



**NEWSLETTER 15  
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**BUDGET 2010 HIGHLIGHTS FOR BUSINESS**

- Reduction in corporation tax by 1% (April 2011) down to 20%;
- Increase in personal tax allowance from £6,475 to £7,475 (April 2011);
- Increase in National Insurance threshold (to approx £7,045) (April 2011);
- Reduction in higher rate tax threshold (to approx £42,375) (April 2011);
- Immediate hike in capital gains tax for higher rate tax payers from 18% to 28%;
- Reduction in capital allowances by 2% from April 2012;
- Increase in entrepreneurs relief lifetime allowance to £5m for 10% tax rate;
- Increase in VAT from 4<sup>th</sup> January 2011 to 20%;
- Delay in the abolition of the favourable furnished holiday let tax treatment;
- Increase in national insurance by 1% (April 2011), employers and employees.

**COMMENTS/POTENTIAL ACTIONS**

- There will be an increase in the VAT flat rate scheme percentages which will be notified later – if you are not already using the flat rate scheme, review your last 4 VAT returns and consider if this will save you money.
- Although the reduction in the higher rate threshold reduces the amount you can withdraw from your company tax free, the optimum director salary increases from £476 to around £587 per month from April 2011, reducing the company tax bill.
- Planning can be put in place to move income into next year and expense into this year to minimise profits at the current 21% small company tax rate.
- The reduction in capital allowances and the VAT increase may also mean that bringing expenditure forward will give rise to tax savings.
- Consideration should be given to timing of property sales – selling in a year when other incomes are lower could save 10% CGT.