



Summary of emergency budget changes—June 2010

Income tax

The personal allowance for under 65's will be increased by £1,000 from April 2011. The high rate threshold will be frozen up to and including 2013/2014. The government will aim to increase the personal allowance towards £10,000 over the parliamentary term.

Capital gains tax

From 23rd of June, Capital Gains Tax will increase to 28% for higher rate taxpayers but will remain at 18% for basic rate taxpayers. The £10,100 allowance will remain and will increase with inflation. Entrepreneurs' lifetime allowance will increase from £2 million to £5 million.

Pension tax relief

The government will work with industry to consider alternatives to the restriction for those earning over £150,000. Potentially, this could lead to a lower annual allowance of between £30,000 and £45,000.

Value-added tax

On the 4th of January 2011, VAT will increase to 20% from 17.5%. There are no changes to zero rated or reduced rate products.

Insurance premium tax

Insurance premium tax will increase from 17.5% to 20% with the higher rate and 5-6% at the standard rate.

Savings

The government has asked the Consumer Financial Education body to develop a new annual family financial health check. The government confirms that it will index link the annual Isa subscription limit from 2011-2012.

Business taxation

Corporation tax will reduce by 1% to 27% in 2011 and reduce by 1% for each of the next 3 years. This will be funded by restrictions to capital allowances.

The effect of the increase in employer National Insurance will largely be reversed by increasing the threshold by £21 a week above indexation.

State pension

The state pension will increase by the higher of earnings, prices or 2.5% from April 2011. This is seen as a way of reducing the impact of means testing on savings.

The government is reviewing when state pension age will rise to 66. A consultation will follow on when the default pension age will be phased out altogether.

Retirement income planning

The government has proposed that, subject to consultation, compulsory purchase of annuities (currently at age 75) will be abolished from April 2011. In the interim this will rise to age 77. Entitlement to any tax-free cash will still need to rise prior to age 75.

The government has stated that it will simplify the rules and regulations in relation to pensions.

Housing allowances

Housing benefit will be limited to a maximum of £400 a week for a four-bedroom house.

Child allowance

Child benefit will be frozen for the next three years. The family element of child tax credit will continue for families receiving income of £40,000 per year, instead of £50,000. The child element of the child credit will rise by £150 above the inflation.

Disability living allowance

Medical assessment will be introduced for disability living allowance from 2013, although it will continue for those in most need.

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