on cars can be written down against profits will depend on the car's CO2 emissions. Expenditure on cars with CO2 emissions exceeding 160 g/km will be allocated to the special rate capital allowances pool and attract 10% writing-down allowance (WDA).

Expenditure on cars with CO2 emissions of 160g/km or less will attract 20% WDA in the main plant and machinery pool.

The associated rules which disallow a proportion of car lease rental payments have also been amended in line with the new capital allowances rules.