



## **Budget News - FCFM part 2 - 22nd April 2009**

The main points of interest for businesses are as follows.

Employers need to be aware that from 2010-11 an additional rate of income tax of 50 per cent will apply to income over £150,000 (not 45 per cent as announced in the pre-Budget report 2008). The basic personal allowance will also be gradually reduced to nil for those with incomes over £100,000.

From 6 April 2011, the tax relief on pensions contributions will be restricted for those with incomes of £150,000 and over, and tapered down until it is 20 per cent. Special rules apply from 22 April 2009 to prevent people from making large additional contributions to their pensions before April 2011 in order to benefit from higher rates of tax relief while it is still available.

Changes to VAT rules for trade within the EU will be introduced from 1 January 2010, including:

changes to the place- and time-of-supply rules for the cross-border supplies of services  
the requirement to complete quarterly EC Sales Lists for those businesses who supply goods and/or services to business customers in other European Union countries where the place of supply of those services is the customer's country

### **A new electronic VAT-refund procedure for cross-border supplies of services**

Voluntary managed payment plans (MPPs) will be introduced to help taxpayers' cashflow. MPPs will allow taxpayers to spread their income tax or corporation tax payments equally over a period either side of their normal due date without incurring interest or penalties. These measures will be introduced under the 2009 Finance Bill but won't come into effect until April 2011 at the earliest.

HMRC will introduce measures to collect small debts it is owed through the PAYE (Pay As You Earn) system. These measures are likely to come into effect in April 2012.

Changes will be made to the company car tax regime from 2011-12. In particular, the lower threshold for carbon dioxide emissions will decrease from 130 grams per kilometre (g/km) to 125g/km and the £80,000 price cap that applies when working out the cash equivalent of the car benefit will be abolished.

There will be changes to the taxation of foreign profits. In particular, dividends and other distributions received from foreign companies will largely be exempt from corporation tax and UK distributions will be exempt to the same extent.

Tobacco and alcohol duty increased by 2 per cent from 22 and 23 April 2009 respectively.

Duty on unleaded petrol and diesel will increase by 2 pence per litre (ppl) on 1 September 2009 and by 1ppl above indexation each year from 1 April 2010 to 1 April 2013 inclusive.

### **Finance and grants**

A 'top-up' trade credit insurance scheme will be introduced to help businesses maintain their finances. The Government will - for a temporary period - offer to match trade-credit insurance provided by the private sector if insurers reduce cover to any UK business.

From a date yet to be announced, the limit on a week's pay for the purposes of making statutory redundancy payments will rise from £350 to £380.