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## Budget 2008 Summary

Alistair Darling's first budget and after an impressive build up there was not much change apart some heavy increases on cigarettes and alcohol and tax on plastic bags. Ultimately there were only minor adjustments to tax rules.

**Winter fuel payments** - up from £200 to £250 for over the 60s. For over the 80s, £300 to £400.

**Business** - Corporation tax -Confirmation that the main rate falls from 38% to 28% next month. Capital fund of £12million to encourage more women entrepreneurs.

**Military** - £900m more on military equipment this year, £2bn more overall. Spending to increase in real terms of 1.9% a year.

**Savings** - From April, ISA limit to rise to £7,200. Cash element to £3,600. Also, 'Savings gateway' launched nationally in 2010.

**Taxation** - £30,000 non-domiciled charge to come in from April.

**Education** - New money (£200million) and expansion of London model developed for improving schools. £10m over next five years to be added to £30million science fund.

**Housing** - From April, key workers will be able to borrow money from new shared equity schemes to those who can afford half price of new homes. And stamp duty not required until 80% of equity owned. Public sector land identified for 70,000 more houses.

**Schemes** -Small firms loan guarantee scheme increased by £60m this year. Enterprise management incentive tax relief scheme increased from £100,000 to £120,000.

**North Sea oil** -Reform of the North Sea fiscal regime to encourage investment

**Public contracts** - Target for small and medium-sized businesses to win 30 per cent of public sector contracts in the next five years.

**Non-Domiciles resident in the UK** - Annual Charge on non-domiciled residents to be introduced in April (*related article/news*).

### Motorists

Fuel duty increase of 2p per litre postponed until October 2008. Road Tax -reform to road tax planned to 2009. Low polluting cars will pay no tax for the first year from 2010.

### Alcohol

Beer duty to increase by 4p per pint, wine up by 14p, cider up by 3p a bottle, spirits 55p per bottle.

### Tobacco

Cigarettes up 11p per packet of 20 and 4p for five cigars.

### Sickness Benefit

Long term recipients of sickness benefits to attend 'work capability' assessments from April 2010

### Child Tax Credit

Low-income families: gain an extra £50 above indexation a year in means-tested Child Tax Credit from April 2009 and will have access to new savings scheme.

### Pensioners

Pensioners: basic state pension to rise to £90.70 for a single pensioner and £145.05 for a couple.

### Capital Gains Tax

Capital gains tax was confirmed at a flat rate of 18 per cent from April, with business asset taper relief abolished and a new entrepreneurs' relief introduced for business owners.

## Offshore pension schemes

Confirmation was received that pension schemes transferred overseas will no longer be considered part of someone's estate for inheritance tax (IHT) purposes as per the measure introduced in the Finance Bill 2008

## Non-resident individuals visiting the UK and UK resident individuals leaving the UK.

Under the current rules, when deciding if an individual is resident in the UK for tax purposes all days spent in the UK are normally counted, except for days on which the individual arrives in, or departs from, the UK. At the Pre-Budget Report it was proposed that days of arrival and days of departure should count as a day of presence in the UK, subject to an on and after 6 April 2008, any day where the individual is present in the UK at midnight will be counted as a day of presence in the UK for residence test purposes. There will be an additional exemption for passengers who are in transit between two places outside the UK. The exemption is wider than that proposed at the Pre-Budget Report as it caters for people who have to change airports or terminals when transiting through the UK. It will also allow people to switch between modes of transport, so they could fly in but leave by ferry or train for example. Days spent in transit, which could involve being in the UK at midnight, will not be counted as days of presence in the UK for residence test purposes so long as during transit the individual does not engage in activities that are to a substantial extent unrelated to their passage through the UK. So, for example, if they take time out to attend a business meeting then the transit exemption will not have an effect.

## Foreign Trusts

UK residents are taxable on their income wherever it arises. A wholly artificial scheme seeks to avoid UK tax by artificially diverting income of a UK resident individual to a foreign partnership comprised of foreign trustees. The scheme is designed to ensure that the income nonetheless continues to belong to the UK resident as they will be a beneficiary of the foreign trust. Legislation will be introduced in Finance Bill 2008 to clarify, retrospectively, legislation introduced in 1987, which itself was retrospective, so that it has an effect as intended. This will ensure that, notwithstanding the wording of any double taxation treaty, UK residents pay UK tax on their profits from foreign partnerships; and prevent tax avoidance through the misuse of Double Taxation Treaties by UK residents.

**Operative date** The first measure will be treated as having always had effect. The second will have effect for income arising on or after 12 March 2008.

## Basic rate income tax payers: basic rate cut from 22 per cent to 20 per cent

	Dividends*	Savings	Other
£1 - £36,000	10%	20%**	20%
(£1 - £2,230)	(10%)	(10%)	(10%)
(£2,231 - £34,600)	(10%)	(20%)	(22%)
Over £36,000	32.5%	40%	40%
(Over £34,600)	(32.5%)	(40%)	(40%)

\* Dividends are increased by a non-repayable tax credit of 1/9th

\*\* 10% up to £2,320. If an individual's taxable non-savings income is above this limit, the 10% rate does not apply

Personal Allowance	2008/2009	2007/2008
under 65	£5,435	£5,225
65-74	£9,030	£7,550
75 and over	£9,180	£7,690
Married couples/civil partners allowance (relief at 10%)		
age 65 before 06/04/2000	£6,535	£6,285
age 75 and over	£6,625	£6,365
minimum amount	£2,540	£2,440
Age allowances reduced by 1/2 of income over	£21,800	£20,900
(to a minimum equal to the personal allowance for those under 65)		
Maximum 'Golden Handshake'	£30,000	£30,000

Quoted securities/property 100% income tax relief Nil exemption from CGT

Dividends are treated as the top slice of total income, savings as the next slice and other income as the lowest slice

## Pension Contribution Reliefs 2008/2009

Maximum contributions 100% of earnings to a limit of £235,000

Up to £3,600 p.a. gross can be paid into pensions irrespective of earnings to age 75

Subject to any Registration of Protected pension funds, aggregate retirement benefits in excess of the Lifetime Allowance of £1.65 million may be subject to the Lifetime Allowance Charge of 55% of the surplus benefit.