

providing the facts

# A summary of the Budget 2010

This summary is prior to the Budget Statement on 22 June 2010

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## Income tax and allowances

The following income tax rates and allowances are all as previously announced.

### Income tax rates

<b>Taxable income 2010/11</b>			
	<b>Savings income</b>	<b>Dividends</b>	<b>Non-Savings income</b>
Up to £2,440	10%	10%	20%
£2,441 to £37,400	20%	10%	20%
£37,401 to £150,000	40%	32.5%	40%
Over £150,000	50%	42.5%	50%

Non-savings income is taken as the bottom layer of income, then savings income, with dividends as the top layer, so that a person whose non-savings income exceeds their personal allowance by £2,440 or more gets no benefit from the 10% rate.

The rate of tax for trust income, outside the annual £1,000 basic rate allowance, will be 42.5% for dividends and 50% for other income.

### Income tax personal allowances

<b>Income tax allowance</b>	<b>2009/10</b>	<b>2010/11</b>
Personal allowance <sup>1</sup> (age under 65)	6,475	6,475
Personal allowance <sup>1</sup> (age 65 to 74)	9,490	9,490
Personal allowance <sup>1</sup> (age 75 and over)	9,640	9,640
Married couple's allowance <sup>2</sup> (age 75 and over)	6,965	6,965
Married couple's allowance <sup>3</sup> - minimum amount	2,670	2,670
Income limit for age-related allowances	22,900	22,900
Blind person's allowance	1,890	1,890

<sup>1</sup> The personal allowance will be reduced by £1 for every £2 earned above £100,000

<sup>2</sup> Tax relief given at the rate of 10%

<sup>3</sup> This is also the maximum relief for maintenance payments where at least one of the parties is born before 6 April 1935

## **Capital gains tax**

There were no changes in the main rate of CGT.

The lifetime limit for the amount of gains that may qualify for entrepreneurs' relief has been doubled to £2 million with effect from 6 April 2010.

## **Inheritance tax**

The inheritance tax allowance remains at £325,000. It was announced that this allowance will be frozen at this level for a further four years until and including the tax year 2014/15.

## **Stamp duty land tax**

A two-year relief for first time buyers of residential property has been introduced, from midnight on 24 March 2010. This relief means no stamp duty land tax is payable on purchases of up to £250,000.

A new 5% rate of stamp duty land tax has been introduced for residential properties of one million pounds or more. These were previously within the 4% rate. This will apply to property purchases completed on or after 6 April 2010.

## **Life Assurance Policyholder Taxation**

Legislation will be introduced to ensure that policyholders do not suffer any adverse tax consequences where as a result of an insurer's financial difficulties the Financial Services Compensation Scheme intervenes to arrange continuance of cover or benefit from a replacement insurer.

A technical change is being made to the allowable deficiency relief legislation as a result of the introduction of the new 50% income tax rate, so that people subject to tax at this rate will get full benefit from the relief.

But there will also be steps against schemes entered into since 22nd April 2009 and seen as abusing allowable deficiency relief. These typically rely on taking a large part surrender from a bond in a year when the policyholder is taxed (if at all) at basic rate, in order to generate deficiency relief in a later year when the policyholder is taxed on other income at 40% or 50%. The proposal is that where the policy ends within 5 years of the earlier part surrender, the tax reduction allowed under the deficiency relief rules will be capped at the amount of tax actually paid on the original part surrender.

## **Individual Savings Accounts (ISAs)**

As previously announced the annual ISA investment limit has been increased to £10,200, of which up to £5,100 may be placed in a cash ISA, from 6 April 2010.

From 6 April 2011, the ISA investment limits are to be increased each year in line with increases in the Retail Prices Index.

## The Detail

Full details of tax rates, allowances and national insurance contributions for 2010/11 have been published in HMRC's [Budget 2010 - Press Notice 2](#).