

WHITING & PARTNERS

Spring 2010 Budget

Summary of Taxation Provisions

www.whitingandpartners.co.uk



TAX AND FINANCIAL PLANNING CHECKLIST

These are just a few of the questions we would ask in a review of your tax and financial planning. If any of them lead you to think that a fresh look at your affairs would be valuable, please contact us.

Have you reviewed the way you hold your investments so that you minimise the tax on the income and gains by:

- | | Yes | No |
|--|--------------------------|--------------------------|
| • Investing in individual savings accounts (ISAs), preferably to the full tax-free limit for the tax year? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Using your capital gains exemptions to realise tax-free gains each year? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Considering how you might be taxed if you are not domiciled in the UK? | <input type="checkbox"/> | <input type="checkbox"/> |

Have you reviewed your pension arrangements?

- | | | |
|--|--------------------------|--------------------------|
| • Do you know whether your tax relief on pension contributions will be reduced to just 20% by the special annual allowance? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Have you checked how the reforms to state pensions that are now starting to take effect will have an impact on your retirement income? | <input type="checkbox"/> | <input type="checkbox"/> |

Is your estate planning up to date?

- | | | |
|--|--------------------------|--------------------------|
| • Have you made your will and, if so, does it reflect your current wishes? | <input type="checkbox"/> | <input type="checkbox"/> |
| • If you are a widow or widower, do you know how changes to the nil rate band transfer rules could affect your inheritance tax position? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Have you thought about the inheritance tax planning implications created by changes in the value of your property and other assets? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Do you make use of your annual inheritance tax exemptions? | <input type="checkbox"/> | <input type="checkbox"/> |

Have you considered the ownership and organisation of your business?

- | | | |
|--|--------------------------|--------------------------|
| • Is the type of structure in which you conduct your business – company, partnership, LLP, sole trader – still the most appropriate? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Are you drawing the right mix of salary, dividends and tax-free benefits? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Have you considered how you will solve potential business succession problems on retirement or earlier serious illness or death? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Are you on track to maximise your entitlement to capital gains tax entrepreneurs' relief? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Have you reviewed your company car policy in the light of the changes to the benefit scales from 6 April 2010 and the further reforms due in the next two tax years? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Have you considered the administration time you could save if you had an approved dispensation for reporting employee expenses? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Have you planned to invest in capital assets for your business to take advantage of the annual investment allowance, and other allowances? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Are you aware of the VAT schemes that could save your business time and money? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Are you aware of new rules since 1 April 2009 requiring you to take 'reasonable care' in completing your tax returns to avoid new penalties, for example by: | | |
| o Checking the latest HMRC guidance relevant to your circumstances? | <input type="checkbox"/> | <input type="checkbox"/> |
| o Taking tax advice where your situation is unclear? | <input type="checkbox"/> | <input type="checkbox"/> |
| o Documenting the 'care' you have taken, in case of a dispute with HMRC? | <input type="checkbox"/> | <input type="checkbox"/> |

Budget highlights

- Freezing the inheritance tax nil rate band at £325,000 between 6 April 2010 and 5 April 2015.
- Confirming the ISA allowance as £10,200 for 2010/11 and indexing it thereafter.
- Doubling the capital gains tax entrepreneurs' relief to £2 million per person for disposals after 5 April 2010.
- Doubling the annual investment allowance for investment in plant and machinery to £100,000 a year from April 2010.
- Confirming that the small companies' corporation tax rate will remain at 21% for 2010.
- Increasing the stamp duty land tax rate from 4% to 5% for purchases of residential property over £1 million starting in 2011/12.
- Raising the threshold for stamp duty land tax to £250,000 for first time buyers from 25 March 2010 for two years.
- Substantially increasing the minimum amount a VCT must invest in eligible shares.
- Imposing standard rate VAT on postal packets and parcels from 31 January 2011.
- Confirming the revised restrictions on pension tax relief from 2011/12.
- Introducing a penalty for tax evasion of up to 200% where there is an offshore element.

CONTENTS

Budget highlights	1	Value added tax (VAT)	11-13
Introduction	2	Anti-avoidance	13-14
Personal and trust taxation	3-6	Miscellaneous issues	15
Capital taxes	7-8	National insurance contributions	16
Business tax	8-11		

This summary has been prepared very rapidly and is for general information only. The proposals are in any event subject to amendment before the Finance Act is passed. You are recommended to seek competent professional advice before taking any action on the basis of the contents of this publication.

Introduction

With the country likely to go to the polls on 6 May, Mr Darling's third Budget was predictably as much a political exercise as a conventional set of announcements. While many of the measures had been set out in last December's Pre-Budget Report, there were also some surprises. These included the increased stamp duty land tax rate on residential property over £1 million from 6 April 2011 and the doubling of capital gains tax entrepreneurs' relief to £2 million only two years after its introduction.

The parliamentary timetable is such that much of the Budget will not become law before the current session of Parliament ends (12 April for a 6 May election).

Past experience (eg 2005) suggests that there will be a relatively short and non-controversial Finance Act rapidly enacted before the election.

A longer and more contentious Bill will then be introduced in the new Parliament, whatever happens at the polls. The Conservatives are committed to introducing another Budget within 50 days of the election if they win.



PERSONAL AND TRUST TAXATION

Income tax allowances, reliefs and credits	2010/11	2009/10
Personal (basic)	£6,475	£6,475
Personal allowance reduced by 50% of income over	£100,000	N/A
Personal (age 65–74)	£9,490	£9,490
Personal (age 75 and over)	£9,640	£9,640
Married couples/civil partners (minimum) at 10%*	£2,670	£2,670
Married couples/civil partners (age 75 and over) at 10%	£6,965	£6,965
Age-related relief reduced by 50% of income over	£22,900	£22,900
Child Tax Credit (CTC):		
• family element	£545	£545
• family element baby addition	£545	£545
CTC usually reduced by 6.67% of joint income over	£50,000	£50,000
Childcare and childcare vouchers (weekly tax-free limit)	£55	£55
Blind persons	£1,890	£1,890
Rent-a-room tax-free income	£4,250	£4,250
Venture Capital Trust (VCT) at 30%	£200,000	£200,000
Enterprise Investment Scheme (EIS) at 20%	£500,000	£500,000
EIS eligible for capital gains tax re-investment relief	No limit	No limit
Registered Pension Scheme:		
• annual allowance	£255,000	£245,000
• lifetime allowance	£1,800,000	£1,750,000
• special annual allowance applies where	} min. } max.	£20,000
relevant income is £130,000 or more		
• special annual allowance charge	20%-30%	20%

* Where at least one spouse/civil partner was born before 6 April 1935.

Income tax rates	2010/11	2009/10
Starting rate band of 10% on savings income up to	£2,440	£2,440
Basic rate of 20% on income up to	£37,400	£37,400
Higher rate of 40% on income	£37,401–£150,000	£37,401 and over
Additional rate of 50% on income over	£150,000	N/A
Dividends for:		
• basic rate taxpayers	10%	10%
• higher rate taxpayers	32.5%	32.5%
• additional rate taxpayers	42.5%	N/A
Trusts:		
• standard rate band generally	£1,000	£1,000
• dividends (rate applicable to trusts)	42.5%	32.5%
• other income (rate applicable to trusts)	50%	40%

PERSONAL AND TRUST TAXATION continued

Income tax rates and personal allowances

The main allowances, starting rate savings band and basic rate band for 2010/11 are unchanged from 2009/10. Furthermore, as enacted in the Finance Act 2009, from 2010/11:

- A 50% 'additional rate' will apply to taxable income over £150,000;
- The corresponding rate for dividends will be 42.5%;
- The basic personal allowance will be gradually reduced to nil for individuals with 'total income' of over £100,000. The reduction will be £1 for each £2 of income over £100,000, so that those with 'total income' above £112,950 will not receive any personal allowance.

don't forget

The new 50% income tax rate (42.5% for dividends) will apply to all trusts that accumulate income. If you are a trustee, you should consider whether you could save tax by restructuring the way in which the trust's investments are held.

Individual savings accounts (ISAs)

From 6 April 2011 and over the course of the next Parliament, the annual ISA limits will increase each year in line with the RPI. The new annual limits will be rounded to the nearest multiple of £120, with the revised amounts published at least four months before the start of the new tax year. The subscription limit from 6 April 2010 is increased to £10,200, of which up to £5,100 can be saved in cash.

Real estate investment trusts (REITs)

At present, a UK REIT must pay cash dividends (property income distributions) to meet the requirement under the REIT tax rules to distribute 90% of the profits from its property rental business. From the date of Royal Assent, a UK REIT will be able to issue stock dividends instead of making a property income distribution.

Life assurance policy deficiency relief

Deficiency relief, which can arise when a loss occurs under a life assurance policy, will be available to reduce income tax due at the new additional rates of 50% (and 42.5% for dividends). The relief will be restricted for arrangements made after 21 April 2009 and policy surrenders after 5 April 2010, where the aim is to secure a tax reduction greater than the income tax due on earlier chargeable events.

PERSONAL AND TRUST TAXATION continued

Financial compensation

Legislation will be introduced to ensure that if the Financial Services Compensation Scheme (FSCS) acts to protect policyholders, there will be broadly the same tax treatment as if the FSCS had not intervened. The measure will have effect from the date of Royal Assent.

Pensions tax relief

From 2011/12 tax relief on pension contributions will be restricted for:

- Employees with total annual income of £130,000 or over before deduction or relief for pension contributions and charitable donations and whose income (before such deductions or relief) together with the value of any employer pension contributions is £150,000 or over; and
- Other individuals with total income of £150,000 or over before deduction or relief for pension contributions and charitable donations.

A taper will apply for those with incomes between £150,000 and £180,000, gradually reducing relief on pension contributions until it is restricted to basic rate only. The new restrictions will replace the special annual allowance charge.

Pension schemes: lifetime and annual allowance

It was confirmed that the lifetime allowance will be frozen at £1.8 million and the annual allowance will be frozen at £255,000 from 2011/12 to 2015/16 inclusive.

Pension taxation

A number of technical changes to pension tax legislation will be made to cater for the launch of the National Employment Savings Trust (NEST), which is due to begin in 2012.

Venture capital schemes

A venture capital trust (VCT) is currently required to hold at least 30% of its 'qualifying holdings' in 'eligible shares'. This minimum is to increase to 70%. The definition of 'eligible shares' will be amended to include shares that carry certain preferential dividend rights. The requirement for VCTs to be UK listed will be replaced by a requirement that they should be admitted to trading on any EU regulated market.

think ahead

Maximise the pension contributions on which you can get full tax relief.

If your total income is £130,000 or more, the tax relief on your pension contributions may be limited in 2009/10 and 2010/11. From 2011/12, you may only qualify for basic rate relief.

PERSONAL AND TRUST TAXATION continued

Company shares will be excluded from qualifying for enterprise investment schemes (EISs) and investment by VCTs if the company is an 'enterprise in difficulty' under EU guidelines. The current rule that a company must have a qualifying trade carried on wholly or mainly in the UK will be replaced with a requirement that the company must have a permanent establishment in the UK.

The changes will be included in a Finance Bill to be introduced as soon as possible in the next Parliament and generally will have effect from the date of Royal Assent. The revised definition of eligible shares for VCTs will not affect funds raised by the VCT before then.

saver

Protect your personal allowance. In 2010/11 your personal allowance is reduced by 50% for every pound your income is over £100,000. If you can reduce your income below £100,000, eg by making a pension contribution or choosing tax-efficient investments, you should benefit from the full allowance.

Income tax adjustments between settlors and trustees

From 6 April 2010, settlors who receive repayments of tax on trust income because their personal tax rate is lower than the trustees' rate will be required to pass such repayments to the trustees. These payments to trustees will be disregarded for inheritance tax purposes.

Guardianship orders

Payments made to individuals who care for children under special guardianship orders or residence orders will be free from income tax with effect from 6 April 2010.

Remittance basis

The remittance basis of taxation can apply to individuals who are either not domiciled or not ordinarily resident in the UK. Legislation will clarify that the definition of a 'relevant person' for remittance basis purposes includes subsidiaries of non-resident companies which would be close companies if they were resident in the UK. The change will take effect from 6 April 2010.

Company cars and vans

Cars and vans that cannot produce CO₂ emissions (eg electric-only vehicles) will be subject to a 0% scale charge. For cars with CO₂ emissions of 75g/km or less, the appropriate percentage scale charge will be 5% (8% for diesels). Both new charges will last for five years from 6 April 2010.

CAPITAL TAXES

Stamp duty land tax (SDLT)

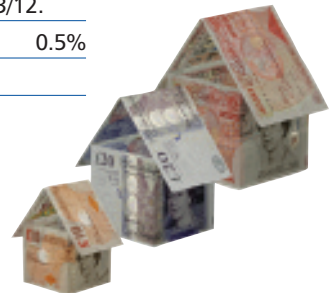
There will be relief from SDLT on purchases of residential properties that cost up to £250,000, where the transaction is completed on or after 25 March 2010 and before 25 March 2012. This relief can only be claimed by first time buyers who intend to occupy the property as their main home. To help fund this temporary tax relief, an additional rate of SDLT will be introduced at 5% on residential properties costing £1 million or more, where the transaction is completed after 5 April 2011.

Special rules apply to partnerships that ensure SDLT is not charged on transfers of land or property made between the partners or between a partner and the partnership. Anti-avoidance rules will be introduced to ensure that contrived partnerships are not used to avoid SDLT where it would otherwise be due.

Where SDLT is overpaid because of a mistake in a land tax return, the tax can be reclaimed within six years. From 1 April 2011, claims for repayment of overpaid SDLT must be made within four years. It will no longer be necessary for the overpayment to have arisen from a mistake in the land tax return.

Stamp duty land tax (based on consideration)

Residential	Commercial	Rate
£125,000* or less	£150,000 or less	Nil
Over £125,000* up to £250,000	Over £150,000 up to £250,000	1%
Over £250,000 up to £500,000	Over £250,000 up to £500,000	3%
Over £500,000	Over £500,000	4%
* £150,000 for property in disadvantaged areas. £250,000 for first time buyers where completion is on or after 25/3/10 and before 24/3/12.		
Stamp duty (including SDRT): stocks and marketable securities		0.5%
No charge unless the duty exceeds £5		



f *saver*

Postpone selling your business. If you are selling your business, consider delaying the disposal until after 5 April this year when the limit for entrepreneurs' relief doubles to qualifying gains of £2 million. The tax rate is 10% instead of 18%.

CAPITAL TAXES continued

Capital gains tax

The rate of capital gains tax for 2010/11 remains at 18%. The capital gains tax annual exemption has also been frozen at £10,100, with the exemption for trusts generally set at £5,050.

Entrepreneurs' relief

Entrepreneurs' relief reduces the effective rate of capital gains tax to 10% on gains arising on the disposal of businesses and certain business assets. Individuals are restricted to claiming this relief on up to £1 million of lifetime gains made after 5 April 2008. This limit is to be increased to £2 million for disposals made after 5 April 2010. No additional relief is given for gains that exceed £1 million made before 6 April 2010.

Inheritance tax

The nil rate band for inheritance tax has been frozen at £325,000 until 5 April 2015. The rate of inheritance tax on death remains at 40%.

BUSINESS TAX

Corporation tax rates

The main rate of corporation tax will remain at 28% from 1 April 2011. The small companies' rate will continue at 21% from 1 April 2010.

Associated companies and groups

The Government intends to reform and simplify the associated company rules as they apply to the small companies' rate, following recent consultation. The changes will take effect from April 2011. The Government is also consulting on detailed proposals for simplifying capital gains rules for groups of companies.

Annual investment allowance (AIA)

The AIA, which gives 100% tax relief for investment in plant and machinery, will double to £100,000. The increase will have effect for expenditure from 1 April 2010 for corporation tax and from 6 April 2010 for income tax. Where an accounting period straddles the effective date, the maximum allowance will be apportioned between the periods falling before and after the date. For example, for a company making up accounts for the 2010 calendar year, the AIA will be $\frac{3}{12} \times £50,000 + \frac{9}{12} \times £100,000 = £87,500$.

BUSINESS TAX continued

A new anti-avoidance rule will disallow property loss relief against general income to the extent that the loss is attributable to the AIA. The rule will apply to losses arising as a result of relevant tax avoidance arrangements entered into on or after 24 March 2010.

Zero-emission goods vehicles

Business expenditure on new, unused zero-emission goods vehicles, including electric vans, will qualify for a 100% first year allowance. The measure will have effect for five years from 1 April 2010 for corporation tax and from 6 April 2010 for income tax. It will be of practical benefit only where business expenditure exceeds the annual investment allowance.

Video games industry relief

A tax relief for the UK video games industry will be introduced following consultation, subject to state aid approval from the European Commission.

Enterprise management incentives (EMI)

A company that wishes to grant EMI options to its employees will no longer have to operate 'wholly or mainly' in the UK but will instead be required only to have a 'permanent establishment' in the UK. Where options are granted by the holding company of a group, at least one company in the group will need to have a permanent establishment in the UK. The change is being made to ensure that EMI complies with EU state aid rules, and will take effect from Royal Assent.

Share incentive plans (SIPs)

Legislation will be introduced to deny a corporation tax deduction to companies that pay money to SIP trustees to buy shares from director-shareholders, but no real value is transferred to employees under the SIP. The measure is directed at avoidance schemes and will have effect for payments made and alterations to share capital or rights attached to shares taking place from 24 March 2010.

> *think ahead*

Get the timing right for your investment in new business equipment.

Businesses of any size will generally benefit from immediate tax relief on the first £100,000 a year spent on most types of equipment. Expenditure over £100,000 in a year may just qualify for the 20% annual writing down allowance. So it could be worth spreading major investments over two or more trading years.



BUSINESS TAX continued

Company share option plans (CSOPs)

Options under a tax-advantaged CSOP can no longer be granted over shares in a company that is under the control of a listed company. The change, which takes effect from 24 March 2010, counters avoidance arrangements being used to circumvent the £30,000 financial limit on an individual's CSOP share options.

f saver

You can save tax by trading through a company. A business with profits of about £50,000 can save the owner over £3,700 in tax and national insurance if it is set up to trade through a limited company rather than a sole trader.

Loans to participators

Close companies will be denied a corporation tax deduction for a loan to a participator (broadly shareholders and certain loan creditors) that is written off or released. Close companies (generally companies under the control of five or fewer participators) are charged tax when they make a loan to a participator, which is repaid only if the loan is repaid. Where a loan is written off, the company may be entitled to a corporation tax deduction under the loan relationship rules. Write-offs from 24 March 2010 will no longer qualify for such a deduction.

Loan relationships

Power will be introduced to amend the corporation tax rules on loan relationships and derivative contracts where they are needed because of changes in accounting standards. Such changes may be made from Royal Assent, but may be retrospective where the revision to accounting treatment takes effect earlier than that date. Smaller companies that have adopted the Financial Reporting Standard for Smaller Entities (FRSSE) are less likely to be affected than larger companies.

Bank payroll tax (BPT)

Banks, building societies and certain other financial businesses are liable to 50% BPT on bonuses of more than £25,000 that are awarded to employees from 12.30pm on 9 December 2009 until 5 April 2010. The details are largely as published in the 2009 Pre-Budget Report, but there are some changes. They include clarification of the date when relevant remuneration is taken to be 'awarded' and which businesses are included. Bonuses to employees who visited the UK for no more than 60 days in the 2009/10 tax year will not be liable to BPT. Taxable companies will have to submit a return to HMRC and pay the tax by 31 August 2010.

BUSINESS TAX continued

Improved 'Time to Pay Scheme'

The Chancellor announced in his speech that the improved 'Time to Pay Scheme' will be extended for the whole of the next Parliament.

Business rates

The level of small business rate relief in England will be increased for one year, from 1 October 2010, to give full relief for eligible businesses occupying premises with a rateable value of up to £6,000 and tapering relief to £12,000.

The temporary increase in the threshold for empty property relief to a rateable value of £18,000 will be extended for a further year in 2010/11, as announced in the Pre-Budget Report.

VALUE ADDED TAX (VAT)

Registration and deregistration thresholds

The VAT registration threshold will increase to £70,000 (from £68,000) from 1 April 2010. The threshold at which a business can apply for deregistration will rise from £66,000 to £68,000 from the same date.

Partial exemption and option to tax

The Government has confirmed that the basis on which partially exempt businesses calculate the amount of VAT they can recover will be simplified from 1 April 2010. Simplifications to the option to tax regime from the same date are also confirmed.

Postal services

Standard rate VAT (17.5%) will be charged on the conveyance of postal packets by the Royal Mail, including Parcelforce, from 31 January 2011. The service is currently exempt. Letters will remain exempt from VAT.

Place of supply of gas, heat and cooling

UK VAT-registered customers currently have to account for VAT as a reverse charge on supplies of natural gas received from suppliers established abroad.

don't forget

Register for VAT in time! If you are running a new business, you may be too busy to notice how much your turnover has grown. Track your sales in the 12 months up to the end of each month. If the total tops £70,000, you must register for VAT within 30 days. If you delay, the penalties can be painful.

VALUE ADDED TAX (VAT) continued

The existing rules also cover electricity and will be extended to include supplies in all categories of natural gas pipeline, but will be limited to supplies involving natural gas pipelines that are located in the EU or linked to such pipelines. Relief from VAT at importation will be extended to all natural gas imported through a network. The amended rules will also apply to heat and cooling supplied through networks.

Reverse charge for emissions allowances

A reverse charge for supplies of emissions allowances will replace the interim zero rate for these services that was introduced on 31 July 2009. The charge will be introduced by extending the missing trader intra-community (MTIC) fraud rules to services (they currently apply only to goods) and will have effect from 1 November 2010.

Zero-rating of qualifying aircraft

The definition of aircraft that can be supplied zero-rated will be based on the status of the customer instead of weight and usage. From 1 September 2010, supplies of aircraft will be zero-rated only where they are used by airlines operating for reward chiefly on international routes.

'Lennartz' accounting

The recovery of VAT will be restricted for immovable property, boats and aircraft that are used for both business and private purposes. At present, VAT on these assets is recoverable upfront and in full, subject to any partial exemption restriction. VAT is then payable over subsequent years in respect of the private use of the asset. This is known as 'Lennartz' accounting after the relevant case. The measure will restrict VAT recovery to the business use proportion of the asset, excluding any private use by the taxpayer or the taxpayer's staff. Changes to the capital goods scheme will also be introduced so that it will take account of changes in private use over later years.

The changes implement the EC Technical Directive 2009/162/EU and will have effect from 1 January 2011. As a result, rules on recovery of VAT on directors' accommodation will be redundant and will be repealed from the same date.

VALUE ADDED TAX (VAT) continued

Revenue protection legislation will be introduced to ensure that existing Lennartz accounting users continue to pay the VAT due under the accounting mechanism. It will be treated as always having had effect.

Quarterly fuel scale charges (figures inclusive of VAT)

CO ₂ band	VAT fuel scale charge, 3 month period, £	CO ₂ band	VAT fuel scale charge, 3 month period, £
120 or less	141.00	180	354.00
125	212.00	185	368.00
130	212.00	190	383.00
135	227.00	195	397.00
140	241.00	200	411.00
145	255.00	205	425.00
150	269.00	210	439.00
155	283.00	215	454.00
160	297.00	220	468.00
165	312.00	225	482.00
170	326.00	230 or more	496.00
175	340.00		

Where the CO₂ emissions figure of a vehicle is not a multiple of five, the figure is rounded down to the next multiple of five to determine the level of the charge.

ANTI-AVOIDANCE**Disclosure of tax avoidance schemes (DOTAS)**

The DOTAS legislation will be revised to:

- Change the trigger point for the disclosure of actively marketed schemes;
- Include a new requirement for a person who introduces a client to a notifiable scheme to provide HMRC with the name and address of the scheme promoter;
- Increase the penalties for failure to comply with a disclosure obligation, subject to determination by the Tribunal;

! don't forget

VAT fuel scales are based on emissions. If you provide your employees with fuel for their company cars, the amount of VAT you can recover is based on the car's CO₂ emissions. This is another reason to provide low emission vehicles to your employees.

ANTI-AVOIDANCE continued

- Introduce a new requirement for promoters to provide HMRC with periodic information about clients who implement a notifiable scheme.

Regulations not dependent on the Finance Bill will be introduced to revise and extend the DOTAS 'hallmarks'. National insurance contributions regulations will mirror the tax changes in primary and secondary legislation, to the extent that they concern income tax. All these changes are expected to come into effect in autumn 2010.

don't forget

Review your will. The IHT nil rate band was frozen at £325,000 this year, even though share prices have risen strongly and property prices are now nearly 10% up over the last twelve months. You may need to revise your will to allow for these changes in value.

Transactions in securities

The existing transactions in securities legislation is being replaced after consultation. The scope of the new legislation is limited to transactions with a tax avoidance purpose, but will now apply to certain arrangements involving close companies. The measures take effect from 24 March 2010.

HMRC powers, deterrents and safeguards

HMRC will have powers to:

- Charge penalties of up to 200% of the tax from 1 April 2011 on taxpayers who fail to provide a full account of their income tax or capital gains tax liabilities, where the failure is linked to an offshore matter;
- Require financial security from employers from 6 April 2011 where amounts due under PAYE or NICs obligations are seriously at risk.

The first Finance Bill of the next Parliament will also include measures to complete the reform of the penalty regimes for late filing of tax returns and late payment of tax for VAT and various other taxes.

Sideways loss relief

Legislation will be introduced to prevent the exploitation of sideways loss relief. The changes take effect from 21 October 2009.

Charities

The Government will continue to examine a new 'purpose test' as part of a replacement of the anti-avoidance rules relating to substantial donors to charities.

Legislation will also be introduced to counter a tax avoidance scheme involving relief for gifts of shares to charities, with effect from 15 December 2009.

MISCELLANEOUS ISSUES

Charity tax reliefs

The definition of a charity for Gift Aid will be altered to include registered charities located in EU member states from 6 April 2010, and will include charities in Iceland and Norway from a later date. This will allow donors with UK income to receive tax relief for donations to such charities. The rules concerning all charitable tax reliefs and exemptions will be revised to ensure they are effective for UK and non-UK organisations.

Trusts for asbestos victims

Where a company has set up a trust before 24 March 2010 to pay compensation to asbestos victims, the trustees will be exempt from income tax, capital gains tax and inheritance tax. This tax relief applies from 6 April 2006.

Landfill tax

The standard rate of landfill tax applied to active waste will be increased from £48 per tonne to £56 per tonne from 1 April 2011. The lower rate remains at £2.50 per tonne, although the categories of material that qualify for the lower rate will be reviewed and any changes will apply from 1 October 2010.

The maximum tax credit that payers of landfill tax can claim for contributions made to environmental bodies will be reduced from 6% to 5.5% from 1 April 2010.

Aggregates levy

The standard rate of aggregates levy will rise from £2 per tonne to £2.10 per tonne from 1 April 2011. The 80% tax credit payable to aggregates producers in Northern Ireland will continue until 31 March 2021.

Landline duty

Landline duty of 50p per telephone landline per month will apply to local loop networks from 1 October 2010.



NATIONAL INSURANCE CONTRIBUTIONS (NICs)**Class 1 (Employees)****Not Contracted-out of State Second Pension (S2P)**

	2010/11	2009/10
Employee	No NICs where earnings are up to £110 pw 11% NICs on £110.01–£844 pw 1% NICs over £844 pw	No NICs where earnings are up to £110 pw 11% NICs on £110.01–£844 pw 1% NICs over £844 pw
Employer	No NICs on the first £110 pw 12.8% NICs over £110 pw	No NICs on the first £110 pw 12.8% NICs over £110 pw

Earnings limit or threshold	2010/11			2009/10		
	Weekly	Monthly	Annual	Weekly	Monthly	Annual
	£	£	£	£	£	£
Lower limit (LEL)	97	421	5,044	95	412	4,940
Earnings threshold	110	476	5,715	110	476	5,715
Upper accrual point	770	3,337	40,040	770	3,337	40,040
Upper limit (UEL)	844	3,656	43,875	844	3,656	43,875

	2010/11	2009/10
Contracted-out S2P rebate		
Reduction on band earnings	£97.01–£770 pw	£95.01–£770 pw
Employer rate reduction:		
• Salary-related scheme	3.7%	3.7%
• Money-purchase scheme	1.4%	1.4%
Employee rate reduction	1.6%	1.6%

Class 1A (Employers)	2010/11	2009/10
Most taxable employee benefits	12.8%	12.8%

Class 2 (Self-Employed)	2010/11	2009/10
Flat rate	£2.40 pw £124.80 pa	£2.40 pw £124.80 pa
Small earnings exception	£5,075 pa	£5,075 pa

Class 4 (Self-Employed)	2010/11	2009/10
On profits	£5,715–£43,875 pa 8% Over £43,875 pa 1%	£5,715–£43,875 pa 8% Over £43,875 pa 1%

Class 3 (Voluntary)	2010/11	2009/10
Flat rate	£12.05 pw £626.60 pa	£12.05 pw £626.60 pa

Every month

1

Annual corporation tax due for companies with a year ending nine months and a day earlier, eg tax due 1 July 2010 for year ending 30 September 2009.

14

Quarterly instalment of corporation tax due for large companies (depending on accounting year end).

19

Pay PAYE/NIC and CIS deductions for period ending 5th of the month if not paying electronically. Penalties apply to late payments (including electronic payments) from May 2010. Submit CIS contractors' monthly return.

22

PAYE/NIC and CIS deductions paid electronically should have cleared into HMRC bank account.

30/31

Submit CT600 for a year ending 12 months earlier. Last day to amend CT600 for a year ending 24 months previously.

File accounts with Companies House for private companies with a year ending nine months earlier and for public companies with a year ending six months earlier.

If the due date for payment falls on a weekend or bank holiday, payment must be made by the previous working day.

March 2010

31 Last-minute planning for 2009/10. Last few days to use any CGT and inheritance tax annual allowances and exemptions. Last day for self-assessment claims for tax 2004/05. Last day for corporation tax (CT) claims for years ending between 31 March 2004 and 31 March 2006. Deadline for medical professionals to notify an intention to make a disclosure of undeclared liabilities under HMRC's 'Tax Health Plan' under which the maximum penalty on unpaid tax will be 10%.

April 2010

1 VAT returns for periods starting from today must be filed online for businesses with a turnover of £100,000 or more and for all newly VAT registered businesses. VAT cheque payments by post will be treated as received by HMRC only when cleared funds reach HMRC's bank account.

5 Last day of tax year (Easter Monday). Deadline for paying into an ISA for 2009/10. Last day to make gifts to use up annual IHT exemption for 2008/09 and for disposals using 2009/10 annual CGT exemption and to make self-assessment claims for 2005/06. Furnished holiday lettings rules end.

6 Start of 50% income tax rate on income over £150,000 (42.5% for dividends) and of withdrawal of personal allowance for income over £100,000. Increase in ISA limit to £10,200 (£5,100 cash ISA) for all investors. Benefit in kind for electric cars and vans reduced to nil.

14 Due date for paper EC Sales List (VAT 101), CT61 return and CT payment for quarter to 31 March 2010.

20 Interest accrues on employers' unpaid PAYE and NICs for 2009/10 (23rd if paying electronically).

30 IHT due on lifetime transfers between 6 April and 30 September 2009.

May 2010

3 Submit employer forms P46 (car) for quarter to 5 April 2010.

19 File 2009/10 end of year PAYE forms. All employers must file online. Penalties may be charged if forms are late and are automatic from 26 May 2010.

31 Last day to issue 2009/10 P60s to employees.

June 2010

30 Deadline for medical professionals to make a disclosure under HMRC's Tax Health Plan and pay all liabilities.

July 2010

5 Final date to agree 2009/10 PAYE Settlement Agreements (PSA).

6 Last date for returns of expenses and benefits (forms P11D, P9D and P11(b)) for 2009/10 to reach HMRC. Relevant employees to receive copies of forms P11D and P9D. Last date to submit annual returns for employee share schemes and employment-related securities for 2009/10 (forms 34, 35, 39, 40 and 42).

14 Due date for CT61 return and CT payment for quarter to 30 June 2010.

19 Class 1A NICs for 2009/10 due (22 if paid electronically).

31 Confirm tax credit claims for 2009/10. Due date for second payment on account of 2009/10 income tax and Class 4 NICs. Last day to pay 2008/09 tax to avoid second automatic 5% surcharge (unless late payment agreed with HMRC). Last day to file 2008/09 tax return to avoid second automatic penalty up to £100.

August 2010

2 Submit employer forms P46 (car) for quarter to 5 July 2010.

October 2010

5 Deadline to notify HMRC of chargeability to income tax or CGT for 2009/10.

14 Due date for CT61 return and CT payment for quarter to 30 September 2010.

31 Deadline to submit 2009/10 self-assessment tax return if filed on paper.

November 2010

2 Submit employer forms P46 (car) for quarter to 5 October 2010.

December 2010

30 Last day to submit 2009/10 tax return online to have unpaid tax of up to £2,000 collected through the 2011/12 PAYE code.

January 2011

14 Due date for CT61 return and CT payment for quarter to 31 December 2010.

31 Submit 2009/10 self-assessment return online (up to £100 penalty if late). Pay balance of 2009/10 income tax and CGT plus first payment on account for 2010/11.

February 2011

2 Submit employer forms P46 (car) for quarter to 5 January 2011.

28 Last day to pay 2009/10 tax to avoid automatic 5% surcharge (unless late payment agreed with HMRC).

March 2011

31 Last few days to use any CGT and IHT annual allowances and exemptions.

Bury St. Edmunds

Tel: 01284 752313

bury@whitingandpartners.co.uk

Ely

Tel: 01353 662595

ely@whitingandpartners.co.uk

King's Lynn

Tel: 01553 774745

kingslynn@whitingandpartners.co.uk

March

Tel: 01354 652304

march@whitingandpartners.co.uk

Mildenhall

Tel: 01638 712267

mildenhall@whitingandpartners.co.uk

Ramsey

Tel: 01487 813731

ramsey@whitingandpartners.co.uk

Wisbech

Tel: 01945 584113

wisbech@whitingandpartners.co.uk

Registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

Whiting & Partners Wealth Management Limited

Tel: 01945 581937

info@whitingandpartnerswm.co.uk

www.whitingandpartnerswm.co.uk