



**Heaton
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Chartered Accountants



FACT SHEET NO 1A

BUDGET SPECIAL

22ND JUNE 2010

CORPORATION TAX

From April 2011 the Small Companies Rate (companies with profits below £300,000) will be reduced to 20% (currently 21%). The Standard Rate of corporation tax for larger companies will be progressively reduced from 28% this year to 24% in April 2014 with a consequent reduction in the marginal rate. A more detailed program for reform of Corporation Tax will be published in the autumn.

CAPITAL ALLOWANCES

From April 2012 the Annual Investment Allowance threshold for capital expenditure on plant and equipment will be reduced from £100,000 to £25,000. Careful planning will be needed when considering capital expenditure.

In addition the standard rates of writing down allowances will be reduced by 2% to 18% for normal plant and 8% for integral fittings and high emission cars.

VALUE ADDED TAX

As was widely predicted the main VAT Rate will increase to 20% on 4th January 2011. The flat rate scheme percentages will also change on the same day.

The procedures adopted when the rate increased in January this year will apply.

NIC HOLIDAY FOR NEW BUSINESSES

Most new businesses set up after 22nd June will benefit from a reduction in employer NIC's of up to £5,000 per employee in respect of the first 10 employees taken on. Full details will be published in due course. It is intended that the scheme will start no later than September 2010 although it remains subject to EEC approval.

TAX AND NATIONAL INSURANCE CONTRIBUTIONS

From April 2011 the following changes will apply:

- Personal allowances, for those under 65, will be increased by £1,000 to £7,475pa
- The threshold beyond which higher rate tax becomes payable will be reduced to ensure that higher rate tax payers do not benefit from the increased allowance
- The upper earnings threshold beyond which lower rate NIC's are paid will also be reduced. This will have the effect of reducing NIC costs for high earners.
- The threshold beyond which employers pay NIC's will increase by an extra £21 pw.

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CAPITAL GAINS TAX

For disposals on or after 23 June 2010, which do not qualify for Entrepreneurs Relief, all net capital gains will be added to other income and taxed at either 18% or 28% depending on whether they fall below or above the higher rate income tax threshold.

Any gains already made will be excluded from this calculation.

The capital gains tax rate for trusts will be increased to 28%

The annual exemption limit will remain and will be index linked from April 2011.

ENTREPRENEURS RELIEF

The lifetime limit is increased to £5M from 23 June

FURNISHED HOLIDAY LETS

The furnished holiday lettings rules will now not be withdrawn from 1st April 2010 as originally announced and will continue to include European Extended Area properties. However some minor changes are likely in future years.

PENSION SAVINGS

The complex rules restricting tax relief on pension contributions paid by higher rate tax payers, introduced by Alistair Darling, and due to come in to effect in April 2011 will be replaced by a simple reduction in the annual contribution limit. Full details have yet to be announced but it is likely that the annual contribution limit will fall from £255,000 to between £30,000 and £45,000.

The 'anti-forestalling' legislation for pension contributions will remain in effect this year.

The existing rules that create an effective obligation for self administered pension schemes to purchase an annuity for members who reach 75 will be abolished from April 2011. In the meantime the age threshold is increased to 77 for those who have not reached 75 by 22 June. This change will also apply for the purposes of the Inheritance Tax charge that currently applies to members who die after aged 75.

CONCLUSION

Although this budget was preceded by a series of leaks there were still a few surprises, not just on what was said, but what was not said. There was no announcement on the practice of paying dividends in lieu of salary and the increase in capital gains tax was not as bad as feared.

A TIMELY REMINDER

Do not forget the important filing dates this year:-

6 th July	File Forms P11d
19 th July	Payment of Class 1A NIC
31 st July	Second payment on account for 2010/11
31 st Oct	File paper SA Return
31 st Jan 11	File electronic SA Return

THIS SUMMARY HAS BEEN PREPARED VERY RAPIDLY AND MAY CONTAIN CERTAIN ERRORS FOR WHICH WE CANNOT BE HELD RESPONSIBLE