

Personal Taxation

Tax Group Update

Spring 2010

Introduction

The Pre Budget Report has come and gone and winter is almost over for another year but the reality of significant hikes in personal taxation are still with us. The Chancellor has announced that he will leave the increased rates in place for the life of the next Parliament while the opposition parties, mindful of the level of Government debt, give little hope of revisiting the level of personal tax rates in the short term.

The cut-off date of 5th April 2010 is nearly upon us and now is the time to review with your RPG Director contact what action could or should be taken before 5th April 2010 or what asset/income allocation should be undertaken in readiness for 6th April 2010.

Tax rates

PERSONAL

1) Income tax and National Insurance

	From 6/4/2010	Up to 5/4/2010
Income between £37,400 and £100,000	40%	40%
Effective rate between £100,001 and £112,950	60%	40%
Income over £150,000	50%	40%
	+ 1% National Insurance	

2) Capital Gains Tax

	From 6/4/2010	Up to 5/4/2010
Tax free allowances	£10,100	£10,100
Rate	18%	18%

BUSINESS

	From 6/4/2011	Up to 5/4/2011
Employers NI	13.8%	12.8%

Allocation of income

Husband and wife each have:	£
Personal Allowances	6,475
Basic Rate Band	37,400
Up to £100,000	56,125
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	£100,000

Consideration needs to be given to possible reallocation of income between husband and wife in order to maximise the above bands to reduce the overall potential tax liability.

Effective rate of tax

As can be seen from the following graph showing earnings against percentage rate of taxation the effective rate of tax now climbs to 60% between £100,001 and £112,950. Any actions that can be taken to mitigate tax liabilities at this level need to be considered and actioned prior to 6th April 2010.



