

Budget 2009

VALUE ADDED TAX, INCOME TAX ALLOWANCES, NATIONAL INSURANCE CONTRIBUTIONS, CHILD AND WORKING TAX CREDIT RATES 2009-10 AND OTHER RATES

2009-10 rates and allowances for VAT, Income tax, Capital Gains tax, Inheritance tax, Corporation tax on profits, National Insurance Contributions, the Working and Child Tax Credit, Guardian's Allowance, stamp taxes and duties, transfers of shares and stocks, tobacco and alcohol duties, gambling tax, fuel duties, vehicle excise duties and tax relief for business expenditure on cars are set out below.

Value Added Tax (VAT)

	Current rate	On and after 1 Jan 2010
Standard rate	15%	17.5%

A reduced rate of VAT of 5% will apply to children's car seat bases from 1 July 2009 (in line with the rate that already applies to children's car seats).

The registration threshold for VAT will rise to £68,000 from 1 May 2009.

Income tax, capital gains tax and inheritance tax

£ per year (unless stated)	2008-09	Change	2009-10
Income tax personal and age-related allowances*			
Personal allowance (age under 65)	£6,035	+£440	£6,475
Personal allowance (age 65-74)	£9,030	+£460	£9,490
Personal allowance (age 75 and over)	£9,180	+£460	£9,640
Married couple's allowance** (age 75 and over)	£6,625	+£340	£6,965
Married couple's allowance** - minimum amount	£2,540	+£130	£2,670
Income limit for age-related allowances	£21,800	+£1100	£22,900
Blind person's allowance	£1,800	+£90	£1,890
Capital gains tax annual exempt amount			
Individuals etc.	£9,600	+£500	£10,100
Most trustees	£4,800	+£250	£5,050
Individual inheritance tax allowance	£312,000	+£13,000	£325,000
Pension schemes allowances			
Annual Allowance	£235,000	+£10,000	£245,000
Lifetime Allowance	£1,650,000	+£100,000	£1,750,000

*As announced at the 2008 Pre-Budget Report

**Married couple's allowance is given at the rate of 10 per cent

Income tax: taxable bands*

2008-09	£ per year	2009-10	£ per year
Starting savings rate 10%**	0-£2,320	Starting savings rate 10%**	0-£2,440
Basic rate: 20%	0-£34,800	Basic rate: 20%	0-£37,400
Higher rate: 40%	Over £34,800	Higher rate: 40%	Over £37,400

*As announced at the 2008 Pre-Budget Report

** There is a 10p starting rate for savings income only. If an individual's non savings taxable income exceeds the starting rate limit, the 10p starting rate for savings will not be available for savings income

Corporation tax on profits

£ per year (unless stated)	2008-09	2009-10
£0 - £300,000	21 %	21 %*
£300,001 - £1,500,000	Marginal Relief	Marginal Relief
£1,500,001 or more	28 %	28 %

* The 2008 Pre-Budget Report announced that a rise in the small companies' rate to 22% would be deferred until 2010-11.

National insurance contributions*

£ per week (unless stated)	2008-09	Change	2009-10
Lower earnings limit, primary Class 1	£90	+£5	£95
Upper earnings limit, primary Class 1	£770	+£74	£844
Upper Accruals Point	N/A	N/A	£770
Primary threshold	£105	+£5	£110
Secondary threshold	£105	+£5	£110
Employees' primary Class 1 rate between primary threshold and upper earnings limit	11%	-	11%
Employees' primary Class 1 rate above upper earnings limit	1%	-	1%
Employees' contracted-out rebate - salary-related schemes	1.6%	-	1.6%
Employees' contracted-out rebate - money-purchase schemes	1.6%	-	1.6%
Married women's reduced rate between primary threshold and upper earnings limit	4.85%	-	4.85%
Married women's rate above upper earnings limit	1%	-	1%
Employers' secondary Class 1 rate above secondary threshold	12.8%	-	12.8%
Employers' contracted-out rebate, salary-related schemes	3.7%	-	3.7%
Employers' contracted-out rebate, money-purchase schemes	1.4%	-	1.4%
Class 2 rate	£2.30	+£0.10	£2.40
Class 2 small earnings exception (per year)	£4,825	+£250	£5,075
Special Class 2 rate for share fishermen	£2.95	+£0.10	£3.05
Special Class 2 rate for volunteer	£4.50	+£0.25	£4.75

£ per week (unless stated)	2008-09	Change	2009-10
development workers			
Class 3 rate (per week)	£8.10	+£3.95	£12.05
Class 4 lower profits limit (per year)	£5,435	+£280	£5,715
Class 4 upper profits limit (per year)	£40,040	+£3,835	£43,875
Class 4 rate between lower profits limit and upper profits limit	8%	-	8%
Class 4 rate above upper profits limit	1%	-	1%

* As announced at the 2008 Pre-Budget Report

Working and Child Tax Credits rates*

£ per year (unless stated)	2008-09	Change	2009-10
Working Tax Credit			
Basic element	£1,800	+£90	£1,890
Couple and lone parent element	£1,770	+£90	£1,860
30 hour element	£735	+£40	£775
Disabled worker element	£2,405	+£125	£2,530
Severe disability element	£1,020	+£55	£1,075
50+ Return to work payment (16-29 hours)	£1,235	+£65	£1,300
50+ Return to work payment (30+ hours)	£1,840	+£95	£1,935
Childcare element of the Working Tax Credit			
Maximum eligible cost for one child	£175 per week	-	£175 per week
Maximum eligible cost for two or more children	£300 per week	-	£300 per week
Percentage of eligible costs covered	80%	-	80%
Child Tax Credit			
Family element	£545	-	£545
Family element, baby addition	£545	-	£545
Child element	£2,085	+£150	£2,235
Disabled child element	£2,540	+£130	£2,670
Severely disabled child element	£1,020	+£55	£1,075
Income thresholds and withdrawal rates			
First income threshold	£6,420	-	£6,420
First withdrawal rate	39%	-	39%
Second income threshold	£50,000	-	£50,000
Second withdrawal rate	6.67%	-	6.67%
First threshold for those entitled to Child Tax Credit only	£15,575	+£465	£16,040
Income disregard	£25,000	-	£25,000

*As announced at the 2008 Pre-Budget Report

Guardian's Allowance rates from 6 April*

£ per week	April 2008	Change	April 2009
Guardian's Allowance	£13.45	+0.65	£14.10

* As announced at the 2008 Pre-Budget Report

Stamp taxes and duties

Transfers of land and buildings (consideration paid)

The stamp duty land tax (SDLT) holiday, which exempts residential properties up to the value of £175,000 from SDLT, is extended until 31 December 2009.

From 1 January 2010, the zero and 1% rates apply as per the table below:

Rate	Residential in disadvantaged areas	Residential outside disadvantaged areas	Non-residential
	Total value of consideration		
Zero	£0 - £150,000	£0 - £125,000	£0 - £150,000
1%	Over £150,000 - £250,000	Over £125,000 - £250,000	Over £150,000 - £250,000
3%	Over £250,000 - £500,000	Over £250,000 - £500,000	Over £250,000 - £500,000
4%	Over £500,000	Over £500,000	Over £500,000

Transfers of shares and stocks

The rate of stamp duty/stamp duty reserve tax on the transfer of shares and securities is unchanged at 0.5 per cent for 2009-10.

Tobacco duty rates

On 22 April 2009, tobacco duty rates will be:

Product	Current Duty	Duty on 22 April 2009
Cigarettes	24 per cent of the retail price plus £112.07 per thousand cigarettes	24 per cent of the retail price plus £114.31 per thousand cigarettes
Cigars (per kilogram)	£169.74	£173.13
Hand-rolling tobacco (per kilogram)	£122.01	£124.45
Other smoking tobacco and chewing tobacco (per kilogram)	£74.63	£76.12

The impact of the tobacco duty changes is shown in the table below

Product	Typical unit	Excise duty including VAT at 15% on duty
Cigarettes (premium)	Packet of 20	7 pence
Cigars	Packet of 5	3 pence
Hand-rolling tobacco	25g	7 pence
Other smoking tobacco and chewing tobacco	25g	4 pence

Alcohol duty rates

On 23 April 2009, duties on alcohol will be:

	Current	On 23 April 2009
Rate per litre of pure alcohol		
Spirits	£22.20	£22.64
Spirits-based ready to drink	£22.20	£22.64
Wine and made-wine: Exceeding 22% abv	£23.05	£22.64
Rate per hectolitre per cent of alcohol in the beer		
Beer	£16.15	£16.47
Rate per hectolitre of product		
Still cider and perry: Exceeding 1.2% - not exceeding 7.5% abv.	£31.21	£31.83
Still cider and perry: Exceeding 7.5% - less than 8.5% abv.	£46.83	£47.77
Sparkling cider and perry: Exceeding 1.2% - not exceeding 5.5% abv.	£31.21	£31.83
Sparkling cider and perry: Exceeding 5.5% - less than 8.5% abv.	£203.14	£207.20
Wine and made-wine: Exceeding 1.2% - not exceeding 4% abv.	£64.65	£65.94
Wine and made-wine: Exceeding 4% - not exceeding 5.5% abv.	£88.90	£90.68
Still wine and made-wine: Exceeding 5.5% - not exceeding 15% abv.	£209.82	£214.02
Wine and made-wine: Exceeding 15% - not exceeding 22% abv.	£279.74	£285.33
Sparkling wine and made-wine: Exceeding 5.5% - less than 8.5% abv.	£203.14	£207.20
Sparkling wine and made-wine: 8.5% and above - not exceeding 15% abv.	£268.75	£274.13

The impact of the alcohol duty changes is shown in the table below

Product	Typical unit	Excise duty including VAT at 15% of the duty
Beer @ 4.2% abv	pint	1p
Wine	75cl bottle	4p
Sparkling wine	75cl bottle	5p
Spirits @ 37.5% abv	70cl bottle	13p
Spirits-based ready to drink	275ml bottle	1p
Cider & perry	litre	1p

Gambling tax

From 4pm on 22 April 2009, rates of all categories of amusement machine licence duty (AMLD) will increase.

AMLD (£) after increase - months for which licence granted	Category A	Category B1	Category B2	Category B3	Category B4	Category C
1	500	255	200	200	180	80
2	985	490	385	385	350	145
3	1475	735	585	585	530	220
4	1965	985	775	775	705	290
5	2465	1230	970	970	875	365
6	2955	1475	1160	1160	1050	435
7	3445	1720	1355	1355	1225	505
8	3935	1965	1550	1550	1405	580
9	4430	2215	1745	1745	1580	655
10	4920	2465	1935	1935	1755	725
11	5410	2710	2130	2130	1930	795
12	5625	2815	2215	2215	2010	830

For accounting periods starting on or after 1 April 2009 gaming duty bands will be revalorised to the following:

Marginal Tax Rate	15% of first	20% of next	30% of next	40% of next*
Current Bands	£1,911,000	£1,317,000	£2,307,000	£4,869,500
Revalorised Bands	£1,929,000	£1,329,500	£2,329,000	£4,915,500

*50% will be charged on the remainder of Gross Gaming Yield

On 27 April 2009 participation fees for bingo and player-to-player gaming in casinos will no longer be subject to VAT.

For accounting periods starting on or after 27 April 2009 bingo duty will increase to 22%.

On 27 April 2009 player-to-player gaming in casinos will be brought into the gaming duty regime.

The Government will consult on moving the taxation of gaming machines onto a gross profits tax basis.

Fuel duties

Pence per litre (unless stated)	Duty rate pre-1 April 2009	From 1 April 2009*		From 1 September 2009	
		Change	New duty rate	Change	New duty rate
Ultra-low sulphur petrol/diesel	52.35p	+1.84p	54.19p	+2p	56.19p
Sulphur-free petrol/diesel	52.35p	+1.84p	54.19p	+2p	56.19p
Biodiesel	32.35p	+1.84p	34.19p	+2p	36.19p
Bioethanol	32.35p	+1.84p	34.19p	+2p	36.19p
Liquefied petroleum gas used as road fuel	20.77p per kg	+4.05p per kg	24.82p per kg	+2.85p per kg	27.67p per kg
Natural gas used as road fuel	16.60p per kg	+2.66p per kg	19.26 p per kg	+2.9p per kg	22.16p per kg
Rebated gas oil (red diesel)	10.07p	+0.35p	10.42p	+0.38p	10.80p
Fuel Oil	9.66p	+0.34p	10.00p	+0.37p	10.37p

*As pre-announced at Budget 2007 and confirmed at the 2008 Pre-Budget Report

Vehicle excise duty

Vehicle Excise Duty for Cars registered on or after 1 March 2001: 2009-10 and 2010-11 standard rates*

VED band	CO ₂ emissions (g/km)	Change from 2008-09 to 2009-10	Standard rate 2009-10**	Standard rate 2010-11**
A	Up to 100	£0	£0	£0
B	101-110	£0	£35	£20
C	111-120	£0	£35	£30
D	121-130	£0	£120	£90
E	131-140	£0	£120	£110
F	141-150	+£5	£125	£125
G	151-165	+£5	£150	£155
H	166-175	+£5	£175	£180
I	176-185	+£5	£175	£200
J	186-200	+£5	£215	£235
K***	201-225	+£5	£215	£245
L	226-255	+£5	£405	£425
M	Over 255	+£5	£405	£435

* As announced at the 2008 Pre-Budget Report

**Alternative fuel discount: 2009-10, A-I £20, J-M £15; 2010-11 onwards, £10 all cars

***Includes cars emitting over 225g/km registered between 1 March 2001 and 23 March 2006

Vehicle Excise Duty for brand new Cars: 2010-11 first-year rates*

VED band	CO ₂ emissions (g/km)	First-year rate 2010-11**
A	Up to 100	£0
B	101-110	£0
C	111-120	£0
D	121-130	£0
E	131-140	£110
F	141-150	£125
G	151-165	£155
H	166-175	£250
I	176-185	£300
J	186-200	£425
K	201-225	£550
L	226-255	£750
M	Over 255	£950

* As announced at the 2008 Pre-Budget Report

**Alternative fuel discount: 2010-11 onwards, £10 all cars

Vehicle Excise Duty for Cars and Light Goods Vehicles registered before 1 March 2001: 2009-10 and 2010-11 rates*

VED band	Change from 2008-09 to 2009-10	2009-10 rate	2010-11 rate
Up to 1549cc	+£5	£125	£125
Over 1549cc	+£5	£190	£205

* As announced at the 2008 Pre-Budget Report

Vehicle Excise Duty for Light Goods Vehicles registered on or after 1 March 2001: 2009-10 and 2010-11 rates*

VED band	Change from 2008-09 to 2009-10	2009-10 rate	2010-11 rate
Euro 4** & 5*** discount rate	+£5	£125	£125
Standard rate	+£5	£185	£200

*As announced at the 2008 Pre-Budget Report

**for Euro 4 compliant vans registered between 1 March 2003 and 31 December 2006

***for Euro 5 compliant vans registered between 1 January 2009 and 31 December 2010

Vehicle Excise Duty for Motorcycles: 2009-10 rates*

VED band	Change from 2008-09 to 2009-10	2009-10 rate
Up to 150cc	-	£15
151-400cc	-	£33
401-600cc	-	£48
Over 600cc	-	£66

*As announced at the 2008 Pre-Budget Report

Vehicle Excise Duty for Heavy Goods Vehicles and related vehicles: 2009-10 rates*

VED band	Change from 2008-09 to 2009-10	Standard rate 2009-10	Reduced Pollution Certificate Rate 2009-10
A	-	£165	£160
B	-	£200	£160
C	-	£450	£210
D	-	£650	£280
E	-	£1,200	£700
F	-	£1,500	£1,000
G	-	£1,850	£1,350

* As announced at the 2008 Pre-Budget Report

DETAILS

Further details of changes in 2009-10 (and, where indicated, later years) are set out below:

Income tax

As announced at the 2008 Pre-Budget Report the personal allowance for under 65s will increase above indexation to £6,475.

Age related allowances have been increased in line with inflation to £9,490 for people aged between 65-74 and to £9,640 for those aged 75 and over. This will mean that in 2009-10 no one aged 65 or over need pay tax on an income of up to £183 a week.

The basic rate of tax will remain at 20p, and the higher rate of tax will remain at 40p.

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 will increase 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.

Non-payable dividend tax credit

There is currently a one ninth non-payable dividend tax credit available for UK individuals receiving dividends from UK resident companies or from shareholdings of less than 10 per cent in foreign companies. For these individuals, higher rate taxpayers are liable to tax at 32.5 per cent but in practice only pay 25 per cent (of the net dividend) because part of the tax liability is covered by the tax credit. Basic rate taxpayers are liable to tax at 10 per cent but in practice do not pay any tax on dividends from UK companies because the tax liability is entirely covered by the tax credit.

As announced at Budget 2008, the non-payable dividend tax credit will be extended from 22 April 2009 to investors with a shareholding of 10 per cent or more in a non-UK resident company, unless the source country does not levy a tax on corporate profits similar to corporation tax. The credit will also be extended to all dividends from offshore funds, except for distributions from offshore funds with more than 60 per cent of interest bearing assets, which will be taxed as interest.

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.

Child Benefit

At Budget 2008, it was announced that in April 2009 the Child Benefit eldest/only child rate would increase above inflation to £20.00, and the rate for other children would increase in line with inflation to £13.20. At the 2008 Pre-Budget Report, these rises were brought forward from April 2009 to January 2009.

Child and Working Tax Credits rates

As announced at the 2008 Pre-Budget Report, on 6 April 2009 all elements of the Working Tax Credit (WTC), apart from the childcare element, increased in line with inflation. The limits on eligible childcare costs in the childcare element remain at £175 for one child and £300 for two or more children. The proportion of childcare costs payable through the childcare element of WTC remains at 80%.

As announced at the 2008 Pre-Budget Report, the child element of the Child Tax Credit (CTC) increased by £75 above average earnings indexation. This included the Government's commitment to increase the child element by £50 above indexation in April 2009, and also brought forward the Government's commitment to increase the child element by £25 above indexation in April 2010 to April 2009. The elements for disabled children and severely disabled children increased in line with inflation. The family element and baby addition remain unchanged.

As announced at the 2008 Pre-Budget Report, the income threshold for receiving maximum CTC only increased to £16,040, equivalent to the effective threshold for lone parents and couples receiving both WTC and CTC. The threshold for receiving maximum WTC remains at £6,040, and the threshold for receiving maximum family element of CTC remains at £50,000. The withdrawal rate for the family element remains at 6.67%, and for the rest of tax credits at 39%. The disregard for changes in income during the tax year remains at £25,000.

Stamp duty land tax (SDLT)

On the 2 September 2008 a SDLT holiday was announced, increasing the starting rate of SDLT for residential property to £175,000. This was due to expire on 3 September 2009. Budget 2009 announces that this will be extended until 31 December 2009.

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. Full rates are set out in the table above.

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.

NOTES FOR EDITORS

Section 41 of the Tax Credits Act requires a report to be laid before Parliament each year reviewing the amounts of certain tax credit elements and thresholds. Section 145 of the Social Security Contributions and Benefits Act 1992 requires an annual review of Child Benefit rates. Section 150 of the Social Security Administration Act 1992 requires the weekly rate of Guardian's Allowance to be increased in line with prices.