

Summary of the Emergency Budget 22 June 2010

Main points

1. **Scrapping of the age 75 rule**
2. **Pension tax relief rules**
3. **State pension age increase accelerated**
4. **Lasting Health for Pensioners**
5. **CGT**
6. **VAT**
7. **Bank Levy**
8. **Corporation tax to fall to 24%**
9. **Welfare System & Tax Credits**
10. **Miscellaneous**
11. **Community Charge Freezes**
12. **Public Sector Workers**

1. **Scrapping of the age 75 rule**

- The Government will scrap compulsory annuitisation from April 2011 and will introduce transitional measures for those who have not secured a retirement income and reach age 75 in the meantime.
- A consultation on the detail of the proposal will ensue shortly.

2. **Pension tax relief rules**

- Osborne says he will work with the pensions industry to find an alternative to the reduction of pension tax relief for higher earners from April 2011 as long as the £3.5bn revenue is still achieved.
- The Budget documents suggest a reduced annual allowance of between £30,000 and £45,000 would achieve the necessary tax take. Further review with the industry will occur.

3. **State pension age increase accelerated**

- The Government will look to accelerate the increase in state pension age to 66 years. Interim Sept 2010 report awaited.

4. **Lasting Health for Pensioners**

- Restore the earnings link to Basic State Pension from April 2011 and offer a triple guarantee of earnings/ prices or 2.5% per annum each year thereafter, whichever is the greater.

5. **CGT**

- The Government is increasing the rate of capital gains tax to 28 per cent for higher rate income tax payers from midnight on the 22nd June 2010.
- The annual CGT exemption allowance of £10,100 will remain unchanged this year but will rise with inflation in future years.
- Investors paying the basic rate of income tax will continue to pay CGT at 18 per cent.
- Trustees' rate will increase to 28%.
- Entrepreneurs' relief continues at 10% but allowable lifetime gains increased to £5M.

6. VAT

- VAT is to be raised from 17.5 to 20 per cent in January 4, 2011.
- A number of items will remain exempt from VAT such as food and children's clothes, despite reports that it was going to be dropped.

Income Tax/National Insurance

- Personal allowance will be increased by £1,000 to £7,475 in April 2011.
- Basic rate limit will reduce to take account of the increased personal allowance.
- Long term plan to increase the personal allowance to £10,000.
- Upper earnings threshold will reduce to maintain link with basic rate income tax limit.
- Employer's start to pay Class 1 NI on increased income of additional £21 pw over inflation.

7. Bank Levy

- The UK banking sector is to be hit with an annual £2bn bank levy from January 2011.
- All banks, building societies and non-UK banks operating in the country will be taxed with a new bank levy.
- The smallest banks and building societies will not be affected by the levy. The levy will also be reduced for those banks holding more tier 1 capital and longer dated debts.

8. Corporation tax to fall to 24%

- The rate of corporation tax is to fall from its current level of 28p in the pound to 24p in the pound by 2014.
- Corporation tax will fall by 1 per cent every year for the next four years, with the first cut to happen next year to 27p in the pound.
- Small companies rate 20% from 2011.

9. Welfare System & Tax Credits

- Child benefit will be frozen for 3 years
- The 'Help in Pregnancy' loans will be abolished
- The 'baby' element of the Child Tax Credit will be removed from 2012
- Medical assessments will be brought in for those claiming Disability Living Allowance from 2013
- Housing benefits will be reset and restricted appropriately, £280 per week for a 2 bedroom home, £400 per week for 4 bedrooms.
- Benefits / tax credits will be uprated in line with CPI rather than RPI.

10. Public Sector Workers

- A 2 year pay freeze will be introduced
- There will be protection however for those earning less than £21,000 (equating to 28% of the workforce).
- Those with protection will still enjoy a flat increase of £250 for each of these years.
- Public sector heads will have pay limited to no more than 20 x lowest paid worker.
- A review will be undertaken as to how to limit the soaring costs of public sector pensions.

11. Community Charge Freezes

- The Government will assist councils in order to try to facilitate council tax freezes from April 2011.

12. Miscellaneous

- Pre planned price increases to cider to be scrapped
- Pre planned tax relief for the video gaming industry in to be scrapped
- Pre planned tax land lines is to be scrapped
- Pre planned upgrades and transport works for Tyne & Wear, Leeds and Liverpool rail links will be honoured.
- The Civil List remains pegged at £7.9 million.
- No further increases on duty on alcohol, tobacco or fuel
- Any new businesses set up outside London & South of England will receive reductions in NI for the first 10 employees.

For more info, click here:

<http://www.hmrc.gov.uk/budget2010/index.htm>

<http://news.bbc.co.uk/1/hi/politics/10374475.stm>