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**Pre-Budget  
Report  
2008**

# Pre-Budget Report: 24 November 2008

Summary of the Main Taxation  
Provisions

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## Introduction

Today, the Chancellor of the Exchequer Alistair Darling delivered his Pre-Budget Report to the House of Commons. As ever, his predecessor Gordon Brown, now Prime Minister, looked on with a watchful eye. This publication focuses only on the main taxation provisions in the Pre-Budget Report. It does not cover or comment on the Government's Spending Review.

Whilst many people were hoping for tax cuts, particularly families and small businesses, with public finances already stretched, how can the Chancellor balance public debt with the economic crisis? In reality, just how much scope does the Chancellor have to bring reprieve to those who are struggling? With the stock market at its most volatile and unreadable for many years, reaction to the Chancellor's announcements is widely expected to have an immediate impact on asset values and the wider economy: the Chancellor will need to choose his words with great care. PM Gordon Brown, hailed in many parts of the world as the



economic saviour who worked out how to save the banks, will want his Chancellor to get today's sums right. Borrowing billions to cut taxes is the only way to prevent a long lasting recession, Gordon Brown said earlier today.

## What is the Pre-Budget Report?

A Pre-Budget Report (PBR) is delivered by the Chancellor to the House of Commons in the autumn. It provides a progress report on what has been achieved so far, gives an update of the state of the economy and public finances, and sets out the direction of Government policy in the run up to the spring Budget.

The Prime Minister, Gordon Brown, introduced the idea of a Pre-Budget Report (PBR) in his first year as Chancellor in 1997.

Launching the first PBR on 26 November 1997, he said that its aim was to "help build the foundations of shared understanding and a sense of national economic purpose between Government, business, and individuals". The Treasury is legally bound to present two economic forecasts per year. Between 1993 and the 1997 election, this was done in the Budget which was held in November and the Summer Economic Forecast (late June/early July).

## Predictions

Today, the BBC predicted that Chancellor Alistair Darling would announce that he intends to raise the top rate of income tax in the future - a move that would break a Labour pledge held ever since Labour came to power in the 1997 election. The pledge was also repeated in Labour's 2005 manifesto. A new top rate of 45% rate could apply to incomes above £150,000 a year but may be delayed until after the next election in 2010.

But such a rise in tax was calculated by the BBC to raise only £1.2bn - nowhere near enough to get the UK economy back on track and it could well drive businesses out of the UK.

Widely expected was an announcement of short-term tax breaks to stimulate the economy including a temporary cut in VAT from 17.5% to 15%. PWC suggested that a new 15% VAT rate was a 6-1 bet on happening today.

Deloitte's expected that the Chancellor would focus on the current economic outlook, including his growth forecasts for tax, spending and borrowing figures for the current financial year.

Accountants Smith & Williamson suggested that today's proposals "could prove to be a Robin Hood event" where the Government tries to redistribute wealth from the rich to the poor. It predicted increases in national insurance for higher earners as well as a possible increase in the top rate of tax. Grant Thornton predicted that a substantial cut in tax revenue in the region of £15bn a year could be on the cards and would benefit the most vulnerable sections of society including pensioners, low income families and the unemployed.

On the property front, BDO Stoy Hayward said it wants the Chancellor to reduce the rate of stamp duty from 3% to 2% on properties worth up to £500,000 or increase thresholds to help the housing market.

With savings rates dropping by as much as 3% in the last few months, maybe the Chancellor would announce an increase in the annual ISA limit (currently £7,200 of which £3,600 can be in a cash ISA) – perhaps to as much as £10,000?



## Summary

This publication summarises the main proposals announced by the Chancellor on 24 November 2008. The information is derived from the many press releases issued by Government departments immediately after the Chancellor delivered his speech. Given the timescales involved in producing this publication only hours after the press releases became available, this is only a summary and is based on the press releases resourced by us on the day. Accordingly, there may be some proposals that are not covered here.

## Origins of the Budget

**Source:** HM Treasury

The origins of the Exchequer go back to the Norman period. The Norman system was based on two departments to deal with finance: the first, the Treasury, received and paid out money on behalf of the monarch; the second, the Exchequer, had a 'lower office' connected with the Treasury which received money, and it had an 'upper office', a court of law concerned with regulating the King's accounts. The word 'exchequer' comes from the Latin 'scaccarium' meaning a chessboard. The name was given to the court because counters were moved on a square table. The word 'budget' comes from an old French word 'bougette' which means little bag.

## Wish-List

In September 2008, BVCA, the UK's largest venture capital organisation, made representations to HMRC on what should be considered in this Pre-Budget review.

Among those representations were measures to encourage enterprise in the UK economy helping small businesses and venture capital in particular – particularly important in these turbulent times following the unprecedented corporate problems in financial markets around the world:

### Procurement

Looking at ways to increase the amount of business SMEs win from Government.

### A UK Fund of Funds

The UK has the second largest Private Equity and Venture Capital market in the world. Yet overall, UK investors shy away from the asset class, and venture in particular. In 2007, only 25% of the £29 billion raised by BVCA members across the private equity and venture capital industry came from the UK; with 75% coming from abroad. The amount invested in early-stage companies in 2007 declined from £1.3 billion to £683 million. The BVCA would like to see Government address these issues by corner-stoning a UK Fund of Funds which would play an important role in attracting funding, investment and experienced talented managers to the venture capital sector in the UK.

### Wider employee share ownership

The BVCA asked for the opportunity to discuss how approved share option plans can be extended to private equity backed companies whilst maintaining the rationale behind the various conditions.

### Provisions relating to smaller companies

The areas of concern include Enterprise Management Incentives, the Enterprise Investment Scheme and R&D Tax Credits:

#### *Enterprise Management Incentives (EMI)*

Venture capital and private equity controlled companies do not qualify under the EMI Scheme because, to qualify, companies have to be “independent”. Companies controlled by a venture capital or private equity investor generally fail to qualify as “independent” and therefore do not qualify for these reliefs. The

BVCA regards the extension of EMI to venture capital and private equity owned companies as a priority.

Under the EMI rules, it is only possible to grant EMI qualifying options to any one individual, to a value of up to £120k. In addition, there is an aggregate cap of £3m. The BVCA recommend that that the individual limit is materially increased to £750k whilst retaining the £3m aggregate limit.

Non-executive directors (NEDs) do not generally qualify for EMI options because the relief is generally restricted to those who spend the majority of their time working for the company. Experienced NEDs, who tend to hold two or more directorships at any one time, cannot qualify for EMI options. The BVCA recommends that EMI options be made available to NEDs.

#### *Enterprise Investment Scheme (“EIS”)*

Investors in venture capital-owned companies are also prevented from qualifying for EIS reliefs by virtue of the control tests. The BVCA takes the view that the legislation should be amended so that the “control” and “connection” rules do not preclude business angels from obtaining EIS reliefs merely because they are investing in companies which benefit from venture capital funding.

#### *Research and Development Tax Credits (“R&D Tax Credits”)*

The R&D Tax Credit Scheme is aimed at small and medium-sized enterprises (“SMEs”). For many SMEs, the cash flow and other benefits offered by the R&D Tax Credits are of critical importance, particularly when they are in the early stages of development. Most venture capital-controlled companies will not qualify for this relief by virtue of the EU SME definition which the BVCA believes unfairly penalises venture capital-backed companies because of a concern regarding the way control is defined.



## What the Chancellor actually said

A quick round-up:

VAT to be cut from 17.5% to 15% until 1 January 2010 - but alcohol and tobacco rates won't be affected as the VAT saving will be offset by higher duties. If Labour wins the next election National Insurance is to go up by 0.5% and a new 45% income tax rate brought in on earnings over £150,000 from 2011. The chancellor has slashed growth forecasts for the UK to between -0.75% and -1.25% in 2009.

BBC News summarised the main points from Chancellor Alistair Darling's pre-Budget Report and Comprehensive Spending Review statement as follows:

- The chancellor said that the UK economy is in a position of "relative strength" compared with rivals.
- The government has to work closely with other countries, the chancellor said. The UK will "take the lead" to prevent a recurrence of problems.
- Mr Darling said that he wants to take "fair and responsible" steps to help businesses and the economy.
- The chancellor said that tax revenues will fall significantly in the near term. It is right to ensure fiscal stability in the medium term, he added.
- Mr Darling said that increasing borrowing will help families. The PBR represents a £20bn fiscal stimulus, he added.
- Outlining the economic forecast, Mr Darling said that UK GDP growth this year as a whole is expected to be 0.75%. Output will continue to fall for the first half of next year. GDP is expected to fall to between minus 0.75 and minus 1.25% next year.
- The chancellor said that inflation is expected to continue to fall.
- The chancellor promised to continue "improving" public services and ensuring "value for money".
- UK net debt will remain below that of many countries, the chancellor said. Doing nothing would create a "deeper and longer recession", he added.
- Government borrowing will rise to £78bn this year and £118bn next year, Mr Darling said.
- The temporary £120 allowance for people who lost out as a result of ending the 10% income tax rate will be made permanent, with the amount rising to £145.
- Mr Darling said that VAT will be cut from 17.5 to 15% until the end of next year, coming into effect on 1 December 2008.
- The chancellor said that he would like retailers to pass on the VAT cut as quickly as possible.
- Mr Darling said that £3bn of capital spending will be brought forward from 2010/11. This will include housing and road projects, he added.
- The government will find a further £5bn in efficiency savings in 2010/11, the chancellor said.
- The chancellor promised £1bn for a temporary Small Business Finance Scheme.
- The government is closely monitoring banks' commitments to ensure lending facilities for firms are maintained, Mr Darling said.
- Mr Darling says small businesses will have a temporary increase in tax relief thresholds for empty properties. There have been reports of firms knocking buildings down to avoid the charge. From today, firms facing difficulties will be able to spread the timetable for paying taxes, he added.
- The Budget will be brought back into balance by 2015/16, the chancellor says.
- Alcohol, tobacco and petrol taxes will be raised to offset the VAT cut, Mr Darling added.
- Mr Darling says that, from April 2011, a new 45% income tax rate will be charged to those earning above £150,000 a year.
- The chancellor said that the government will provide an extra £100m to help households improve insulation.
- Air passenger duty will be reformed so that those who travel furthest pay most, Mr Darling said.
- A National Insurance rise was announced of 0.5%
- The chancellor promised £1bn for a temporary Small Business Finance Scheme.
- The chancellor said that the economic recovery must "support our environmental objectives", with the transition to a "low-carbon world continuing" continuing.
- The chancellor promised £15m to offer debt advice.
- Repossession should be the "last resort" for mortgage lenders, the chancellor told MPs. There should be three months' grace for those struggling with payments, he said.



- The chancellor said he wanted to improve the supply of mortgages. The government "will work up a detailed scheme" by the Budget next spring, he added.
- The state pension for single people will rise from £90.70 a week to £95.25 next April, the chancellor said as he brought his statement to an end.
- The increase in child benefit will be moved forward from April to January.
- The pension credit will increase from £124 to £130 a week for single people.
- Mr Darling said the new vehicle excise duty bands will be phased in. The maximum increase next year will be £5.

## Summary of the Proposals

### Main economic priorities

Within the UK, the chancellor said that the Government's immediate priorities include:

- continuing to monitor the financial system to ensure that it is able to support the wider economy, including through appropriate levels of lending to businesses and households;
- strengthening the Banking Bill to enhance the Authorities' ability to deal with banking group holding companies and the insolvency of investment firms; and
- introducing measures to facilitate the raising of equity capital.

### Main Income tax changes

The income tax personal allowance will be restricted for those with incomes over £100,000 from April 2010 and a new additional higher rate of income tax of 45% will be introduced for those with incomes above £150,000 from April 2011.

The Pre-Budget Report (PBR) makes permanent the £600 increase in the personal allowance and the £1,200 reduction in the basic rate limit announced in May, and announced further reforms to personal tax. These changes will provide additional help for low to middle income families next year. In April 2009, the Government will increase the personal allowance by £130 above indexation. This is on top of the £600 increase for 2008-09. It means 22 million basic rate tax payers under 65 will pay £145 less tax in real terms in 2009-10.

The Government will also maintain the additional £130 of personal allowance in April 2010. The real terms benefit will increase in 2010-11 when the RPI measure of inflation is projected to be negative.

The Government is also taking action to consolidate the public finances:

- from April 2010 the personal allowance will be restricted to half its value for those with incomes over £100,000, so that it is worth the same as to a basic rate taxpayer, and to zero for those with incomes over £140,000;
- from April 2011 an additional higher rate of income tax of 45% will be introduced for incomes above £150,000;
- from April 2011, the lifetime and annual allowances for tax-free pension savings will be held constant at £1.8 million and £255,000 respectively, for five years, up to and including 2015-16; and
- from April 2011 a 0.5% increase in the employer, employee and self-employed rates of NICs (both main and additional rates) alongside an increase in the point at which people begin to pay NICs to align this with the income tax personal allowance.

### National Insurances changes

The employee, employer and self-employed rates of National Insurance Contributions will increase by 0.5% from April 2011, when the chancellor believes his forecasted economic growth will be above trend rates and real incomes are growing strongly.

The starting point for employers', employees' and self-employed NICs in 2009-10 will increase in line with inflation to £110 per week. NICs are not paid on earnings or profits below this amount. The upper earnings and profits limits for NICs will increase from £770 to £844 per week. For the self-employed, the rate of Class 2 contributions will increase to £2.40 per week.

The weekly rate of voluntary Class 3 contributions for the 2009/10 tax year will be £12.05 per week. This rate supports an amendment to the Pensions Bill, tabled by DWP Ministers on 29 October 2008, that relaxes the time limits for the payment of voluntary NICs by individuals approaching state pension age. The amendment allows individuals with 20 qualifying years on their record (which may include any complete year of Home Responsibilities Protection) who reach State Pension age between 6 April 2008 and 5 April 2015 to pay an additional



six years of voluntary Class 3 contributions for any missing years since 1975/76. As announced during the Bill debate, this rate is designed to make the amendment cost neutral overall. The number of qualifying years required to receive a full State Pension falls from 44 for a man and 39 for a woman to 30 for both men and women from 6 April 2010. This significantly increases the value of voluntary Class 3 contributions to those who buy them. The actuarial value of Class 3 contributions is around £45 per week.

### *Employers' and employees' contributions*

In line with the Social Security Contributions and Benefits Act 1992, the lower earnings limit for employees' Class 1 contributions is to be raised to £95 a week. It is set at the level of the basic state pension for a single person from April 2009, rounded down to the nearest pound. This is the lowest level of weekly earnings that can count towards entitlement to contributory benefits.

The primary and secondary thresholds for Class 1 contributions will increase in line with inflation to £110 a week. Employees and employers will pay no Class 1 contributions on earnings below this level. The upper earnings limit for employees' Class 1 contributions will be raised to £844 a week, aligning it with the weekly equivalent of the higher rate threshold, the level at which higher rate tax starts to be paid.

The standard main rate of employees' Class 1 contributions below the upper earnings limit will continue to be 11%, and above the limit the rate will continue to be 1%.

The standard rate of employers' Class 1 contributions will continue to be 12.8%.

### *The Self-Employed*

The flat rate of Class 2 contributions will increase to £2.40 a week. Those with earnings below the annual small earnings exception can apply to be exempted from paying Class 2 contributions; this limit will be raised to £5,075. The annual lower profits limit for Class 4 contributions will increase in line with inflation to £5,715.

The upper profits limit for Class 4 contributions will be raised to £43,875, to align it with the level at which higher rate tax begins to be paid.

The self-employed will pay Class 4 contributions on all their profits above the lower profits limit. The rate of Class 4 contributions will continue to be 8% on profits below the upper profits limit, and 1% on profits above that limit.

### Child and Working Tax Credits rates and Child Benefit

Child Benefit is increasing to £20 for the first child, and in line with inflation for subsequent children. These changes will be brought forward from April 2009 to 5 January 2009.

All elements of the Working Tax Credit, apart from the childcare element, are increasing 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%.

The child element of the Child Tax Credit is increasing by £75 above average earnings indexation. This includes the Government's commitment to increase the child element by £50 above indexation in April 2009, and also brings 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 are increasing in line with inflation from April 2009. The family element and baby addition remain unchanged.

The income threshold for receiving maximum CTC only is increasing 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.

### Business Support measures

The chancellor acknowledged that businesses are facing an exceptionally challenging economic climate with uncertainty over the short to medium term. The Government is taking action to help businesses to respond in the short term, through:

- measures to help small and medium sized enterprises (SMEs) facing credit constraints, including a new Small Business Finance Scheme;
- more generous tax relief for businesses now making losses, by allowing temporary additional carry-back of up to £50,000 of losses; and
- the modification of a number of planned tax reforms, including the deferral of the increase in the small companies rate of corporation tax, a temporary increase in the threshold at which an empty property becomes liable for business rates, and the reform of air passenger duty, rather than proceeding with a per plane tax.

To ensure the UK is in a strong position to respond to the longer-term challenges, the Government will take forward further measures, including:

- a package of reforms to the taxation of foreign profits, including the introduction of a foreign dividend exemption for large and medium-sized businesses, supported by a worldwide debt cap on interest;
- a review of the controlled foreign companies anti-avoidance rules consistent with a further move towards a territorial approach;
- measures to enhance SMEs' access to government contracts, including a new online portal for all government contracts over £20,000; and
- a set of devolutionary proposals, to be agreed with local authorities in city-regions on a voluntary basis to increase their ability to drive sustainable economic growth.

Further details on these and other measures are set out below:

#### *Measures to improve the availability of finance for SMEs*

To help SMEs with working capital and investment needs:

- early in 2009, the Government will launch a Small Business Finance Scheme - a new temporary guarantee scheme to enable up to £1 billion of new Government supported lending by banks;
- the Export Credits Guarantee Department, in conjunction with the banks, will introduce a temporary guarantee scheme to support a £1 billion facility providing smaller exporters with better access to short-term working capital;
- the Government will also make available a capital fund of £50 million providing equity or quasi-equity to

SMEs who are overleveraged;

- earlier in November 2008, Advantage West Midlands launched a transition fund for viable SMEs facing financial difficulties. Other Regional Development Agencies (RDAs) will launch similar loan funds, now totalling £25 million, to help businesses over the next six months. The package of measures above includes £110 million of contribution from RDAs; and
- early in 2009, the Government will launch, with Business Link, a new easily accessible portal, to direct credit-worthy SMEs who are experiencing problems accessing credit.

#### *Temporary extension to loss relief rules*

To further help the cash flow position of businesses that have recently become loss-making, trading loss carry-back will be temporarily extended from one to three years for up to £50,000 of losses. This measure will apply for one year from 24 November 2008 for companies and unincorporated businesses.

#### *HMRC Business Payment Support Service*

Her Majesty's Revenue and Customs (HMRC) will provide a new service for businesses in temporary financial difficulty and unable to pay their tax bills to spread payment of their bills over a timetable they can afford. The service will cover all taxes paid by business, including corporation tax, VAT, PAYE, income tax and National Insurance Contributions.

#### *Small companies' rate of corporation tax*

The Government is deferring for one year the planned increase in the small companies' rate of corporation tax. The rate will remain at 21% during 2009-10.

#### *Empty Property Rate Relief*

The Government is temporarily increasing the threshold at which an empty property becomes liable for business rates. For financial year 2009-10 empty properties with a rateable value of less than £15,000 will be exempt from business rates - exempting an estimated 70% of empty properties.

#### *Interest-free payment schedule for backdated business rates bills*

To reduce the cash flow impact on businesses, given current economic difficulties, the Government will legislate to

give more time to pay certain backdated business rates bills issued before 31 March 2010. Business facing such bills will be able to pay their liability for previous years in equal interest-free installments over 8 years, rather than immediately. Beneficiaries will include several occupiers of ports who have been affected by recent rating reviews.

### *Taxation of foreign profits*

The Government announced reforms to enhance the competitiveness of the corporate tax system to make the UK a more attractive location for multinational business.

The Government will bring forward a balanced package of reforms to the taxation of foreign profits in Finance Bill 2009 to deliver an exemption from tax for most foreign dividends received by large and medium sized groups, regardless of the level of shareholding. A Targeted Anti-Avoidance Rule will apply to protect against any avoidance activity seeking to exploit these dividend exemptions. The exemption will be supported by a worldwide debt cap on interest, extension of the unallowable purpose rules, and consequential changes to the Controlled Foreign Company (CFC) rules. In addition, the existing Treasury consent rules will be reformed. Draft clauses will be issued in December for consultation.

The Government will also continue to examine options for reform of the CFC rules. Any reform will aim to improve the way the CFC rules achieve their objective of taxing profits diverted from the UK. Coupled with the exemption for foreign dividends, this represents a clear move further towards a territorial approach to taxing foreign subsidiaries so that a new CFC system should not tax profits that are genuinely earned in overseas subsidiaries. There will be continued consultation through 2009.

### *European Investment Bank*

The Government welcomes the commitment of UK lenders to approach the EIB to access these funds. Following negotiations between UK banks and the EIB, £1 billion of EIB funds will be available to SMEs in the UK by the end of 2008.

### *Tax Simplification*

Following discussions with business, the Pre-Budget Report sets out the next set of simplifications from its four ongoing simplification reviews and further, targeted measures to help sectors across the UK

economy, including employers, the self-employed and the financial services sector.

### *Tax Avoidance*

The Chancellor announced a package of measures designed to protect the tax system from abuse and ensure that all individuals and businesses pay the right amount of tax.

He said that it is particularly important in the current economic circumstances that the Government ensures the tax system is applied consistently, robustly tackling those who seek to reduce their tax payments in an unfair way and fraudsters making criminal attacks on the tax system. The PBR package includes a new anti-tobacco smuggling strategy; improvements to the avoidance scheme disclosure regime; and the use of a number of targeted measures to ensure fairness, protect the UK's competitive business environment and sustain public finances.

### *Further improvements to avoidance scheme disclosure regime*

The Government announced further amendments to the disclosure regime, introduced at Budget 2004. HMRC is simplifying and improving the procedure by which users of disclosed schemes report the Scheme Reference Number (SRN) back to HMRC. This will clarify how and when users are to report SRNs and will improve identification of users of these avoidance schemes, enhancing the Government's ability to respond to avoidance swiftly and in a targeted fashion.

### *Leasing: anti-avoidance*

The Government announced on 13 November that it would take action, effective from that date, to prevent a loss of tax:

- on transactions involving the leasing of plant or machinery under long funding leases;
- on the sale of a company that is an intermediate lessor of plant or machinery; and
- on rents payable on long funding leases of films.

### *Further consultation on principles-based approach to tackling avoidance in the area of financial products*

The Government has published consultation documents, including draft legislation, on principles-based legislation to counter avoidance involving disguised interest and

transfers of income streams, with the intention, if appropriate, of introducing legislation in Finance Bill 2009. This follows consultation and subsequent work with stakeholders on proposals introduced in the 2007 Pre-Budget Report. The principles-based approach is intended to tackle this kind of avoidance in a simpler and clearer way than through frequent legislative fixes.

#### *Real Estate Investment Trusts (UK-REITs) - Companies that are not property investment companies and UK-REITs*

The Government considers UK-REITs, launched in January 2007 and designed to provide a new tax regime for property investment companies, to have been a marked success. However, contrary to the Government's objectives, some businesses that are not property investment companies (they do not have high enough income coming from the rental of property to third party tenants) have developed corporate structures that would allow them to participate in the UK-REITs regime. The Government will legislate in Finance Bill 2009 to prevent this.

The Government will issue draft legislation for consultation in the New Year to ensure that it does not create any unintended consequences for existing UK REITs. The Government is also willing to have discussions to consider whether other parts of the tax code create any unnecessary barriers to becoming a UK-REIT.

#### *Income shifting*

The Government firmly believes it is unfair to allow a minority of individuals to benefit financially from shifting part of their income to someone else who is subject to a lower rate of tax - known as income shifting. The Government has consulted on this issue, but given the current economic challenges is deferring action on income shifting and will not bring forward legislation at Finance Bill 2009. The Government will instead keep this issue under review.

#### *VAT anti-forestalling*

To prevent the creation of artificial arrangements to avoid the return of the VAT rate to 17.5%, anti-forestalling legislation will be presented to Parliament as part of Finance Bill 2009. The Financial Secretary to the Treasury will make a written statement to Parliament on 25 November, announcing the intention to bring anti-forestalling legislation

before Parliament in Finance Bill 2009. The anti-forestalling legislation will apply from 25 November for the specific circumstances set out in the statement.

#### Helping people fairly

The Government has already taken action to help people through the current global economic difficulties. To provide additional support for low- and middle-income taxpayers, the Government will:

- make permanent the £600 increase in the income tax personal allowance announced in May 2008 with a further increase of £130, meaning basic rate taxpayers pay £145 less tax a year in 2009-10;
- bring forward April's increase in Child Benefit to January, worth an additional £22 on average to families and bring forward its commitment to increase the child element of the Child Tax Credit by £25 above indexation in April 2010 to April 2009;
- pay £60 to all pensioners in the New Year, which is equivalent to bringing forward the April increase in the Basic State Pension for a single pensioner to January.

The Government wished to support households facing financial difficulties. A new Lending Panel will improve monitoring of lending to households and businesses. Individuals can also expect:

- help through mortgage rescue and support for Mortgage Interest Schemes for eligible homeowners in difficulty;
- a commitment from major mortgage lenders on the Panel not to initiate repossession action within at least three months of an owner occupier going into arrears; and
- free and impartial debt advice through increased Government funding to ensure that those facing redundancy and seeking employment are helped back into work as quickly as possible the Government announces:
  - an additional £1.3bn to continue delivering effective support for the unemployed to find a new job;
  - a National Employment Partnership bringing together the Government and major employers to tackle rising unemployment; and
  - refocusing Train to Gain to provide support in pre-redundancy situations, expanding the Rapid Response Scheme to target small and large scale redundancies and extending local employment partnerships to focus on the short term unemployed.

Further details on these and other measures are set out below:

### *Extension of debt advice services*

The Government is committed to ensuring that any family facing debts which they cannot manage can access free impartial debt advice to help them get back on track. Building on ongoing Government investment in the debt advice sector, today's Pre-Budget Report announces additional Government funding of £5.85 million for an extension of telephone advice services and £10 million to extend face-to-face advice services to ensure everyone has access to free debt advice when they need it. This additional funding for increased debt advice capacity will be complemented by an online destination at [www.direct.gov.uk/debtadvice](http://www.direct.gov.uk/debtadvice) which will enable people to get information on free and impartial sources of debt advice.

### *Households and Housing*

Building on the September Housing Package, the Government is providing additional support in order to help people and households in financial difficulty through:

- establishing a Lending Panel to monitor lending to both businesses and households. Reporting to the Chancellor of the Exchequer, the Secretary of State DBERR and the Panel will bring together lenders, trade bodies, consumer groups, and the Government, regulators and the Bank of England;
- a commitment for the coming year by the major mortgage lenders, not to repossess homes within three months of the owner occupier going into arrears;
- protecting more vulnerable homeowners in financial difficulty by extending the Mortgage Rescue scheme to cover second charge lending; and
- increasing the generosity of the Support for Mortgage Interest scheme for homeowners who lose their jobs.

The Government is also supporting housing supply and affordability through:

- as part of the broader fiscal stimulus package, bringing forward a further £775m of housing and regeneration investment including £575m to provide additional support for social rented homes;
- helping more people get on the property ladder by assessing the need for further tax-relieved savings options for first time buyers saving for their first home;
- welcoming Sir James Crosby's report

published alongside PBR, and proceeding to work up a detailed scheme based on Sir James' recommendation of a government guarantee, for a temporary period, on the interest and principal of high quality mortgage-backed bonds, and seeking State Aid approval to proceed. The Government will take into consideration the interaction between this recommendation and the Credit Guarantee Scheme, and update on its position by the Budget. It will continue to keep under review what more can be done to ensure the continued supply of secured and unsecured credit in the economy.

### *Child Poverty*

The Government remains firmly committed to eradicating child poverty and since 1997 has made substantial progress. The Pre-Budget Report sets out the steps the Government will be taking, including:

- bringing forward its commitment to increase the child element of the child tax credit by £25 above indexation. The child element will therefore increase by £75 above indexation to £2,235;
- bringing forward its commitment to increase Child Benefit from £18.80 to £20pw for the first child, and from £12.55 to £13.20pw for subsequent children to January 2009; and
- setting out that the Prime Minister's announcement to legislate on the commitment to eradicate child poverty by 2020 will be taken forward through a child poverty bill in 2009.

### *Supporting people in later life*

The Government is committed to uprating the basic State Pension by RPI or 2.5%, whichever is higher. In April 2009 the level of a full State Pension will rise in line with prices to £95.25 a week. In addition, the Government announces that it will make a payment in the New Year of £60 for each pensioner, equivalent to bringing forward uprating of the basic State Pension from April to January. A £60 payment will also be made to 2.5m individuals who are in receipt of certain other benefits.

The Government today also announces an above-indexation increase in Pension Credit's minimum income guarantee to £130.00 for single pensioners and £198.45 for couples in 2009-10.

### *The Saving Gateway*

The Government today announced that it will contribute 50p for each pound saved in the new national Saving Gateway. This will provide a strong and easily understood incentive to save for around 8 million people on lower incomes. The Saving Gateway will be introduced nationally in 2010.

People on qualifying benefits and tax credits will have the opportunity to open Saving Gateway accounts through a range of financial institutions such as banks, building societies and credit unions. Building on the strength of the Post Office as a trusted brand, the Saving Gateway will also be available through the Post Office.

### *Supporting Employment*

The Government is responding to rising unemployment with a comprehensive package of support to help people move back into work as quickly as possible. The PBR announced that an additional £1.3 billion will be set aside for the Department for Work and Pensions over the next two years to ensure Jobcentre Plus capacity is in place to respond effectively to rising unemployment.

The Government is also refocusing and expanding three existing schemes, to help people facing redundancy move seamlessly into a new job. This includes:

- substantial expansion of Jobcentre Plus' employer engagement capacity;
- strengthening and expanding the Rapid Response Service; and
- extending Train to Gain to provide new training to people before they are made redundant.

This package will be underpinned by a radical new partnership with employers. Over 20 Chief Executives from top national companies have agreed to support the Government through a National Employment Partnership – chaired by the Prime Minister.

### *Fuel duty*

As a result of falling oil prices, pump prices have now fallen by more than 20 pence per litre from their July peaks. The Pre-Budget Report therefore announced that the 2 pence per litre increase in fuel duty planned for 2008 will now take place on 1 December 2008. However, as a result of the 2.5% cut in VAT this December, the cost of petrol and diesel will fall for private motorists who should see no increase in the price they pay at the pump this year from this measure.

The Pre-Budget report also confirms that, as pre-announced in Budget 2008, main fuel duties will further increase by 1.84 pence per litre on 1 April 2009; and 0.5 pence per litre above indexation on 1 April 2010.

### *Vehicle excise duty*

Since 2001, post-2001 vehicle excise duty (VED) has been based on different rates depending on carbon dioxide emissions from cars. Budget 2008 announced further reform of this structure, to reflect changes to the fuel efficiency of vehicles.

The Pre-Budget Report confirms the introduction of new VED bands in 2009. However, it also announces that to reduce pressures on motorists during the current economic downturn there will be no significant rate changes until 2010, and no driver in any given band will pay more than £30 more in that year. This reform includes:

- from April 2009, six new bands of VED will be introduced, taking the total to 13. However, VED rates will not increase by more than £5 for any car in this year;
- from April 2010, in order for the new bands to create an environmental incentive, the Government will start to separate out the 13 differential rates;
- from April 2010, a differential First-Year Rate for new vehicles will be introduced as announced in Budget 2008, in order to provide a stronger signal to consumers at the point of purchase; and
- cars that emit over 225 g/km, but were registered between 1 March 2001 and 23 March 2006, will be moved into new band K in 2009 and stay there in 2010. This will mean that they maintain their exemption from the top rate of VED.

Cars registered before 2001 – which account for around a third of the fleet – are not subject to these reforms, because comprehensive data on their CO<sub>2</sub> emissions is not available. Instead, pre-2001 cars are subject to a separate VED regime, based on engine size.



## Corporation Tax: Small Companies' Rate

### Who is likely to be affected?

It will affect companies with:

- profits chargeable to corporation tax (CT) lower than the lower relevant maximum amount (LRMA) (currently £300,000);
- CT profits between LRMA and the upper relevant maximum amount (URMA) (currently £1.5m); and
- profits from oil extraction and oil rights in the UK and the UK Continental Shelf ('ring fence profits').

### General description of the measure

The planned increase of the small companies' rate (SCR) of corporation tax from 21% to 22% from 1 April 2009 has been deferred until 1 April 2010. Legislation will be introduced in Finance Bill 2009 to maintain the SCR for all profits, apart from ring fence profits, at 21% from 1 April 2009 and set the fraction used to smooth the difference between the main rate of CT and the SCR (marginal SCR) at 7/400. Profits limits will remain the same.

The SCR for ring fence profits will remain at 19% from 1 April 2009 and the marginal small companies' relief fraction for ring fence profits will remain at 11/400.

### Operative date

The measure will have effect on and after 1 April 2009.

## Extension of Trading Loss Carry-Back for Businesses

### Who is likely to be affected?

All companies and unincorporated businesses making losses from carrying on trades, professions or vocations (referred to below as trading losses).

### General description of the measure

This measure extends the ability of businesses to carry trading losses back against profits of earlier years to get a repayment of tax.

### Operative date

The measure will have effect for company accounting periods ending in the period 24 November 2008 to 23 November 2009. For unincorporated businesses, the measure will have effect in relation to trading losses for tax year 2008-09.

### Current law and proposed revisions

Under current rules businesses already have a number of mechanisms to ensure tax from profitable years is repaid through set-off against losses that arise in subsequent periods when times are harder.

Firstly, businesses can offset unlimited trading losses against profits in the preceding year and thereby reclaim tax previously paid. Secondly, start-up unincorporated businesses in the early years of operation can carry trading losses back for three years. Thirdly, any business ceasing to trade can also carry trading losses back for three years and lastly, ongoing trading losses can be offset against profits in future years.

The proposed revision will apply for one year and will extend the period that current trading losses from businesses can be carried back against previous profits, from the current one year entitlement to a period of three years, with losses being carried back against later years first.

The amount of losses that can be carried back to the preceding year remains unlimited. After carry back to the preceding year, a maximum of £50,000 of the balance of unused losses is then available for carry back to the earlier two years.

A company may make a loss relief claim under the new rules when it makes its return for an accounting period ending in the period 24 November 2008 to 23 November 2009.

Unincorporated businesses may make a loss claim under the new rules as soon as they have calculated their losses for their basis period for tax year 2008-09. HMRC will make repayments arising from loss relief claims received under the new rules on or after Budget Day 2009.

## Corporation Tax: Loan Relationships - Connected Companies

### Who is likely to be affected?

It will affect companies that are subject to the corporation tax legislation on corporate debt (the 'loan relationships' rules).

### General description of the measure

Legislation will be introduced in Finance Bill 2009 to amend the loan relationships rules affecting connected companies.

The first change amends the rules on the release of trade debts between connected companies.

The second change amends the rules on the late payment of interest between connected companies.

### Operative date

The changes will have effect for company accounting periods beginning on or after 1 April 2009.

### Current law and proposed revisions

Two companies are 'connected' under the loan relationships rules if one controls the other, or they are both under common control – so companies in the same group are connected. A creditor that formally releases a connected debtor from a trade debt is denied a deduction for the loss on the debt, but currently the debtor may be taxed on its 'profit'. Under the first change proposed, the debtor company would not be taxable on the release.

The second change concerns the rule that allows a debtor company a deduction for interest payable to a connected creditor that is outside the loan relationships rules only on a paid basis, rather than on the accruals basis that normally applies. A consultation has taken place on how the rule should be amended to provide certainty about its operation. The options for change are being considered in the light of responses received to that consultation.

### Draft legislation

Draft legislation to achieve both changes will be available on the HMRC website later this year.

## Claims Equalisation Relief for Lloyd's Corporates

### Who is likely to be affected?

It will affect corporate members of the Lloyd's insurance market.

### General description of the measure

Insurance companies whose business covers volatile and uncertain risks (e.g. storm damage) can set aside amounts to cover future payments of these types of claim and get tax relief on them. Corporate members of Lloyd's do not at present qualify for the relief.

Corporate members of Lloyd's will, in future, be able to benefit from this type of relief.

### Operative date

The legislation will apply to profits treated as arising in the year ended 31 December 2008.

### Current law and proposed revisions

Insurance companies, as distinct from Lloyd's corporate members, are obliged by the Financial Services Authority to set aside amounts, called claims equalisation reserves (or provisions) against the fluctuating results of certain volatile types of business.

This scheme, introduced in 1996, was not extended to Lloyd's corporate members because the capital reserving arrangements at Lloyd's were different from those of general insurance companies and the market did not see the need to set aside further reserves which could have provided a basis for the relief.

However, over the years the capital requirements of general insurance companies and Lloyd's corporate members have converged and increasingly the absence of relief in Lloyd's appears anomalous. The new relief will broadly reflect the relief that would be available if the corporate members were obliged to set equalisation reserves, but adapted for the particular circumstances of members, who trade in the market through "syndicates".

## Tax on chargeable gains, stamp duty and stamp duty reserve tax: Stock Lending Arrangements

### Who is likely to be affected?

Market makers, securities dealers and financial institutions that enter into stock lending arrangements with a financial institution which subsequently becomes insolvent and unable to return securities borrowed under the arrangement.

### General description of the measure

Legislation will be introduced in Finance Bill 2009 to disapply the rule that treats the non-return of borrowed securities as a disposal by the lender for capital gains purposes (capital gains tax and corporation tax on chargeable gains), provided that the lender uses collateral provided by the borrower to acquire replacement securities of the same kind in the market.

The legislation will also disapply the stamp duty and stamp duty reserve tax (SDRT) rules that impose an SDRT charge on the borrower under a stock lending arrangement, and the purchaser under a sale and repurchase agreement (repo), in respect of the default. And, where the lender uses collateral provided by the borrower to acquire replacement securities, the purchase will be relieved from a charge to stamp duty or SDRT.

### Operative date

The changes to the capital gains rules will have effect for stock lending arrangements where the borrower becomes insolvent on or after 24 November 2008. It will also be possible to elect for the changes to have effect from 1 September 2008 up to 24 November 2008.

The stamp duty and SDRT changes will have effect for stock lending arrangements where the borrower becomes insolvent, or to repos where the purchaser becomes insolvent, on or after 1 September 2008.

## Qualified Investor Schemes

### Who is likely to be affected?

It will affect Qualified Investor Schemes (QIS) and their investors.

### General description of the measure

This measure replaces a QIS tax rule that effectively limits most investors to a 10% share of any one fund, by a genuine diversity of ownership rule.

### Operative date

This measure will have effect on and after 1 January 2009 (subject to transitional periods applying to existing QIS).

### Current law and proposed revisions

QIS are a type of Authorised Investment Fund (AIF) which may only be marketed to sophisticated investors. They have wider investment powers than other types of AIF.

Current tax regulations for investors in a QIS impose a different form of tax charge on substantial investors (those investors with a 10% or greater holding) in a QIS to that which otherwise applies to investors in all types of AIF.

The measure will amend the regulations to remove the specific tax charge on substantial investors and will allow all investors in a QIS to benefit from the tax regime applying to authorised investment funds, subject to a condition that investment in the QIS will not be limited to specific individuals or companies ('the genuine diversity of ownership rule').

## Property Authorised Investment Funds

### Who is likely to be affected?

It will affect Property Authorised Investment Funds (Property AIFs) and their investors.

### General description of the measure

The measure provides for:

- a stamp duty reserve tax (SDRT) exemption for feeder funds to Property AIFs;
- simpler distributions to Property AIF feeder funds; and

- clarification of the tax treatment of manufactured payments representing Property AIF distributions.

### Operative date

This measure will have effect on and after 1 January 2009.

### Current law and proposed revisions

The measure applies to specialist funds (feeder funds) set up to invest solely in an associated Property AIF. Currently, SDRT under Schedule 19 to the Finance Act 1999 applies to both a Property AIF and a feeder fund. This measure provides an exemption from Schedule 19 for a feeder fund that satisfies certain conditions, in order to prevent a double charge to tax on a single economic transaction.

Tax regulations for Property AIFs require that property income and interest distributions are paid gross to other AIFs. The measure will allow for net payment to unit trusts where this is requested. This will simplify administration for specialist 'feeder funds' through which companies can invest in Property AIFs.

The regulations applying to Property AIFs do not currently specify the tax treatment of manufactured payments representing distributions. This measure will clarify the treatment in line with other existing provisions for manufactured payments.

## Avoidance using Authorised Investment Funds

### Who is likely to be affected?

It will affect certain investors in Authorised Investment Funds (AIFs).

### General description of the measure

The measure provides for revision of an AIF anti-avoidance provision in the light of further disclosures.

### Operative date

This measure has effect on and after 1 January 2009.

### Current law and proposed revisions

The anti-avoidance provision will prevent the corporate streaming provisions in the AIF regulations from applying at all to investors

for whom an AIF dividend is to be treated as a trading receipt. This will block attempts to circumvent the current anti-avoidance rules. This change will mean that the only investors remaining within the scope of the current rules are general insurance companies for whom an AIF dividend is not treated as a trading receipt.

## Change of Accounting Practice Regulations: Foreign Exchange

### Who is likely to be affected?

It will affect large multinational businesses.

### General description of the measure

This measure will correct an anomaly in the regulations that deal with the taxation consequences of a change of accounting practice with regard to financial instruments, to prevent companies from suffering double taxation or receiving double relief as a consequence of such a change.

This anomaly relates to exchange gains and losses which were not taxed before the change of accounting practice due to the tax rules relating to foreign exchange hedging transactions (the tax matching provisions).

### Operative date

This measure will have effect on and after 1 January 2009 to prevent further double taxation or double relief as a result of a change of accounting practice.

## Sale of Lessor Companies: Intermediate Lessors

### Who is likely to be affected?

It will affect companies carrying on a business of leasing plant or machinery.

### General description of the measure

The measure ensures that the 'Sale of Lessor Company' legislation, Schedule 10 to the Finance Act (FA) 2006, operates appropriately when an intermediate lessor

company is sold.

The measure counteracts an avoidance scheme that uses a sale and leaseback arrangement to transform a lessor into an intermediate lessor with no legal title to the asset. When the lessor has no legal title to the asset the legislation fails to calculate an appropriate charge.

Changes to Schedule 10 will correct this anomaly by treating plant or machinery that is not owned by the company in a manner consistent with the treatment of plant it owns.

#### Operative date

The legislation will have effect where a lessor company is sold on or after 13 November 2008.

## Plant and Machinery Leasing: Anti-Avoidance

### Who is likely to be affected?

It will affect businesses leasing plant or machinery.

### General description of the measure

This measure counters avoidance involving a leaseback following the sale or lease of plant or machinery. It will ensure that:

- a business entering into such arrangements does not gain more relief than it would have done had it obtained loan finance;
- tax is not avoided when a lessor grants a long funding lease; and
- when a long funding lease ends, the lessee has obtained an appropriate amount of relief.

This measure counters avoidance involving a leaseback following the sale or lease of plant or machinery. It will ensure that:

- a business entering into such arrangements does not gain more relief than it would have done had it obtained loan finance;
- tax is not avoided when a lessor grants a long funding lease; and
- when a long funding lease ends, the lessee has obtained an appropriate amount of relief.

### Operative date

The measure will have effect for leasebacks entered into, and long funding leases granted or ending, on or after 13 November 2008.

## Leasing Avoidance by Film Partnerships

### Who is likely to be affected?

Lessors of films, including partnerships and other businesses.

### General description of the measure

Legislation will be introduced in Finance Bill 2009 to counter aggressive avoidance involving businesses leasing films to others under a long funding lease by providing that rents under the lease are taxable in full.

### Operative date

The measure will have effect for:

- long funding leases of films entered into on and after 13 November 2008; and
- rents payable under long funding leases entered into before that date, but only to the extent that they are payable after, and refer to periods after, that date.

### Current law and proposed revisions

Under the rules that operated before 1 January 2007 businesses were entitled to claim special relief for the cost of producing or acquiring a film. These reliefs were typically claimed by partnerships of wealthy individuals who leased the film to companies who were able to exploit them commercially.

The rents receivable under the leases should be taxed in full, and where that is the case the partners enjoy deferral of their tax liabilities.

Attempts have been made to turn taxable income into non-taxable income by replacing existing leases with leases that are intended to qualify as long funding leases of plant or machinery. This would mean that the majority of the rents arising will fall outside the charge to tax. In effect, the partnerships will have replaced a taxable income stream with one that is largely untaxed.

This measure provides that the rentals under a long funding lease of a film are taxable in full. It does not affect the current film tax relief scheme.

## Modernising Tax Relief for Business Expenditure on Cars

### Who is likely to be affected?

It will affect all businesses that buy or lease cars.

### General description of the measure

Budget 2008 announced the abolition of the current rules for “expensive cars”, replacing them with an environmentally based pooling system. The rate of writing-down allowance will be based on the CO2 emissions of the car.

The restriction on allowable lease rentals for businesses that lease or hire cars will also be based on the CO2 emissions of the car.

### Operative date

The new rules will generally have effect on and after 1 April 2009 for businesses in the charge to corporation tax, and on and after 6 April 2009 for businesses in the charge to income tax. (A Technical Note will be published shortly providing full details of this.)

### Current law and proposed revisions

Capital allowances allow businesses to write off the costs of capital assets, such as plant and machinery, against their taxable income. They take the place of commercial depreciation, which is not allowed for tax. There are certain 100% capital allowances (such as the new Annual Investment Allowance) available for certain types of expenditure, but once these adjustments have been made, any balance of expenditure is dealt with in the appropriate capital allowances pool and writing-down allowances (WDAs) are calculated on the reducing-balance basis. The rate of WDA for the main pool is 20% (of the unrelieved expenditure in the pool) a year. The special rate pool was introduced from April 2008 with a WDA rate of 10% a year.

Currently there are special capital allowances rules for cars:

- expenditure on cars with very low carbon dioxide emissions (up to 110g/km) can qualify for 100% first-year allowances;

- expenditure on cars costing £12,000 or less is eligible to go into the main pool and WDAs given at 20% per annum on the reducing balance;
- expenditure on cars costing over £12,000 must be dealt with separately from expenditure on other assets with expenditure on each car being allocated to a single asset pool. The WDAs are calculated in the normal way (at 20%) and then restricted to an annual amount of £3,000. However, when the car is sold any unrelieved depreciation is allowed through a balancing allowance, while any excess allowances over economic depreciation are recovered through a balancing charge.

From April 2009 the special rules that restrict the amount of capital allowances for cars costing more than £12,000 will be abolished and replaced by new rules. Qualifying expenditure incurred on or after 1 or 6 April 2009 on cars will be allocated to one of the two general plant and machinery pools. The pool that is appropriate will depend on the car’s CO2 emissions. Expenditure on cars with CO2 emissions over 160g/km will be dealt with in the special rate pool and will attract WDAs at 10%.

Cars that have an element of non-business use will continue to be dealt with in a single asset pool to enable the private use adjustment to be made, but for expenditure incurred from April 2009 onwards the rate of WDA will be determined by the car’s CO2 emissions.

Expenditure incurred before April 2009 will, in general, continue to be subject to the old “expensive” car rules for a transitional period of around five years. After this transitional period, any expenditure remaining in a single asset pool (unless there is any non-business use of the car) will be transferred to the main capital allowances pool.

From April 2009, the special rules that restrict the amount of lease rental payments that can be deducted for tax purposes for a car costing more than £12,000 will be reformed. The restriction will be changed to a flat rate disallowance of 15% of relevant payments and apply only in respect of cars with CO2 emissions above 160g/km. At present the restriction applies to all links in a chain of leases. From April 2009, it will only apply to one lease.

Expenditure under leases that commenced prior to 1 or 6 April (that is where the car is

made available before April 2009) will continue to be subject to the “old” rules.

Certain hire cars (cars used as taxis, daily hire cars and cars leased to disabled people) are currently exempt from the “expensive car rules”, but will be subject to the new CO2 emissions based rules. At Budget 2008, the Government announced its intention that, subject to State aid approval, expenditure on cars leased to those in receipt of certain disability allowances would be placed in the 20% pool, regardless of their CO2 performance. This remains the Government’s intention. However, the Government has agreed with the main UK supplier of leased cars to disabled people that it would be in the best interests of their customers to defer an application for State aid approval at the present time. Initiatives are being taken to increase the availability of cars with low emissions for lease by disabled people within a wide choice of affordable cars.

Motorcycles are to be excluded from the definition of cars and will not, therefore, be subject to these rules. Expenditure incurred on motorcycles on or after 1 or 6 April 2009 will qualify for Annual Investment Allowance.

## Disabled Company Car Drivers

### Who is likely to be affected?

Those affected will be:

- employees who drive automatic company cars and take advantage of the current special rules to use the CO2 emissions of an equivalent manual car to calculate the benefit; and
- employers who bear Class 1A National Insurance Contributions (NICs) on the taxable benefit of providing an automatic company car for disabled drivers.

### General description of the measure

Legislation will be introduced in Finance Bill 2009 to extend the special treatment to allow disabled company car drivers driving an automatic car to use the lower list price of an equivalent manual car to work out the benefit charge. They can already use the CO2 emissions of an equivalent manual car to measure the benefit.

### Operative date

The legislation will have effect on and after 6 April 2009.

### Current law and proposed revisions

Company car tax (CCT) is calculated in steps; first the CO2 emissions are used to find the appropriate percentage, then this is applied to the total sum of the list price and accessories.

Disabled drivers who hold a blue badge and need to drive automatic company cars are able to use the CO2 figure for the equivalent manual car in the calculation of the benefit where this is lower than that of the automatic car.

This measure allows those drivers to use the list price of an equivalent manual car in the calculation of the benefit where this is lower than that of the automatic car.

The measure will be given effect by changing the Income Tax (Earnings and Pensions) Act 2003 so that sections 123 and 124 operate as described above.

## Land Remediation Relief

### Who is likely to be affected?

Bodies liable to corporation tax who carry out work on land contaminated by pollutants or infested with Japanese Knotweed.

Bodies liable to corporation tax who are involved in bringing long term derelict land back into productive use.

### General description of the measure

In December 2007, the Government published its response to the consultation “Tax incentives for development of brown-field land”. This measure gives effect to the proposed changes to Land Remediation Relief set out in that response. In particular, it will extend the relief to specified expenditure on bringing long term derelict land back into productive use.

The measure amends the existing Land Remediation Relief to give greater clarity on what categories of expenditure qualify for relief, whilst at the same time giving companies greater certainty about whether their expenditure will qualify for relief.

#### Operative date

The measure will have effect for expenditure incurred on or after 1 April 2009.

The relief will be available on specified expenditure. The qualifying costs are expenditure on the removal of:

- post-tensioned concrete heavyweight construction;
- foundations of buildings or other structures or machinery bases;
- reinforced concrete pilecaps;
- reinforced concrete basements; or
- underground pipes or other apparatus for the supply of electricity, gas, water or
- telecommunication services or for drainage or sewerage.

Finance Bill 2009 will also include a power to amend this list by secondary legislation.

## Disclosure of Tax Avoidance Schemes

#### Who is likely to be affected?

It will affect users of disclosed tax avoidance schemes, including individuals, companies and employers.

#### General description of the measure

Finance Act (FA) 2008 and subsidiary regulations contained improvements to the way scheme reference numbers (SRNs), issued by HMRC for disclosed tax avoidance schemes, are passed on from scheme promoters to end users.

Following discussions with business, further changes will be made to simplify and improve the procedure by which scheme users report a SRN back to HMRC.

#### Operative date

The changes will have effect for tax return periods beginning on or after 1 April 2009.

## Simplification of Anti-Avoidance Rules

#### Who is likely to be affected?

Companies who award, and employees who acquire, employment-related securities or shares; and financial concerns.

#### General description of the measure

As part of the simplification review, legislation will be introduced in Finance Bill 2009 to simplify certain tax rules that apply to employment-related securities or shares (ERS) acquired by employees for less than market value, and to repeal an outdated anti-avoidance provision relating to transactions between associated persons.

#### Operative date

The ERS changes will have effect for transactions occurring on or after the date that Finance Bill 2009 receives Royal Assent. The repeal will have effect on and after the same date.

## VAT: Bespoke Retail Schemes Threshold

#### Who is likely to be affected?

It will affect businesses with an annual turnover in retail sales between £100 million and £130 million.

#### General description of the measure

As part of a wider VAT simplification review, this measure will change to £130 million the threshold above which a business may not use a published retail scheme to account for VAT on its retail supplies.

The present threshold of £100 million has been in force since 2000. This measure will revalorise this figure.

#### Operative date

The measure will have effect on and after 1 April 2009.

## Simplifying the Entry and Leaving Rules for the VAT Flat Rate Scheme

### Who is likely to be affected?

It will affect small businesses that are eligible to use the VAT flat rate scheme.

### General description of the measure

As part of a wider VAT simplification review, this measure will simplify the entry and leaving tests for the flat rate scheme. The entry test based on total business income will be removed altogether; the leaving test will be amended, so that businesses can determine their eligibility to use the scheme based upon the method they use to calculate their VAT while on it.

### Operative date

This measure will have effect on and after 1 April 2009.

## Changes to the Standard Rate of VAT

### Who is likely to be affected?

It will affect all businesses registered for VAT and consumers who pay the tax.

### General description of the measure

This measure will reduce the standard rate of VAT from 17.5% to 15% from 1 December 2008. The rate will remain at 15% until 1 January 2010 when it will revert to 17.5%.

Zero rated supplies, such as basic foodstuffs, children's clothing and books; exempt supplies, such as education and health; and supplies subject to VAT at 5% such as domestic fuel and power are not affected by this change.

Anti-forestalling legislation will be introduced in Finance Bill 2009 to ensure that businesses are not able to use artificial arrangements to reduce the VAT rate on goods or services to be provided after the VAT rate reverts to 17.5% where there is no current economic activity. Genuine commercial transactions should not be affected.

The measure includes two consequential changes. Firstly, it amends the percentages used in the flat rate scheme for small businesses to reflect the reduction in the standard rate of VAT. Secondly, it introduces a change to the timing of credit notes issued following a change of rate.

### Operative date

The 15% rate will have effect for:

- supplies of goods and services made on or after 1 December 2008;
- imports on or after 1 December 2008; and
- acquisitions of goods from other Member States on or after 1 December 2008.

The anti-forestalling legislation will have effect for arrangements entered into on or after 25 November 2008. The consequential changes to the flat rate scheme percentages and the timing of credit notes will have effect on and after 1 December 2008.

## UK Real Estate Investment Trusts

### Who is likely to be affected?

It will affect companies or groups of companies that are considering joining the Real Estate Investment Trust (REIT) regime.

### General description of the measure

Legislation will be introduced in Finance Bill 2009 to make changes to the REIT regime. The regime exempts both income and gains made on property from tax, provided the company or group meet certain conditions. There is an initial tax charge on entry to the REIT regime and 90% of profits from the property rental business have to be distributed as Schedule A income.

The conditions to be met by a company or group in the REIT regime will be amended, to ensure that they cannot be circumvented by the artificial creation of new group structures for REIT purposes.

### Operative date

The changes will have effect on accounting periods beginning on and after 1 April 2009. A company or group of companies will be required to meet the revised requirements in order for Part 4 of the Finance Act (FA) 2006 to apply or continue to apply.

## Individual Savings Accounts and Multilateral Institutions

### Who is likely to be affected?

It will affect all subscribers to, and providers, of Individual Savings Accounts (ISAs).

### General description of the measure

This measure extends the list of investments that can qualify for the ISA regime to include bonds which are issued by Multilateral Institutions (as defined by the Organisation for Economic Cooperation and Development (OECD)).

### Operative date

The measure will have effect on and after 16 December 2008.

## Other

### A Charter for HMRC

The Government today announced that it will begin consultation in January on the wording of a Charter for HMRC, as an important contribution to its relationship with individuals, businesses and tax agents. This follows a major consultation over the summer on the scope of a Charter.

### Auctioning allowances in Phase II of the EU ETS

The UK held the first ever auction of carbon allowances under Phase II of the EU Emissions Trading Scheme (EU ETS) on 19 November. Four million allowances were sold raising over £54 million. The EU ETS caps emissions from power generation and heavy industry and covers around half of UK carbon dioxide emissions.

### Supporting low carbon technology and infrastructure

Today, the Secretary of State for Energy and Climate Change has confirmed that the Government is committed to retaining the Renewables Obligation for large-scale renewable electricity and will extend it by a further ten years to at least 2037. This will ensure that investors can plan with confidence for the future, making renewable electricity more viable.

## Aviation

At the 2007 Pre-Budget Report, the Government announced it would consult on proposals to replace air passenger duty (APD) with a per plane tax.

The Government has listened to the points made during the consultation process, and its decision on aviation taxation has been determined by the need to ensure greater stability in tax policy at a time of economic uncertainty while maintaining its commitment to environmental objectives. The Government has decided to reform the APD regime rather than proceed with a per-plane tax.

From 1 November 2009, APD will be structured around four distance bands, set at intervals of 2000 miles from London. This reform will ensure that those flying farther, and therefore contributing more to emissions from aviation, will pay more.

The Government believes that action at an international level is needed to ensure the sustainable development of this sector. The Government has succeeded in its aim of obtaining unanimous agreement to include aviation in the EU ETS from 2012 at a cap of 97% of 2004-06 emissions. Phase III details are being negotiated as part of the EU Climate and Energy package.

### Capital allowances for business cars

The Pre-Budget Report confirms the Government's intention to modernise the tax relief for business expenditure on cars. The existing arrangements will be replaced by an emissions based approach. This reform will take effect from 1 April 2009 for corporation tax and 6 April 2009 for income tax. A technical note and draft legislation setting out the full detail will be published shortly.

### Other measures

#### North Sea Fiscal Regime

The Government remains committed to maximising the economic recovery of the UK's oil and gas reserves. Following further discussions with stakeholders, the Government is today publishing its proposals for further reforms to the North Sea fiscal regime.

### Competition in the Water Markets

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PBR announces a package of measures to extend and enhance retail competition in water markets for large non-domestic customers in England. The Government will: lower the usage threshold above which businesses are eligible to switch supplier from 50m litres to 5m litres; extend the competition regime to retail wastewater services; remove the current access pricing arrangement for water from legislation replacing it with simplified criteria to be introduced by Ofwat; and introduce nationally agreed codes to be coordinated by Ofwat. The Government is strongly minded to mandate the legal separation of the retail arm of a company from the rest of its operations and will respond to this when it receives the final report of the Independent Review of Competition and Innovation in the Water Markets. The Government will consult on the implementation of the reforms.

### The Government's response to Francesco Caio's review of next-generation broadband

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In response to Francesco Caio's independent review of investment in superfast "next-generation access" broadband (NGA), the Government will support market-led investment through initiatives to remove uncertainties and lower the cost of infrastructure roll-out. The Government will also set out its vision for NGA and undertake a benchmarking exercise when the full response is published later this week. In addition the Government has announced that it will look again at the spectrum to be released by Digital Switchover in order to maximise benefits for UK companies and consumers.

### Government's response to the Glover Committee Independent Report

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The Government has accepted all of the recommendations put forward in the Glover Committee's report, published alongside the 2008 Pre-Budget Report. The Committee was set up in Budget 2008 to provide advice on how the Government can help small firms win a greater share of public procurement. The Government will advertise Government contracts worth more than £20,000 in a single free online portal, introduce measures to reduce bureaucracy and make opportunities more transparent for small businesses.

### Regional Policy Highlights

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PBR announces that Government will develop new devolutionary proposals with local authorities in key city-regions to support growth. The Government will task Regional Development Agencies to work with city-regions to ensure local economic capacity is in place.

*Meeting the economic challenges in every region* is also published alongside PBR, setting out how the Government will continue to support the national and sub-national levels of the economy and outlining how RDAs and other regional and local partners are focusing their activity on supporting businesses through tougher economic times.

### The UK Economy: addressing long term strategic challenges

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*The UK economy: addressing long-term strategic challenges* sets out how the Government will respond to the main challenges that are likely to face the UK economy over the coming decade. It shows how the Government has made it a priority since 1997 to build macroeconomic stability, and to promote UK productivity growth. Looking forward, the Government will continue to promote macroeconomic stability and ensure that the outcomes of the programmes crucial for long-term growth are protected during economic slowdown, whilst ensuring value for money.

### Enterprise Investment Scheme (EIS)

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The Government has issued a response which summarises the points raised by respondents to the consultation document (which invited comments on how operational aspects and awareness of the scheme could be improved) issued earlier this year.

This document also outlines where the Government will carry out further work to examine where changes could be implemented, in response to the points raised.

The Government has indicated that under one of the changes they intend bringing forward in Finance Act 2009, it will be possible for an investor to carry back EIS income tax relief to the year immediately preceding the year in which the investment is made. The only limit on the relief that can be carried back will be the normal annual investment limit.



## Allowances, Reliefs and Rates

For your convenience, the following Tables set out the allowances, reliefs and rates of taxation. Some of these were announced today.

### Personal Allowances

The personal allowances for 2008-09 are as follows.

PERSONAL ALLOWANCES		
£ per year (unless stated)	2008-09	2009-10
Personal allowance (age under 65)	£6,035	£6,475
Personal allowance (age 65-74)	£9,030	£9,490
Personal allowance (age 75 and over)	£9,180	£9,640
Married couple's allowance* (aged less than 75 and born before 6/4/1935)	£6,535	£6,865
Married couple's allowance* (age 75 and over)	£6,625	£6,965
Married couple's allowance* (minimum amount)	£2,540	£2,670
Income limit for age-related allowances	£21,800	£22,900
Blind person's allowance	£1,800	£1,890

\*Married couple's allowance is given at the rate of 10%

### Tax Rates

INCOME TAX: TAXABLE BANDS		
Rate	2008-09	2009-10
Basic rate	(20% *) £0 to £34,800	(20% *) £0 to £37,400
Higher rate 40%	Over £34,800	Over £37,400
*NOTE: There is a 10% starting rate for savings income only, with a limit of £2,320. (£2,440 for 2009-10). If an individual's taxable non-savings income is above this limit then the 10% savings rate will not be applicable. There are no changes to the 10% dividend ordinary rate or the 32.5% dividend upper rate.		

### National Insurance Contributions

NATIONAL INSURANCE CONTRIBUTIONS		
	2008-09	2009-10
Lower earnings limit, primary class 1	£90 a week	£95 a week
Upper earnings limit, primary class 1	£770 a week	£844 a week
Primary threshold	£105 a week	£110 a week
Secondary threshold	£105 a week	£110 a week
Employees' primary class 1 rate	11% on £105 to £770 a week	11% on £110 to £844 a week
	1% above £770 a week	1% above £844 a week
Employees' contracted-out rebate	1.60%	1.60%
Married women's reduced rate	4.85% on £105 to £770 per week	4.85% on £110 to £844 a week
	1% above £770 a week	1% above £844 a week
Employers' secondary class 1 rate	12.8% on earnings above £105 a week	12.8% on earnings above £110 a week
Employers' contracted-out rebate, salary-related schemes	3.70%	3.70%
Employers' contracted-out rebate, money-purchase schemes	1.40%	1.40%
Class 2 rate	£2.30 a week	£2.40 a week
Class 2 small earnings exception	£4,825 a year	£5,075 a year
Special class 2 rate for share fishermen	£2.95 a week	£3.05 a week
Special class 2 rate for volunteer development workers	£4.50 a week	£4.75 a week
Class 3 rate	£8.10 a week	£12.05 a week
Class 4 rate	8%	8%
Class 4 lower profits limit	£5,435 a year	£5,715 a year
Class 4 upper profits limit	£40,040 a year	£43,875 a year
Class 4 rate above upper profits limit	1%	1%

## Pensions

On 6 April 2006 (known as A-Day) new tax rules for all pensions came into force. These new rules are intended to encourage us all to save more for our retirement. Amongst the changes that came in on 6 April 2006 are significant increases in the maximum amount an individual can put into a pension without tax penalty (the Annual Allowance), and a lifetime allowance being the value of pension savings anyone can draw in their lifetime without a tax penalty.

The table below shows the allowance levels from A-Day up to 2010/11. There are also changes to the amount that can be taken as a tax free lump sum at retirement (from A-Day it will be basically 25% of total pension benefits) and the minimum age for taking pension benefits (from A-Day it is 50, increasing to 55 from 6 April 2010).

PENSIONS - ANNUAL AND LIFETIME ALLOWANCES		
Tax Year	Annual Allowance	Lifetime Allowance
2006/07	£215,000	£1,500,000
2007/08	£225,000	£1,600,000
2008/09	£235,000	£1,650,000
2009/10	£245,000	£1,750,000
2010/11	£255,000	£1,800,000

STATE PENSION		
	2008-09	2009-10
Single Person	£90.70 per week	£95.25 per week
Couple (if wife is a non-contributor)	£145.05 per week	£152.30 per week

PENSION CREDIT		
Standard minimum income guarantee:	2008-09	2009-10
Single	£124.05	£130.00
Couple	£189.35	£198.45

## Child Benefit and Guardian's Allowance

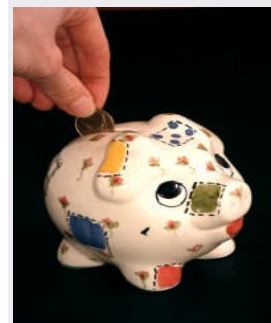
The rates of Child Benefit and Guardian's Allowance are as follows:

CHILD BENEFIT AND GUARDIAN'S ALLOWANCE (PER WEEK)		
	2008-09	2009-10
Eldest/only child	£18.80	£20.00
Other children	£12.55	£13.20
Guardian's Allowance	£13.45	£14.10

## Child and Working Tax Credit Rates and Child Benefit

The rates are:

TAX CREDITS		
Working Tax Credits	2008-09	2009-10
Basic element	£1,800	£1,890
Couple and lone parent element	£1,770	£1,860
30 hour element	£735	£775
Disabled worker element	£2,405	£2,530
Severe disability element	£1,020	£1,075
50+ Return to work payment (16-29 hours)	£1,235	£1,300
50+ Return to work payment (30+ hours)	£1,840	£1,935
<b>Childcare element of Working Tax Credit</b>		
Maximum eligible cost for one child per week	£175	£175
Maximum eligible cost for two or more children per week	£300	£300
Percentage of eligible costs covered	80%	80%
Child Tax Credit Family element	£545	£545
Family element, baby addition	£545	£545
Child element	£2,085	£2,235
Disabled child element	£2,540	£2,670
Severely disabled child element	£1,020	£1,075
<b>Income threshold and withdrawal rates</b>		
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	£16,040
Income disregard	£25,000	£25,000



## Capital Gains Tax

CAPITAL GAINS TAX EXEMPT AMOUNT		
Year	Annual exempt amount for individuals	Annual exempt amount for trustees
2008/9	£9,600	£4,800
2009/10	Not announced	Not announced

On 24 January 2008, in response to pressure from the business community, the Chancellor announced a new 'Entrepreneurs' Relief'. The first £1m of gains qualifying for relief will be charged at an effective rate of 10%. Gains in excess of £1m will be charged at 18%. An individual will be able to make more than one claim for relief, up to a lifetime total of £1m of gains qualifying for relief.

## VAT Rates

VALUE ADDED TAX		
	Rates etc from 1 April 2008	Rates etc from 1 December 2008 *
Standard rate	17.50%	15.00%
VAT fraction	7/47ths	3/23rds
Registration limit	£67,000	Unchanged
Deregistration limit	£65,000	Unchanged
Annual accounting turnover limit	£1.35m	£1.35m
*NOTE: The rate reverts to 17.5% from 1 January 2010		

## Tax Shelters

There were no announcements affecting existing tax shelters which are currently as follows:

TAX SHELTERS 2008-9	
Venture Capital Trusts - investment limit and rate of tax relief (maximum)	£200,000 (relief at 30%)
EIS - investment limit and rate of tax relief (maximum)	£500,000 (relief at 20%)
Tax-free employment termination	£30,000
Tax-free "rent-a-room" income	£4,250
ISAs	£7,200

## Cars

### CAR BENEFIT READY RECKONER

CO <sub>2</sub> emissions in grams per km	2005-2006 to 2007-2008		2008-2009	
	Petrol	Diesel	Petrol	Diesel
120 or lower	Not applicable	Not applicable	10%	13%
125-135	Not applicable	Not applicable	15%	18%
140	15%	18%	16%	19%
145	16%	19%	17%	20%
150	17%	20%	18%	21%
155	18%	21%	19%	22%
160	19%	22%	20%	23%
165	20%	23%	21%	24%
170	21%	24%	22%	25%
175	22%	25%	23%	26%
180	23%	26%	24%	27%
185	24%	27%	25%	28%
190	25%	28%	26%	29%
195	26%	29%	27%	30%
200	27%	30%	28%	31%
205	28%	31%	29%	32%
210	29%	32%	30%	33%
215	30%	33%	31%	34%
220	31%	34%	32%	35%
225	32%	35%	33%	35%
230	33%	35%	34%	35%
235	34%	35%	35%	35%
240	35%	35%	35%	35%

### CAR FUEL BENEFITS

CO <sub>2</sub> emissions in grams per km	2005-2006 to 2007-2008		2008-2009	
	Petrol	Diesel	Petrol	Diesel
120 or lower	Not applicable	Not applicable	£1,690	£2,197
125-135	Not applicable	Not applicable	£2,535	£3,042
140	£2,160	£2,592	£2,704	£3,211
145	£2,304	£2,736	£2,873	£3,380
150	£2,448	£2,880	£3,042	£3,549
155	£2,592	£3,024	£3,211	£3,718
160	£2,736	£3,168	£3,380	£3,887
165	£2,880	£3,312	£3,549	£4,056
170	£3,024	£3,456	£3,718	£4,225
175	£3,168	£3,600	£3,887	£4,394
180	£3,312	£3,744	£4,056	£4,563
185	£3,456	£3,888	£4,225	£4,732
190	£3,600	£4,032	£4,394	£4,901
195	£3,744	£4,176	£4,563	£5,070
200	£3,888	£4,320	£4,732	£5,239
205	£4,032	£4,464	£4,901	£5,408
210	£4,176	£4,608	£5,070	£5,577
215	£4,320	£4,752	£5,239	£5,746
220	£4,464	£4,896	£5,408	£5,915
225	£4,608	£5,040	£5,577	£5,915
230	£4,752	£5,040	£5,746	£5,915
235	£4,896	£5,040	£5,915	£5,915
240	£5,040	£5,040	£5,915	£5,915

## Corporation Tax Rates

The rates of corporation tax from 1 April 2008 are shown in the Table below.

The profit limits may be reduced for a company that is part of a group or has associated companies. The lower rates and marginal reliefs do not apply to close investment holding companies.

CORPORATION TAX RATES		
	YEAR TO 31 MARCH 2009	YEAR TO 31 MARCH 2010
Companies earning under £300,000	From £1 to £300,000 @ 21%	From £1 to £300,000 @ 21%
Companies earning between £300,000 and £1.5million: First £300,000 Upper Marginal rate (excess over £300,000)	21% 29.75%	21% 29.75%
Companies earning over £1.5million: Main rate	28%	28%

## Capital Allowances

The following capital allowances details, previously announced are:

CAPITAL ALLOWANCES
For 2008/9 onwards:
1. The writing down allowance (WDA) on Plant & Machinery in the general pool is reduced from 25% to 20% per annum.
2. The WDA on Plant & Machinery Long Life Assets in the general pool has been increased from 6% to 10% per annum.
3. The first £50,000 of qualifying expenditure in a chargeable period qualifies for the annual investment allowance at 100%.
4. The WDA on integral features is 10% per annum

There is no relief available for expenditure incurred on or after 1 April 2008 for companies and 6 April 2008 for unincorporated businesses, on fire safety alterations in response to notices issued by Fire Authorities. Capital Allowances for expenditure on fire safety equipment

continue unaffected.

## IHT Rates and Reliefs

The following thresholds for IHT were previously announced up to 2009-10:

INHERITANCE TAX (IHT) THRESHOLDS	
Year	Nil Rate Band
2006-07	£285,000
2007-08	£300,000
2008-09	£312,000
2009-10	£325,000
2010-11	£350,000
For married and civil partners, the above figures can potentially be doubled from 9 October 2007	
Note: The rate of IHT is 40%	

IHT MAIN EXEMPTIONS	
	Exempt Amount
Annual gifts per donor	£3,000 per year
Small gifts to same person	£250
To non-domicile spouse	£55,000 for life
To UK domicile spouse	unlimited gifts
On marriage by either party to the marriage	£2,500
On marriage by parent of either party	£5,000
On marriage by remoter ancestor of either party	£2,500
On marriage by any other person	£1,000
To charities	all gifts
To political parties	all gifts

IHT CHARGE ON GIFTS WITHIN SEVEN YEARS OF DEATH	
Years between gift and death	%age of death rate charge applied to gift
0 to 3	100%
3 to 4	80%
4 to 5	60%
5 to 6	40%
6 to 7	20%



If an estate includes UK woodlands, a claim may be made to defer IHT on the value of growing timber, subject to meeting certain conditions. Generous reliefs are available on 'relevant business property'. Qualifying assets can have their IHT values reduced substantially (subject to meeting certain conditions) as shown in the next Table.

BUSINESS PROPERTY RELIEF	
Asset	% Reduction
Business or interest in a business	100
Land, buildings, machinery or plant used in a company you control, or in a partnership to which you belong	50
Shares in an unquoted AIM company	100
Shares in a fully quoted company in which there is control	50
Owner-occupied farms and agricultural tenancies (after 1 September 1995)	100
Interest of landlords in let farmland	100

### Interest on late payment of tax

INTEREST ON LATE TAX PAYMENTS	
	FROM 6/12/08
Income Tax, NIC & CGT Stamp Duty and Stamp Duty Reserve Tax	5.5% (currently 6.5%)
CTSA, From normal due date	5.5% (currently 6.5%)
Corporation Tax Pay and File	4.25% (currently 5%)
Inheritance Tax, Capital Transfer Tax & Estate Duty	3% (currently 3%)

### Stamp Duty Rates

The Chancellor made no new announcements on the stamp duty land tax rates which are:

STAMP DUTY LAND TAX RATES FROM 23 MARCH 2006 to 2 SEPTEMBER 2008				
Rate	Land in disadvantaged areas		All other land in the UK	
	Residential	Non-residential	Residential	Non-residential
0%	Up to £150,000	Up to £150,000	Up to £125,000	Up to £150,000
1%	More than £150,000 but not more than £250,000	More than £150,000 but not more than £250,000	More than £125,000 but not more than £250,000	More than £150,000 but not more than £250,000
3%	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000
4%	More than £500,000	More than £500,000	More than £500,000	More than £500,000

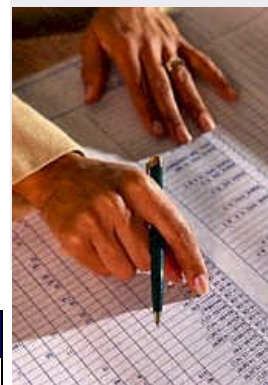
STAMP DUTY LAND TAX RATES FROM 3 SEPTEMBER 2008 to 2 SEPTEMBER 2009				
Rate	Land in disadvantaged areas		All other land in the UK	
	Residential	Non-residential	Residential	Non-residential
0%	Up to £175,000	Up to £150,000	Up to £175,000	Up to £150,000
1%	More than £175,000 but not more than £250,000	More than £150,000 but not more than £250,000	More than £175,000 but not more than £250,000	More than £150,000 but not more than £250,000
3%	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000
4%	More than £500,000	More than £500,000	More than £500,000	More than £500,000

## Vehicle Excise Duty

GRADUATED VED FOR PRIVATE VEHICLES (REGISTERED FROM MARCH 2001)		
2008-09		
£ per year VED band	CO <sub>2</sub> (g/km)	VED
A	100 and below	£0
B	101 to 120	£35
C	121 to 150	£120
D	151 to 165	£145
E	166 to 185	£170
F **	186 to 225	£210
G	Over 225	£400
** Includes cars emitting over 225g/km registered between 1 March 2001 and 23 March 2006.		

2009-10 and 2010-11		2009-10	2010-11	Brand New Cars - First Year Rate 2010-11
£ per year VED band	CO <sub>2</sub> (g/km)	VED	VED	VED
A	100 and below	£0	£0	£0
B	101 to 110	£35	£20	£0
C	111 to 120	£35	£30	£0
D	121 to 130	£120	£90	£0
E	131 to 140	£120	£110	£110
F	141 to 150	£125	£125	£125
G	151 to 165	£150	£155	£155
H	166 to 175	£175	£180	£250
I	176 to 185	£175	£200	£300
J	186 to 200	£215	£235	£425
K	201 to 225	£215	£245	£550
L	226 to 255	£405	£425	£750
M	Over 255	£405	£435	£950
** Includes cars emitting over 225g/km registered between 1 March 2001 and 23 March 2006.				

# Tax Calendar for the remainder of 2008-09 and beyond



December 2008	
19	Monthly PAYE/NIC to 5 December 2008 due.
31	For those with a tax liability of less than £2,000, if you file your tax return via HMRC's on-line self assessment system by this date, the tax office will adjust your PAYE code (provided you are an employee) so that you can pay any tax due for 2007/08 over time through PAYE, rather than as a lump sum on 31 January 2009.
January 2009	
1	Due date for payment of Corporation Tax for period ended 31 March 2008
14	Due date for income tax for the CT61 quarter to 31 December 2008.
19	Monthly PAYE/NIC to 5 January 2009 due.
31	First self assessment payment on account due for 2008/9. Balancing payment due – 2007-08 income tax income tax/class 4 NICs. Capital gains tax payment date for 2007-08. Last day to file your 2007-08 tax return.
February 2009	
1	£100 penalty if 2007-08 Tax Return not yet filed.
2	Last day for notifying car changes in quarter to 5 January - P46 (car).
19	Monthly PAYE/NIC to 5 February 2009 due.
28	Failure to pay any balance of 2007-08 tax leads to an automatic 5% surcharge.
March 2009	
19	Monthly PAYE/NIC to 5 March 2009 due.
31	End of corporation tax financial year. (for companies only) End of CT61 quarterly period. Filing date for Corporation Tax Return Form CT600 for period ended 31 March 2008.
April 2009	
5	Last day of 2008-09 tax year. Last day for 2008-09 contributions to ISAs.
Other (after April 2009):	
31/7/09	Second interim payment of income tax due for 2008-2009 Second 5% surcharge on tax unpaid for 2007-2008 tax year
31/10/09	Deadline date for submission of 2008-2009 paper tax returns to HMRC.
31/01/10	Deadline date for submission of 2008-2009 tax returns when submitted to HMRC on-line. Last date for HMRC to call for documents supporting 2007-2008 tax return if submitted by 31 January 2009.

## Further Information

This guide is for general interest - it is always essential to take advice on specific issues.

We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

If you would like to receive further information about this subject or other publications, please call us – see our contact details on the next page.

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