

Budget Report summary – April 2009

The Budget Announcement

22 April 2009

Chancellor of the Exchequer Alistair Darling has delivered a Budget Report against a background of recession and with little in the way of good news for UK business in the short to medium term. He did dangle the odd carrot in the medium to long term in an attempt to keep the UK taxpayer motivated. Sadly some of the suggestions of increases in taxation to fill the gap in the economy did get announced and in addition we saw some new initiatives to close down tax avoidance schemes and some new compliance initiatives. These initiatives are clearly introduced with a view to raising revenue.

Summary of key proposals

- VAT - the reduction from 17.5% to 15% is confirmed and will terminate on 31 December 2009.
- A new, higher rate of income tax of 50% which was to be introduced for those with incomes above £150,000 from April 2011 is to be brought in at April 2010. The proposal to restrict the income tax personal allowance for those with incomes over £100,000 from April 2010 is to be made worse with their personal allowances completely eliminated.
- Employer, employee and self-employed rates of national insurance to rise by 0.5% from April 2011 is left unchanged.
- From April 2011 personal pension contribution relief will be restricted (to 20%) for those earning over £150,000 with measures introduced to prevent the abnormal acceleration of personal contributions paid from today.
- There is the introduction of a 40% first year allowance on plant and machinery for the 12 months to 31 March 2010.
- The proposed changes to capital allowances on company cars came into effect in April 2009 with this giving relief dependent on the level of the CO2 emissions of the vehicle. This change also altered the rules in regard to expensive car leasing disallowance.
- There is to be a temporary car scrappage scheme which offers £2,000 off a new car when scrapping a vehicle which is more than 10 years old.
- There is from April 2011 to be a revision in the bandings for car tax benefit in kind which will result in an increase in the tax paid on company cars.
- Alcohol duty rates increase from 23 April 2009. The duty will increase by 2% adding 1p to the price of a pint of beer, 13p to the price of a bottle of spirits and 4p to the price of a bottle of beer.
- The Budget announced that 18 to 24 year olds who have been unemployed for in excess of 12 months will be guaranteed a job, training or work placement.
- The Budget announced the following 2 changes to pensions:
 - an increase of £100 to over-80s households and £50 to over-60s households in 2009/10, via their winter fuel payment

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- tax relief on pension contributions will be reduced for those earning £150,000 and over
- The overall investment limit for ISAs rises to £10,200 of which £5,100 can be saved in cash. These higher limits will be available to over-50s from 6 October 2009 and to everyone from 6 April 2010.
- The Budget also announced a £1.4 billion of extra targeted support in the low-carbon sector.

Setting the scene

Mr Darling began with a warning that Britain faced the most serious global economic turmoil for over 60 years, but looked to offer hope for times ahead with a promise that "today's Budget will continue to help people through this global recession and prepare Britain for the opportunities of the future" with promises that the Budget "builds on the substantial help for people and businesses in the Pre-Budget Report in November".

He stated confidence in the economy would commence growing again within this calendar year and further that the economy globally would double in size over the next 20 years to make Britain once again a world leader. However, whilst he predicted the British economy would suffer less than Germany, Japan, Italy and the euro area as a whole, he stressed "there are no quick fixes, no overnight solutions".

He forecast -3.5% GDP growth for the 2009 year as a whole, with growth of 1.25% for 2010, 3.5% for 2011 and 2.75% for future years. The inflation target remained unchanged at 2% but would continue coming down sharply to reach 1% by the end of this year.

He announced to MPs an extra £1.7 billion of funding for Job Centre Plus and the New Deal for high-quality support for everyone. There will be additional support for people out of work for 12 months with either a guaranteed job placement, or an apprenticeship with extra money package, both aimed at protecting those individuals under 25 from the damaging long-term unemployment. He resolved the mistakes of previous recessions where "young people found themselves abandoned to a future on the scrapheap" would not be repeated. The Government plans to spend over £260 million of new money for training and subsidies to assist the younger generation improve their skills and experience. Extra investment in education will enable an additional 54,000 places in sixth forms and further education colleges for students.

Mr Darling announced the Support for Mortgage Interest scheme will be maintained at the higher level of support for a further six months. He maintained that the housing market is being held back by a lack of mortgage credit available. The Government's action hopes to increase mortgage lending by approximately £20 billion. By extending the Stamp Duty relief on properties sold for less than £175,000 until the end of the year, it is intended that it would be easier for people to take their first step on the housing ladder. An £80 million extension has been made to HomeBuy Direct - The Government shared equity mortgage scheme.

VAT and Duty

It was confirmed that the temporary reduction in the standard rate of rate of VAT to 15% from 1 December 2008 will cease to apply at 31 December 2009 (which falls in line with the statement made in the Pre-Budget report).

Alcohol duty rates increase from 23 April 2009 with a 2% increase.

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Income tax

The following changes are to be introduced in April 2010:

- An additional income tax rate of 50% will apply to people earning in excess of £150,000
- The income tax personal allowance will be abolished to those with incomes over £100,000.

Income tax – personal and age-related allowances 2009-2010

	£
Personal allowance (age under 65)	6,475
Personal allowance (age 65-74)	9,490
Personal allowance (age 75 and over)	9,640
Married couple's allowance* (aged less than 75 and born before 6 April 1935)	6,865
Married couple's allowance* (age 75 and over)	6,965
Married couple's allowance* (minimum amount)	2,670
Age allowances income limit	22,900
Blind person's allowance	1,890

National Insurance

The proposed change from April 2011 of a 0.5% increase in the employer, employee and self-employed rates of national insurance contributions (both main and additional rates) will still take place.

Business and enterprise

Mr Darling announced various attempts to close down a number of tax avoidance arrangements and introduced further compliance activity of HM Revenue & Customs. These measures included the provision to charge penalties if PAYE or National Insurance was not paid at the correct time.

There was an announcement of a first year allowance of 40% which can now be claimed on certain plant and machinery expenditure.

We now have confirmation that from July 2009 UK companies will be exempt from foreign dividends.

The help for loss-making companies is extended where they will be able to reclaim more taxes paid in the last three years until November 2010.

A new £750 million strategic investment fund was announced to help emerging technologies and regionally important sectors.

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Housing and mortgages

Mr Darling announced a range of support to help people and households in financial difficulty. This included:

- The stamp duty land tax threshold on residential properties costing £175,000 or less will be extended until 31 December 2009
- Local Housing Allowance(LHA) is being reformed – households will no longer be able to keep any surplus LHA if it is higher than their rent
- The Budget also announced a £600 million fund to help the house building sector. The intention is that this funds the building of 100,000 homes.

Benefits and working families

The Budget announced that 18 to 24 year olds who have been unemployed for 12 months will be guaranteed a job, training or a work placement.

An extra 54,500 places will be created in the next academic year for 16 to 17 year olds who wish to take them up.

Savings

The overall annual investment limit for ISA's rises to £10,200 of which £5,100 can be saved in cash. These limits will be available to over 50s from October 2009 and to everyone from 6 April 2010.

Pensions and retirement

The winter fuel payment made to those over 80 is to be increased by £100.

Grandparents of working age who care for their grandchildren will see that work count towards their entitlement for the basic state pension.

The basic state pension will be increased by at least 2.5%, regardless of inflation.

From November the limit on savings pensioners can have before their Pension Credits are reduced, is to be raised from £6,000 to £10,000 to help those hit by low interest rates.

Company cars

A new emissions-based approach to capital allowance tax relief replaces the existing regime for business cars. This will take place from 1 April 2009 for corporation tax and 6 April 2009 for income tax. These changes also impact on the expensive car leasing disallowance.

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From April 2011 the level of taxable benefit arising on company cars is to be revised which will lead to an increase in the level of taxable benefit. There will also be the scrapping of the £80,000 upper limit for the calculation of the benefit in kind.

A temporary scrappage scheme is to be introduced which pays £2,000 on the purchase of a new car if a vehicle which is over 10 years old is part exchanged. They will have to show they have been the registered keeper of the vehicle for the previous 12 months before ordering the new car.

The environment

The Budget provides £1.4 billion of extra targeted support in the low-carbon sector. The measures include extra money to support businesses, public buildings and households to be more energy efficient.

Read all the official documents from Alistair Darling's 2009 Budget in PDF format.

[[link here to attached PDF file to download](#)]