

Notes from the Chancellors Budget Statement Delivered on 22 April 2009 Personal Tax Changes

It should be remembered that the following are only the proposals put forward by the Chancellor and are subject to discussion and possible change by both the House of Commons and the Lords before being enshrined in legislation.

Income Tax rates

From April 2010 there will be a new top income tax rate of 50% for those with earnings over £150,000 pa.

For anyone who earns over £100,000 pa their personal allowances will be restricted from the standard £6,475 (for those aged 65 and under) gradually tapering down to zero.

Dividend rates will remain unchanged so that the top rate of tax is still 32.5% which could make stock options as a means of employment income a more attractive proposition.

Property

The stamp duty holiday on properties under £175,000 will be extended until 31 December 2009.

Pensions

Tax relief on pension contributions will remain at the individual's top rate of income tax (currently up to 40%). However from April 2011 this relief will be restricted for those with incomes over £150,000 pa and will taper down to 20% for those who earn over £180,000 pa.

For those who claim the state pension this is set to increase by 2.5% in April 2010 whether the retail price falls below this value or not in the coming year.

The first £10,000 worth of savings for pensioners will not count when assessing any entitlement to Housing Benefit, Pension Credit or Council Tax Benefit.

Savings and ISAs

The annual tax free investment allowance for ISAs will rise to £10,200 of which £5,100 can be invested in a cash ISA. The new allowance will be available to the over 50s from 6 October 2009 and then to everyone from 6 April 2010.

Here are the new and current tax thresholds as already announced in the November 2008 pre-budget report.

Income Tax: personal and age-related allowances

Allowances	2008-09	Change	2009-10
Personal allowance (age under 65)	£6,035	+£440	£6,475
Personal allowance (age 65-74)	£9,030	+£460	£9,490
Personal allowance (age 75 and over)	£9,180	+£460	£9,640
Married couple's allowance* (aged less than 75 and born before 6 April 1935)	£6,535		**
Married couple's allowance* (age 75 and over)	£6,625	+£340	£6,965
Married couple's allowance* - minimum amount	£2,540	+£130	£2,670
Income limit for age-related allowances	£21,800	+£1,100	£22,900
Blind person's allowance	£1,800	+£90	£1,890

Income Tax - taxable bands

2008-09	£ per year	2009-10	£ per year
Starting savings rate: 10%*	£0-£2,320	Starting savings rate: 10%*	£0-£2,440
Basic rate: 20%	£0-£34,800	Basic rate: 20%	£0-£37,400
Higher rate: 40%	Over £34,800	Higher rate: 40%	Over £37,400