



UK Emergency Budget June 2010

This provides a summary of the most important parts of the UK Emergency Budget which was announced by George Osborne, the Chancellor of the Exchequer in the Houses of Parliament during 22nd June 2010.

Whilst it was feared that the budget would be draconian – it is likely to be well received as it is less painful than many had feared. The financial markets will need to decide if enough has been done but the reduction in Corporation Tax will come as a pleasant surprise.

Personal Taxes

Personal Allowance

This is set to rise by £1,000 to £7,475 from 6 April 2011. By the end of this Parliament the personal allowance is set to rise to £10,000.

National Insurance Contributions

The main rate of National Insurance Contributions is set to increase from 11% to 12% from April 2011. The higher rate of NI will increase from 1% to 2%.

Capital Gains Tax

Rate of CGT

The rate of CGT will increase from 18% to 28% for gains that are in excess of the basic rate band.

Entrepreneurs' Relief

Entrepreneurs' relief is to be retained, and the limit on lifetime gains to be raised to £5m.

Corporate Taxes

Main Rate of Corporation Tax

This is to be reduced from 28% by 1% per year from 1 April 2011 until it reaches 24% on 1 April 2014.

Small Companies Rate of Corporation Tax

The proposed rise in this from 21% to a rumoured 25% has been abolished. Instead, the rate will be reduced to 20% from 1 April 2011.

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WiltonGroup is a discreet, independent, professional firm providing comprehensive taxation, financial and business services to our clients throughout the world.

Our business is to ensure that you receive expert advice and practical support to enhance and protect your interests - from individual wealth management to complex international business structures operating across multiple taxation regimes.

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Business Taxes

Capital Allowances

The rates of capital allowances will drop from 20% to 18%, and from 10% to 8%.

In addition, the maximum amount of expenditure qualifying for the Annual Investment Allowance is to be reduced from £100,000 to £25,000.

Additional allowances for companies investing in “zero-emission goods vehicles” have been introduced.

Enterprise Management Incentives

The requirement that a company granting qualifying EMI options to its employees must operate “wholly or mainly” in the UK. A company granting EMI options will now be required instead to have a “permanent establishment” in the UK.

National Insurance Contributions

The rate of Employer’s National Insurance Contributions is set to increase from 12.8% to 13.8% from April 2011.

NI holidays will be available to new businesses starting in certain areas.

VAT

The rate of VAT will increase to 20% from 4 January 2011.

Anti-forestalling measures will be introduced to prevent arrangements that seek to apply VAT at 17.5% where 20% would normally be payable.

Anti-Avoidance

The Coalition Agreement promised measures to tackle avoidance, but there is little in the way of concrete anti-avoidance legislation introduced by this Budget.

There is, however, the promise of anti-avoidance legislation to come, including:

- The adoption of a General Anti-Avoidance Rule
- The extension of the Disclosure of Anti Avoidance Schemes regime
- The examination of SDLT avoidance schemes
- An examination of the use of trusts by employers to reduce, defer or avoid tax liabilities on the payment of employees and directors.



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If you have any questions or would like to receive personal tax advice – we look forward to hearing from you. Please contact your normal advisor at Wilton or a member of our tax department; Alan, Kate, Stephen or Chris will be happy to help you. Their phone number is 020 7355 3525.

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