

The 2008 Budget

You will be aware of the latest Budget announced by Mr Darling on 12th March. Like his predecessor, many of the tax allowances are announced, but not applied for a full tax year, whereas most of the additional taxes are generally applied immediately. He has, however given us all until 1st October to prepare for the additional fuel duties. In essence then little has changed from what was announced a year ago.



The key points are as follows

- Starting rate tax at 10% is abolished
- Basic rate tax is reduced to 20% from 22%
- Capital Gains Tax is 18%
- National Insurance rates of tax are unaltered
- Stamp Duty on property remains unaltered

In terms of allowances, these have been confirmed, again the key points are:

- Inheritance tax nil rate band for couples £624,000, individuals £312,000
- Capital Gains Tax Allowance £9,600 per adult
- Pension Lifetime Allowance £1,650,000 per person
- Annual Pension Allowance £235,000 (unless in the year of retirement)
- Personal allowance (no income tax payable) increases from £5,225 to £5,435.

So for an employed person without any benefits in kind, under the age of 65 means that higher rate tax is not paid until income reaches £41,435, anything above this level is taxed at 40%. The income tax payable is £7,200. In the current tax year 2007-08 higher rate tax begins effectively after £39,825, income tax payable on this would be £7,344.

If you are 65-74 your personal income tax allowance is increased to £9,030 for 2008-09 or if you are 75 then it becomes £9,180 before any income tax is payable.

The calculations for National Insurance Contributions (NIC) are rather more awkward to summarise simply, but essentially employees pay Class 1 NIC. Someone with an income of £40,040 will pay £3,803.80 in NIC, any income above £40,040 will have a further 1% of income NIC charge.

The Treasury have placed the Budget online and this can be found at www.hmrc.gov.uk/budget2008/index.htm

Dominic Thomas