

Other Issues – Proposed Consultations

The controlled foreign company rules will be reviewed and it is proposed that new rules will be introduced in April 2012.

A corporation tax reform review will take place in Northern Ireland which will consider reducing the rate in Northern Ireland.

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**UK EMERGENCY BUDGET
JUNE 2010**

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Emergency Budget – June 2010

Main Highlights

- Vat rate increase of 2.5% to 20% from 4 January 2011.
- Capital Gains Tax increase to 28% for higher rate taxpayers.
- Entrepreneurs' relief will continue at 10% with an increase in the lifetime limit to €5m.
- Main Corporation tax rate to reduce from 28% to 27%.
- Small company rate to reduce from 21% to 20%.
- Bank Levy to be introduced based on size of banks balance sheets.

Income Tax

From 6 April 2011 the personal allowance for a single person under 65 years of age will increase by £1,000 to £7,475.

The basic rate limit of £37,400 will be reduced so that higher income earners do not benefit, the amount of this reduction is to be announced.

Since 2010/11, those with income in excess of £100,000 already have their personal allowance reduced by £1 for every £2 that their income is over the £100,000 limit. A reduction in the basic rate limit will most likely be a real rate increase for those high income earners.

National Insurance

Both of the main NIC's will increase by 1% effective in 2011/12.

The employee rate will rise from 11% to 12% within the upper earnings limit and from 1% to 2% above the upper earnings limit.

The employer rate rises from 12.8% to 13.8%. The upper earnings limit is to be increased by £21 per week from 2011/2012.

New businesses which are set up in regions outside London and South East England will not have to pay the first £5,000 of employers NIC in the first 12 months of employment. It applies to each of the first 10 employees in the first year of business.

Pensions

The government will repeal the restrictions on pension relief introduced in Finance Act 2010 but will instead impose restrictions using current rates and limits.

These changes will be announced after discussions with the pensions industry.

An annual allowance limit as low as £45,000 may be considered.

Tax Credits

The income threshold for tax credit eligibility will be reduced from £50,000 for a combined family income to £40,000.

The rate of tapering away of the credits will be increased from April 2011.

The baby element of the child tax credit will be scrapped and the 50 plus element of the working tax credit will be removed.

Venture Capital Schemes

The minimum holding required for shares to be eligible is increased from 30% to 70%.

An 'enterprise in difficulty' is excluded from qualifying for VCT and EIS.

Capital Gains Tax

From 23 June 2010 the rate of CGT increases from 18% to 28% for higher rate taxpayers.

The rate remains at 18% for lower rate taxpayers.

The annual exemption limit continues at £10,100. Entrepreneur's relief will continue at 10% with an increase in the lifetime limit to €5m.

Corporation Tax

The main corporation tax rate will reduce from 28% to 27% from 1 April 2011.

Further reductions are proposed to reduce rate to 24% by 2014.

The small company rate will be reduced from 21% to 20%.

Capital Allowances

The rate of deduction for capital allowances has been reduced. From 1 April 2012 the general and special rate pool have been reduced by 2% to 18% and 8% respectively.

The Annual Investment Allowance on which 100% relief was available is reduced from £100,000 to £25,000.

Bank Levy

From 1 January 2011 a proposed bank levy of 0.07% will be introduced based on the banks balance sheets. Further consultation will take place before the details are published.

VAT

The standard rate of VAT will be increased from 17.5% to 20% from 4 January 2011.

Anti-forestalling legislation is being introduced to prevent arrangements to have the 17.5% rate applied.