

Budget 2009

BUILDING BRITAIN'S FUTURE

The Government's economic objective is to build a strong economy and a fair society, where there is opportunity and security for all. Budget 2009, *Building's Britain's Future*, presents updated assessments and forecasts of the economy and public finances and reports on how in the face of a steep and synchronised global downturn, the Government is delivering a comprehensive and coherent package of targeted support to continue to help households and businesses, while implementing a strategy to support a strong and sustainable recovery.

Building on the strategy set out at the 2008 Pre-Budget Report, the Budget announces targeted discretionary support for the economy through these difficult times, while continuing sustained fiscal consolidation from 2010-11 when the economy is expected to be recovering and able to support a reduction in borrowing:

- support for employment, including for Jobcentre Plus and the Flexible New Deal, and the offer a guaranteed job, training or work placement for all 18-24 year olds who reach 12 months unemployed;
- support for business, including by extending the enhanced loss relief for an additional year and expanding HMRC's Business Payment Support Service, increasing capital allowances for new investment to 40 per cent for one year, and establishing a £750 million Strategic Investment Fund to support advanced industrial projects of strategic importance;
- support for individuals, including through an increase in the annual investment limit for Individual Savings Accounts (ISAs) to £10,200, up to £5,100 of which can be saved in cash; an additional payment alongside the Winter Fuel Payment worth £100 for households with someone aged over 80 and £50 for households with someone aged over 60;
- support for homeowners and homebuyers, including with a £600 million funding package of measures to build more homes through unlocking sites currently sitting as dormant, and an extension of the stamp duty holiday for all houses costing up to £175,000 until the end of the year.
- support for the environment, including setting the world's first carbon budgets and measures to encourage energy efficiency and low-carbon growth.

The Budget also announces:

- from April 2010, an additional rate of income tax of 50 per cent will apply to income over £150,000, and the income tax personal allowance will be restricted for those with income over £100,000;
- from April 2011, 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;
- fuel duty will increase by 2 pence per litre on 1 September 2009, and by 1 penny per litre in real terms each year from 2010 to 2013;
- £5 billion recoverable value for money savings in 2011-11 raising the 2007 Comprehensive Spending Review target from £30 billion to £35 billion, and in the next Spending Review period, additional efficiencies to help support the economy and front-line services, rising to £9 billion by 2013-14. The Budget sets assumptions for spending growth from 2011-12 onwards, with current spending growing by an average 0.7 per cent in real terms and public sector net investment moving to 1¼ per cent of GDP by 2013-14.

MAINTAINING MACROECONOMIC STABILITY

The financial crisis has caused a steep and synchronised global downturn. Recessions are being experienced in all the world's major advanced economies and the world economy is set to contract by 1¼ per cent in 2009, the first fall in the post-war period. The UK Government, as Chair of the G20 in 2009, forged agreement between G20 Leaders on a comprehensive *Global plan for recovery and reform* at the London Summit in April 2009.

The Government is delivering a coherent and comprehensive package of support to restore the flow of credit, support economic recovery in the UK and build a strong economy for the future, while ensuring sound public finances.

The Government is delivering fiscal support worth 4 per cent of GDP in 2009-10 from the measure announced in this Budget, the 2008 Pre-Budget Report and the operation of the automatic stabilisers. The Bank of England has cut Bank Rate to ½ a per cent and announced a £75 billion programme of asset purchases. With substantial macroeconomic stimulus already in the system, this Budget focuses on further targeted support for those most affected by the downturn, and on ensuring a sustained and sustainable recovery, including support for employment and investment.

It will take time for this support to take hold fully. Like most advanced economies, the UK will experience a sharp recession in 2009, with GDP

falling by $-3\frac{1}{2}$ per cent in 2009, before substantial macroeconomic stimulus drives recovery, with growth of $1\frac{1}{4}$ per cent forecast in 2010.

Global economic developments will have a profound effect on the fiscal positions of most countries, with debt likely to rise significantly in all advanced economies. In the UK, borrowing is forecast to peak at 12.4 per cent of GDP in 2009-10, before falling as the economy recovers and the Government takes further action to ensure sustainability. Building on the significant fiscal consolidation announced in the 2008 Pre-Budget Report, this Budget sets out tax and spending measures that reduce borrowing by $\pounds 26\frac{1}{2}$ billion by 2013-14:

- from April 2010, an additional rate of income tax of 50 per cent will apply to income over $\pounds 150,000$ and the income tax personal allowance will be restricted for those with incomes over $\pounds 100,000$. From April 2011, tax relief on pensions contribution will be restricted for those with incomes of $\pounds 150,000$ and over, and tapered down until it is 20 per cent. Fuel duty will increase by 2 pence per litre on 1 September 2009, and by 1 penny per litre in real terms each year from 2010 to 2013; and
- the Government will continue to improve and invest in public services while delivering the additional savings identified by the Operational Efficiency Programme over the next Spending Review period, rising to $\pounds 9$ billion a year by 2013-14. Current spending will grow by an average of 0.7 per cent a year in real terms between 2011-12 and 2013-14 and public sector net investment will move to $1\frac{1}{4}$ per cent of GDP by 2013-14.

Reflecting the principle of transparency, the fiscal forecasts include a provisional estimate for the high end of a range for the net impact of unrealised losses on financial sector interventions, equal to $3\frac{1}{2}$ per cent of GDP.

Budget measures contribute to an average reduction in the cyclically-adjusted current budget of over 0.8 per cent a year from 2010-11 to 2013-14. Based on cautious fiscal forecasting assumptions, borrowing declines to 5.5 in 2013-14, and as a result net debt stabilises at 79 per cent of GDP, including potential losses on financial sector interventions, compared with 36 per cent at the end of 2006-07, when the economy was last on trend.

The Budget 2009 fiscal projections are consistent with the temporary fiscal operating rule introduced in the 2008 Pre-Budget Report, entailing a return to cyclically-adjusted current balance and debt falling as a share of the economy by 2017-18, when the global shocks will have worked their way through the economy in full.

FINANCIAL STABILITY

The world economy was hit by a global credit shock in mid-2007. Since then, global financial markets have suffered a sustained period of stress and instability. The intensification of the financial market stress into the worst global financial crisis for generations delivered a severe blow to an already weakened world economy, precipitating a steep and synchronised global downturn. The world economy is forecast to contract in 2009 for the first time in the post-war period.

Financial markets are critical to the well-being of all citizens and the success of all businesses in this country. They also strongly influence economic growth and development across the world. They are the core mechanism for allocating resources efficiently in an economy and a key driver of productivity, growth and opportunities. Financial instability, to the extent that it disrupts the functioning of financial markets, can therefore affect everybody.

Governments around the world have provided significant support to strengthen their financial systems. At the London Summit, G20 Leaders committed to take all necessary action to restore the flow of credit and ensure the soundness of systemically important institutions.

The Government has taken decisive action to support the stability of the financial system and wider economy. Tackling a downturn of this nature and dealing with its consequences requires a comprehensive policy response to support the economy: fiscal and monetary policy, financial sector interventions, and targeted support for individuals and businesses.

The action taken by the Government since October 2008 has been successful in preventing the collapse of the financial system and ensuring that no retail depositors in UK banks or building societies lost money. These interventions have supported the wider economy, and they are helping individuals and businesses. The Government will continue to do whatever it takes to maintain financial stability through its objectives to ensure stability and restore confidence in the financial system, protect retail depositors' money and safeguard the interests of taxpayers.

This chapter sets out the Government's response to financial market disruption in two areas. First, it describes the Government's immediate response aimed at ensuring the stability of the financial system, involving:

- targeted action for individual financial institutions; and

- a comprehensive system-wide response, including action to ensure liquidity, strengthen bank capital, guarantee certain wholesale funding, deal with impaired assets, and increase lending in the economy.

Second, it sets out the Government's view of the longer-term action required to renew financial markets for the future. This chapter introduces a forthcoming paper by the Government, covering:

- key elements of the Government's approach to the future of financial markets;
- steps already taken to achieve this approach, including the Turner Review, leading work in the G20, and the Banking Act 2009; and
- further important action, including renewing financial regulation, reducing the impact of bank failure, protecting and supporting consumers, improving efficiency and competition in capital markets, and strengthening regulators and the international regulatory framework.

Further details on these and other measures are set out below:

Asset Management

The Government has been working closely with the asset management industry on a wide-ranging package of tax measures to enhance the competitiveness of the UK as a place for Authorised Investment Funds to locate. Following the launch of a new tax regime for property funds, helpful guidance on the distinction between investment and trading transactions and new tax rules for the Qualified Investor Scheme, the Government today announces:

- the launch of the Tax Elected Fund regime which will allow UK Authorised Investment Funds to be marketed competitively to UK investors and worldwide; and
- legislative change to clarify whether certain transactions will be taxed as trading or investment for UK AIFs and equivalent offshore funds.

This package helps to consolidate the UK's position as a key international centre for asset management.

SUPPORTING BUSINESS

As set out in Chapter 2, the financial crisis has caused a steep and synchronised global downturn. This chapter outlines how Government

support, alongside action to restore the flow of credit in the financial system, is helping businesses across the UK. Budget 2009 builds on this support with targeted measures that will help businesses' short-term cashflow, including:

- further support to loss-making businesses, by extending the enhanced loss relief announced in the 2008 Pre-Budget Report for an additional year and expanding HMRC's Business Payment Support Service;
- enabling businesses to spread payment of this year's inflation up-rating to business rates over three years, as announced on 31 March 2009;
- a 'top-up' trade credit insurance scheme to help businesses maintain their finances, in which Government will offer to match private sector trade credit insurance provision, for a temporary period, if insurers reduce cover to any UK business; and
- for a temporary period, a vehicle scrappage scheme, co-funded with industry, that will enable consumers who scrap vehicles older than ten years to replace them with new vehicles at a discount of £2,000.

Over the last decade, the UK has built up key strengths that provide a platform for growth as the UK emerges from the recession. Consistent with the strategic vision set out in *Building Britain's Future: New Industry, New Jobs* published 20 April 2009, Budget 2009 announces a package of measures that will support the adjustment towards renewed economic growth and improve the UK's competitiveness, offering:

- an increase in capital allowances for new investment to 40 per cent for one year, with effect from April 2009, to allow a higher proportion of private investment to be offset in that year against taxable profits;
- a £750 million Strategic Investment Fund to support advanced industrial projects of strategic importance, of which a third of the funding will be earmarked specifically for low carbon projects; and
- the implementation of a package of reforms to the taxation of foreign profits, including the introduction of an exemption for foreign dividends, supported by a limited restriction to the interest deduction rules.

Further details on these and other measures are set out below:

Enhanced First Year Capital Allowances

The Government today announces the introduction of an enhanced first-year capital allowance of 40 per cent for one year, introduced with effect from April

2009. This will double the rate of relief available to businesses and support around £50 billion of investment. This is in addition to the significant benefit the vast majority of businesses already receive from the £50,000 Annual Investment Allowance.

Extra support to loss-making businesses

The 2008 Pre-Budget Report announced a temporary, one-year extension of loss carry-back for businesses from one to three years, for losses up to £50,000. The Government today announces further enhancements to this support, to help more businesses through the downturn, by:

- extending this enhanced relief for two years rather than one (from 24 November 2008 for companies, and for the 2008-09 and 2009-10 tax years for unincorporated businesses). Together with the change made at the 2008 Pre-Budget Report, this will benefit an expected 140,000 businesses ; and
- allowing struggling businesses expecting to make losses to offset these against tax bills due on profits from the previous year, using HMRC's Business Payment Support Service.

Business rates

As announced on 31 March 2009, the Government will enable businesses to spread the payment of the April 2009 uprating to business rates over three years. The Government will also allow those affected by the end of the 2005 transitional relief scheme to spread payment of the increase in their bills over three years.

Strategic Investment Fund

The Government today announces it will establish a £750 million Strategic Investment Fund to support advanced industrial projects of strategic importance. This includes £50 million for the Technology Strategy Board and £10 million for UK Trade and Investment. £250 million of this fund will be earmarked for low carbon investments.

Vehicle scrappage scheme

The Government announces the introduction of a temporary vehicle scrappage scheme. A discount of £2,000 will be offered to consumers buying a new vehicle to replace a vehicle more than ten years old which they have owned for more than twelve months. The Government will set aside £300

million for this scheme with funding matched by manufacturers participating in the scheme.

Trade credit insurance

The Government today announces a 'top-up' trade credit insurance scheme to help UK businesses maintain their finances in the current economic climate. Under this scheme, the Government will offer to top up private sector trade credit insurance provision if insurers reduce cover from any business operating in the UK. Cover provided under this scheme will be time-limited and capped at £5 billion, providing a real breathing-space for businesses to adjust to changing circumstances. Further detail on the trade credit insurance top-up scheme can be found at: www.businesslink.gov.uk/creditinsurance.

Foreign profits

The Government confirms the introduction of a package of reforms to the taxation of foreign profits, including a tax exemption for most foreign dividends received by UK groups. This will be supported by a restriction on interest deductibility (worldwide debt cap) and the replacement of the Treasury Consents rules with a new post-transaction reporting requirement. As a necessary consequence of the dividend exemption, there will also be changes to the Controlled Foreign Companies (CFC) rules. These measures will support and enhance the competitiveness and attractiveness of the UK as a location for multinational business.

North Sea fiscal regime

Following the consultation launched at the 2008 Pre-Budget Report, Budget 2009 announces a package of measures to encourage the economic recovery of the UK's oil and gas reserves. This package will include the introduction of incentives to encourage investment in small and technically challenging fields, which could assist in unlocking around 2 billion barrels of the UK's remaining oil and gas reserves. The package also includes measures to assist asset trades and give companies the certainty and stability they need to underpin investment.

Budget 2009 also announces reforms to remove barriers to projects that reuse North Sea infrastructure for other activities, including gas storage, carbon capture and storage and wind energy.

Export Credits Guarantee Department Letter of Credit scheme

The Government today announces that the Export Credits Guarantee Department (ECGD) will shortly consult on a new facility to provide

Government support for short-term trade finance through sharing risks with banks in confirming letters of credit. This facility will give exporters greater certainty of payment when selling goods in difficult markets.

Digital Britain

The Budget today announces that the Government will pursue Universal Service in broadband at 2 Megabits per second alongside further support to promote broadband take-up and basic digital skills.

The Budget also announces a review of the powers and duties of Ofcom to ensure it can strike the right balance between delivering competition and promoting investment and confirms approval for 'Digital Region', a £100 million project led by Yorkshire Forward that will roll-out next-generation broadband to South Yorkshire.

Exploring the tax treatment of Intellectual Property to enhance the competitiveness of the UK

As part of the Government's commitment to examine the challenges facing the UK tax system and ensure its competitiveness, and focus on supporting the high value-added priority sectors in which the UK can excel in the future, the Government will consider the evidence for changes to the way the tax system encourages innovative activity and the relative attractiveness of the UK to global firms as they make decisions on where to locate their R&D and other innovation activities. Working with representatives across the business community, the Government will examine the balance of taxation of innovative activity, including IP. The Government will assess the evidence on the potential impacts of any reforms on economic activity, consult further with industry and set out its assessment and proposed approach before the Pre-Budget Report.

Water competition

In response to the final report for the Independent Cave Review of Competition and Innovation in the Water Markets published today, the Government announces a consultation on a package of reforms to further competition and innovation for large non-domestic customers, with a commitment to consider opening the market to all businesses at a later stage. The Government will also take forward further work on recommendations concerning establishing a value for water, and the industry's innovative capacity. Up to 26,600 businesses will benefit from the reforms by enabling them to switch supplier, which will result in downward pressure on prices, increased service levels and the better use of water.

Pilot City-Regions Announced

Budget announces new pilot city-region arrangements for Greater Manchester and Leeds, building on the Government's recent economic reforms through the Sub-National Review. The pilot city-regions will benefit from the stronger integration of planning, housing, transport, regeneration, employment and skills programmes, increasing their ability to drive sustainable growth and economic development.

The pilots will be overseen at Ministerial level and will draw on recent work from the Manchester Independent Economic Review and on innovation in the Leeds city-region in order to agree joint priorities with the Government that will support economic growth. Further work is also underway with partners in the West Midlands on their proposals for an accelerated development zone and employment and skills.

Insolvency package

The Budget announces that the Insolvency Service will launch a consultation in June 2009 on measures to help companies in financial difficulties. In addition, to prevent creditors from being unfairly treated through the abuse of pre-pack sales, Budget 2009 announces that this summer the Insolvency Service will publish the first of a series of regular reports on the monitoring of pre-pack sales.

Tax simplification

Following discussions with business, Budget 2009 sets out the next stage in the Government's rolling programme of tax simplification, including further progress on its tax simplification reviews. Budget 2009 announces that since 2006 the Government has implemented or committed to new measures that will deliver administrative savings to business of around £540 million per annum.

HELPING PEOPLE FAIRLY

Low inflation and interest rates mean many households will have higher real incomes in 2009. In addition, households have benefited from action that the Government has taken to support economic recovery, including an increase in the personal allowance and a temporary cut in VAT. However, the Government recognises that many households have been hit by the downturn, including those affected by rising unemployment or by falling hours or wages.

Budget 2009 announces further Government action to support employment, to help savers and families with children, to support pensioners and to help people manage their finances, including:

- an additional £1.7 billion set aside for the Department for Work and Pensions to sustain the high numbers of individuals currently moving off Jobseeker's Allowance in the early months of each claim and provide support for the minority who remain unemployed for longer periods;
- a guaranteed job, training or work placement for all 18-24 year olds who reach 12 months unemployed to ensure no young people are left behind due to long-term unemployment;
- an additional payment alongside this year's Winter Fuel Payment, worth £100 for households with someone aged over 80 and £50 for households with someone aged over 60;
- an increase in the annual investment limit for Individual Saving Accounts to £10,200, up to £5,100 of which can be saved in cash. These higher limits will be available to people aged 50 and over from 6 October 2009 and available to all from 6 April 2010, directly benefiting over five million people who currently use their full ISA allowance;
- an increase to the child element of the Child Tax Credit of an additional £20 a year above indexation from April 2010, providing valuable support to families with children;
- an additional £125 million in 2009-10 and £145 million in 2010-11 allocated to the Social Fund; and
- an increase in the level of statutory redundancy pay, making the weekly rate £380.

Budget 2009 also announces a package of measures to help homeowners, homebuyers and the housing market:

- a £600 million funding package of measures to build more homes through unlocking sites currently sitting dormant; and
- an extension of the stamp duty holiday for all houses costing up to £175,000 until 31 December 2009.

In addition, Budget 2009 announces:

- that from April 2010, an additional rate of income tax of 50 per cent will apply to income over £150,000, and the income tax personal allowance will be restricted for those with incomes over £100,000;
- that from April 2011, 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; and
- changes to alcohol and tobacco duties, and a package of measures which will protect £3 billion of tax receipts a year by 2010-11 from tax evasion and avoidance.

Further details on these and other measures are set out below:

Child poverty

Budget 2009 reiterates the Government's commitment to the sustainable eradication of child poverty and the Government's intention to enshrine this pledge in legislation will drive continual progress towards these goals. Budget 2009 reinforces the Government's commitment to support all households through the economic downturn and announces further targeted support for vulnerable households including:

- increasing the child element of the Child Tax Credit by an additional £20 a year above indexation from April 2010, providing valuable support to families with children;
- amending the law to make clear that the current 4-week run-on in the Working Tax Credit extends to the childcare element, including for couples when only one partner falls out of work, helping to minimise disruption to children during these difficult changes;
- taking further steps to help low-income households gain access to the support they are entitled to, such as the extra tax credits available to people suffering a fall in income (already helping 355,000 people by an average of £35 per week); and
- outlining further detail on the child poverty Bill.

Jobcentre Plus funding

Budget 2009 announces that an additional £1.7 billion will be set aside for the Department for Work and Pensions over the next two years to ensure

Jobcentre Plus and Flexible New Deal capacity is in place to respond effectively to rising unemployment. The effectiveness of this support helps ensure that most people who become unemployed find work again very quickly – 25% within a month and over half within 3 months

Support for individuals who have been unemployed for 12 months

The Government is introducing additional support for the long term unemployed, building on the extra support now available to those unemployed for over 6 months. The package will offer guaranteed support to 18-24 year olds who have been unemployed for 12 months, to prevent them becoming detached from the labour market. As part of this, the Government will allocate funding for Local Authorities and voluntary sector partners to provide 100,000 new jobs in socially useful activity and a further 50,000 jobs in areas of dense unemployment across the country. The guarantee will also offer new training courses, and Community Work placements.

Budget 2009 also announces CareFirst, offering 50,000 traineeships for young people in the care sector. In the first half of last year, there were over 100,000 job vacancies in social care. The scheme will support providers to recruit young people to this growing sector, whilst providing opportunities for those in need of work. Providers will receive a subsidy for offering sustained employment and training to young people who have been out of work for 12 months, giving them the skills and experience they need for a permanent career in the sector.

Local Housing Allowance

The Government is reforming the Local Housing Allowance (LHA) so that it is more equitable and promotes work incentives. From April 2010, households will no longer be able to keep any of the surplus if the LHA they receive is higher than their rent. For those already receiving LHA, this reduction will not apply until the anniversary of their claim. It is essential that the LHA represents good value for money for the taxpayer and as this measure will only affect surpluses, it will not produce rent shortfalls.

Social Fund

The Social Fund provides interest free 'Budgeting' and 'Crisis' loans for vulnerable people, allowing them to meet and spread the payment of unexpected costs. The Government announces an additional £125 million in 2009-10 and £145 million in 2010-11 to ensure that the Social Fund across the UK is able to respond to increased demand. Details of the loan scheme and eligibility can be found at www.jobcentreplus.gov.uk.

Personal Tax

The Budget announces changes to the income tax system designed to deliver further consolidation to ensure the stability of the public finances. These changes are focused on individuals with the highest incomes who are most able to contribute. From April 2010:

- the additional rate of income tax will be 50% on income over £150,000, with a rate of 42.5% for dividends; and
- the value of the personal allowance will be restricted for those with incomes over £100,000, tapering down to zero.

These changes replace the 45% income tax rate and the two-stage taper of the personal allowance announced in the 2008 Pre-Budget Report.

Pension tax relief

The Government announces that from April 2011 tax relief on pensions contributions will be restricted for those with incomes over £150,000. From that level of income the value of pensions tax relief will be tapered down until it is 20 per cent for those on incomes over £180,000, making it worth the same for each pound of contribution to pension entitlement as for a basic rate income tax payer. The Government will consult on the implementation of this measure.

In anticipation of this change, the Government is also introducing legislation to prevent individuals taking advantage of the pensions tax relief while it is still available to them at a higher rate, by making substantial additional pension contributions prior to the restriction taking effect. Those who have never earned in excess of £150,000 are unaffected, as are those who continue with their regular pattern of contributions.

Support for savers

The Government today announces that the annual ISA investment limit will rise to £10,200, of which £5,100 can be saved in cash. These higher limits will be introduced for those aged 50 for tax year 2009-10, with the first deposits being available from 6 October 2009. This will enable those who have retired or are beginning to prepare for retirement to move taxed savings into a tax-advantaged ISA, rewarding those who have saved by improving their returns. The higher limits will then apply to everyone from 6 April 2010. This will give over 18 million ISA holders the opportunity to increase their tax-advantaged savings and directly benefit over 5 million individuals who make full use of either their cash or their overall ISA allowance.

Pensioner savers

The Government is introducing measures to target support on lower income pensioners who may have seen a fall in their income from savings. From Autumn 2009:

- the first £10,000 of savings held by pensioners will not be taken into account for assessment of their entitlement to Pension Credit, Housing Benefit and Council Tax Benefit. This will increase the income of around 540,000 Pension Credit claimants who have savings above the current disregard level of £6000. They will benefit by around £4 per week; and
- Pension Credit recipients who may have overpaid tax on their savings income in the past 6 years will be contacted as part of a taxback campaign. This campaign will encourage people to claim tax back on savings income and, where possible, register to avoid overpaying tax in future. Those who claim are expected to receive around £200 on average.

Support for pensioners

Building on the Government's commitment to help pensioners, Budget 2009 announces an additional payment of £100 to households with someone aged 80 or over and £50 to households with someone aged 60 or over, to be paid alongside the Winter Fuel Payment in 2009-10.

Child Trust Fund: disabled children

The Government will contribute £100 every year to the Child Trust Fund accounts of all disabled children, with severely disabled children receiving £200 per year. This further Government payment recognises that disabled children are likely to have higher financial needs when they make the transition to adulthood. Over 4 million children now have a Child Trust Fund account, which will ensure that at age 18, all young people will have access to a financial asset.

Package to support housing supply

A £600 million fund to unlock stalled housing sites and provide a kick-start to housebuilding was announced by the Chancellor today, to deliver up to an additional 10,000 homes in England over the next 2 years. This figure includes Barnett consequentials for the Devolved Administrations. This package includes £100m for local authorities to build new social housing at higher energy efficient standards. The current economic climate continues to have a significant impact on housing supply. Additional, short-term, spending

during the downturn will stimulate housing development as well as boost the capacity of the house building industry in the long term.

Stamp Duty Land Tax Holiday

To provide continued support for homebuyers the Government is today extending the Stamp Duty Land Tax holiday for residential properties up to £175,000 until midnight on 31 December 2009. Around 60 per cent of purchases are currently exempt from paying stamp duty as a result of the holiday.

Offshore disclosure

A New Disclosure Opportunity (NDO) for holders of offshore accounts will run until March 2010. This will give holders of these accounts the opportunity to disclose, of their own accord, if they have unpaid tax or duties and to settle debts. HMRC is also seeking to issue notices requiring financial institutions to provide information about offshore account holders.

Publication of names of serious tax defaulters

The Government announces that is legislating for the publication by HMRC of the names of both corporate and individual taxpayers who incur a penalty because they have deliberately understated over £25,000 of tax.

Cross-border VAT changes 2010

New VAT rules on cross-border trading, from 1 January 2010, will ensure that UK VAT is charged on most services supplied to UK businesses, irrespective of the supplier's location, and provide a more efficient process for UK businesses wishing to recover VAT incurred in other EU countries. They include new reporting requirements to strengthen the strategy for tackling fraud using cross-border supplies of goods, and to ensure compliance with the new rules on services.

Alcohol duty rates

Budget 2009 confirms that, on 23 April 2009, alcohol duties will increase by 2 per cent, adding 1 penny to the price of a pint of beer, 13 pence to the price of a bottle of spirits and 4 pence to the price of a bottle of wine.

Tobacco duty rates

Budget 2009 announces that, on 22 April 2009, tobacco duties will increase by 2 per cent, adding 7 pence to the price of a packet of 20 cigarettes.

IMPROVING PUBLIC SERVICES

Since 1997, record levels of investment matched by reform have enabled the Government to deliver real and lasting improvements in Britain's public services.

The Government's short-term focus is on supporting employment and jobs through the recession. Budget 2009 announces new spending measures, including additional funding for Jobcentre Plus to avoid the problems associated with long-term unemployment that took hold in previous recessions; and that the September Guarantee of a place in education and training to every 16 and 17 year old who wants one will be met in full, an extra 54,500 student places in the next academic year.

At the same time, the Government is determined to do more to prepare Britain for the economic recovery, building the wealth and jobs of the future. Budget 2009 announces:

- a new £750 million Strategic Investment Fund to support advanced industrial projects of strategic importance, £250 million of this will be earmarked for low-carbon investment;
- £500 million of additional spending as part of an overall £1.4 billion package of targeted support to boost Britain's low-carbon sectors; and
- a further £600 million to increase housing supply, including through an extension to the shared equity scheme Homebuy Direct and additional social housing investment.

The Government will continue to invest in front-line public services alongside a stronger drive on value for money. Budget 2009 announces:

- £5 billion recoverable value for money savings in 2010-11, raising the 2007 Comprehensive Spending Review target from £30 billion to £35 billion, whilst maintaining in full the allocations planned for key front-line services;
- plans to increase the Government's target on relocating posts out of London to 24,000 by 2010;
- in the next Spending Review period, additional efficiencies to help support the economy and front-line services drawn from procurement, back office

and IT, and property running costs, rising to £9 billion of additional efficiency savings by 2013-14; and

- new incentives and mechanisms with the aim of realising up to £16 billion of property and other asset sales in the three years from 2011-12, with proceeds used to supplement capital budgets.

Building on these reforms, Budget 2009 sets assumptions for spending growth from 2011-12 to 2013-14 which allow continued investment in public services whilst ensuring sustainable public finances in the medium term: with current spending growing by an average 0.7 per cent in real terms and public sector net investment moving to 1¼ per cent of GDP by 2013-14.

Further details on these and other measures are set out below:

10-11 value for money savings and budget reductions

The 2008 Pre-Budget Report announced that the Government would increase its £30 billion 2007 Comprehensive Spending Review value for money target to £35 billion, delivering an additional £5 billion of recoverable value for money savings in 2010-11. Budget 2009 announces the departmental allocation of the £35 billion Value for Money target and adjustments to departmental budgets.

Budget 2009 also provides details on how these savings will be delivered, including by bringing forward savings identified by the Operational Efficiency Programme (OEP) and Public Value Programme (PVP). These savings will be delivered whilst maintaining in full the allocations planned for key front-line services including schools and local health services.

Operational Efficiency Programme

The Operational Efficiency Programme (OEP), led by five senior private and public sector advisors, published its final report on 21 April 2009. Budget 2009 announces the Government's acceptance of the recommendations in *Operational Efficiency Programme: final report* and will work with all departments to implement and deliver the additional value for money savings identified by the Programme.

The OEP has identified opportunities for a total of £15 billion of annual efficiency savings. Around £6 billion of this can be delivered as part of the Government's £35 billion value for money target in 2010-11 and the additional £9 billion by 2013-14. The delivery of the full £15 billion will take time to achieve, due to the nature of the areas being considered, but include savings in five cross-cutting areas:

- *Back office operations and IT, led by Dr Martin Read*, has found that £4 billion of savings a year are possible by improving the efficiency of back office operations, and £3.2 billion of savings a year on IT spending;
- *Collaborative procurement, led Martin Jay*, has found that £6.1 billion of savings a year are possible by harnessing the public sector's collective buying power;
- *Asset management and sales, led by Gerry Grimstone*, has concluded that there is potential to realise greater value from its asset base, and reports progress on studies into specific assets (including British Waterways, the Dartford Crossing, Land Registry and the QEII conference centre) launched at the 2008 Pre-Budget Report. He has also identified a number of further assets that will be the subject of a second wave of studies;
- *Property, led by Lord Carter of Coles*, has found that up to £1.5 billion of annual running cost efficiencies could be delivered by 2013-14, rising to £5 billion a year over a ten year period. Furthermore, £20 billion of disposal proceeds from property sales (excluding council housing) may be possible over ten years. To achieve this, he has recommended the creation of a small, strategic central property function to drive the efficiency and rationalisation agenda across the public sector;
- *Local incentives and empowerment, led by Sir Michael Bichard*, has made a series of recommendations aimed at empowering professionals to collaborate and innovate and creating the space for progress by reducing burdens on the frontline. This includes taking forward the new 'Total Place' initiative that will map flows of public spending in local areas to identify where public money can be spent more effectively.

The full report is available online at http://www.hm-treasury.gov.uk/vfm_operational_efficiency.htm and background reports on the back office and IT, collaborative procurement and property workstrands will be made available online shortly after Budget 2009.

BUILDING A LOW-CARBON RECOVERY

The UK has led the world in taking a strategic and long-term approach to the problem of climate change. Existing policies are already enabling £50 billion of low-carbon investment over the three years to 2011, and helping to support 900,000 jobs. Budget 2009 builds on these foundations and provides over £1.4 billion of extra targeted support in the low-carbon sector. Together with announcements made since last autumn, measures announced today will enable an additional £10.4 billion of lowcarbon sector and energy investment

over three years, securing new jobs and new business, and placing the UK at the forefront of a worldwide low-carbon recovery.

To strengthen the long-term policy framework and give UK industry the confidence to invest in low-carbon technologies, Budget 2009 sets the world's first carbon budgets, as required by the new Climate Change Act. These set a legally binding 34 per cent reduction in emissions by 2020, a new level of ambition for UK climate policy.

Saving energy is the easiest way to cut carbon emissions, saving households and businesses money on bills. Building on the one million homes insulated last year, Budget 2009 announces an additional £375 million to support energy and resource efficiency in businesses, public buildings and households over the next two years, and £70 million for decentralised small-scale and community low-carbon energy. Together, these measures will support employment, and save 380,000 tCO₂ and around £60 million in energy bills each year.

Meeting carbon budgets will require a transformation of the way the UK meets its energy needs. The Government's existing framework will enable a ten-fold increase in renewable investment by 2020. To protect investment and jobs in low-carbon energy, and to strengthen the long-term framework for a low-carbon energy future, Budget 2009 announces:

- £405 million to support low-carbon industries and advanced green manufacturing, to help make the UK a worldwide leader;
- that UK renewable and energy projects stand to benefit from up to £4 billion of new capital from the European Investment Bank, removing blockages in project financing;
- an uplift in support for offshore wind investments that reach financial close between now and 2011 through the Renewables Obligation. This is expected to support £9 billion of investment and power up to 2.8 million homes;
- extending support for combined heat and power through climate change levy exemptions, helping bring forward £2.5 billion of investment and 3 GW of capacity by 2015, and supporting employment; and
- a new funding mechanism to support up to four carbon capture and storage demonstration projects, and £90 million to fund detailed preparatory studies.

To support the public finances, while also driving the move to a low-carbon and resource-efficient economy, Budget 2009 announces:

- an increase in fuel duty of 2 pence per litre on 1 September 2009, and of 1 penny per litre in real terms each year from 2010 to 2013. This will contribute to medium-term fiscal consolidation, and save 2 MtCO₂ per year by 2013-14; and
- a continued increase in the standard rate of landfill tax by £8 per tonne on 1 April each year from 2011 to 2013, to reduce landfill in a sustainable way by encouraging further investment into alternative waste management options.

Further details on these and other measures are set out below:

UK carbon budgets

Today the Government announces that it will set the UK's first three five-year carbon budgets - covering the period from 2008 to 2022 - at levels requiring a 34 per cent cut in greenhouse gas emissions by 2020 with respect to 1990. Representing a step change in the Government's level of ambition on climate change, this new target puts the UK on track to achieve its long-term goal of cutting emissions by 80 per cent by 2050. The Government will aim to meet these carbon budgets through domestic reductions alone in the non-traded sector, without using offset credits.

Building a low carbon economy: implementing the Climate Change Act, published alongside Budget, sets out in more detail the level of the first three carbon budgets, how Government will measure progress towards carbon budgets, and the Government's high-level response to the advice of the Committee on Climate Change.

Support for energy and resource efficiency

The Government today announces £375 million over the next two years for energy and resource efficiency in business, public buildings and households.

Support for renewable energy projects

The Government today announces new measures to protect investment and jobs in low-carbon energy, including:

- an uplift in support for offshore wind projects under the Renewable Obligation, worth £3.5 billion over the lifetime of the projects, protecting up to £9 billion of investment;

- UK energy projects stand to benefit from up to £4 billion in new capital from the European Investment Bank, easing blockages in project financing.

Low-carbon energy infrastructure

The Government today announces £405 million to support the development of a world-leading low-carbon energy and advanced green manufacturing sector in the UK.

This will be delivered through existing schemes such as the Environmental Transformation Fund, and as part of the Strategic Investment Fund set aside for support in strategic sectors such as low-carbon. This will help establish the UK as a world-wide leader in renewables technology and advanced green manufacturing.

Carbon capture and storage

The deployment of carbon capture and storage (CCS) will be key to the move towards a low-carbon energy supply. CCS is the process of capturing carbon dioxide from fossil fuels and then storing instead of releasing it into the atmosphere.

The Government announces that it will put in place a levy mechanism for up to four new CCS demonstration projects, driving significant private investment and making the UK a global leader in this crucial technology.

The Government also announces £90 million to fund post-combustion coal engineering and design studies. These will ensure that preparations for construction of a full-scale CCS demonstration begin at the earliest possible date and will generate useful know-how that will be made available to promote a global understanding of CCS.

Combined heat and power

Combined heat and power (CHP) generates useable heat and power in a single process and represents more efficient use of both fossil and renewable fuels. At the large industrial scale, CHP can act as a catalyst for the economic development of the nearby area by attracting businesses with a heavy demand for heat or steam.

The Budget announces that the Government will extend the climate change levy exemption for indirect sales of electricity from combined heat and power (CHP) beyond 2013 to 2023, subject to State aid approval, and also commits

to continue other levy exemptions for CHP. This package of support will help investors to plan with confidence for the future and is expected to bring forward investments of around £2.5 billion, which will increase CHP capacity by 3GW by 2015, and promote significant employment opportunities in the sector. By 2020, these measures have the potential to deliver 7GW of new CHP generation capacity, and reduce emissions by 3.2 MtCO₂.

Fuel Duty

As announced at Budgets 2007 and 2008, and confirmed at the 2008 Pre-Budget Report, main fuel duty rose by 1.84 pence per litre on 1 April 2009. The main fuel duty rate is therefore now 54.19 pence per litre.

To contribute towards the consolidation of the public finances, Budget 2009 announces that main fuel duty will increase by 2 pence per litre on 1 September 2009, and by a further 1 penny per litre in real terms each year from 2010 to 2013. Duty on rebated oils will increase in proportion to main fuel duty increases on the same dates. This will also help to reduce polluting emissions, saving 2 million tonnes of carbon dioxide per year by 2013-14.

Company Car Tax

In response to advances in vehicle technology and falling new-car CO₂ emissions, Budget 2009 announces that, with effect from 6 April 2011:

- the CO₂ emissions thresholds for main CCT bands will be shifted down by 5g CO₂ per km;
- the £80,000 cap on company car list prices for the purposes of calculating company car benefit will be abolished, to ensure that drivers of the most expensive company cars pay a fair amount of tax; and
- outdated discounts for early-uptake Euro 4 standard diesel cars, higher-emitting hybrid vehicles, gas-powered and biofuel-capable cars will be abolished, in favour of a system that simply rewards lower tailpipe CO₂ emissions.

Landfill tax rates

Landfill tax remains a cornerstone of waste management policy in the UK. By increasing the costs of sending waste to landfill, the tax encourages use of, and investment in, sustainable alternative treatment options, such as sorting machinery, recycling and anaerobic digestion.

Budget 2009 announces that the standard rate of landfill tax will increase by £8 per tonne on 1 April each year from 2011 to 2013, further incentivising investment in alternatives to landfill, and leading to emissions savings of 0.7 MtCO₂e. Budget 2009 also announces that the lower rate, applying to inactive wastes will be frozen at £2.50 per tonne for 2010-11.

Cushion Gas Storage

Following calls for clarification on the tax treatment of cushion gas in gas storage facilities, Government today confirms that cushion gas is eligible for plant and machinery allowances. This announcement will give the industry the clarity and certainty they need to bring forward gas storage projects to meet the UK's gas storage requirements.

Budget 2009

VALUE ADDED TAX, INCOME TAX ALLOWANCES, NATIONAL INSURANCE CONTRIBUTIONS, CHILD AND WORKING TAX CREDIT RATES 2009-10 AND OTHER RATES

2009-10 rates and allowances for VAT, Income tax, Capital Gains tax, Inheritance tax, Corporation tax on profits, National Insurance Contributions, the Working and Child Tax Credit, Guardian's Allowance, stamp taxes and duties, transfers of shares and stocks, tobacco and alcohol duties, gambling tax, fuel duties, vehicle excise duties and tax relief for business expenditure on cars are set out below.

Value Added Tax (VAT)

	Current rate	On and after 1 Jan 2010
Standard rate	15%	17.5%

A reduced rate of VAT of 5% will apply to children's car seat bases from 1 July 2009 (in line with the rate that already applies to children's car seats).

The registration threshold for VAT will rise to £68,000 from 1 May 2009.

Income tax, capital gains tax and inheritance tax

£ per year (unless stated)	2008-09	Change	2009-10
Income tax personal and age-related allowances*			
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** (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	+£1100	£22,900
Blind person's allowance	£1,800	+£90	£1,890
Capital gains tax annual exempt amount			
Individuals etc.	£9,600	+£500	£10,100
Most trustees	£4,800	+£250	£5,050
Individual inheritance tax allowance	£312,000	+£13,000	£325,000
Pension schemes allowances			
Annual Allowance	£235,000	+£10,000	£245,000
Lifetime Allowance	£1,650,000	+£100,000	£1,750,000

*As announced at the 2008 Pre-Budget Report

**Married couple's allowance is given at the rate of 10 per cent

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

*As announced at the 2008 Pre-Budget Report

** There is a 10p starting rate for savings income only. If an individual's non savings taxable income exceeds the starting rate limit, the 10p starting rate for savings will not be available for savings income

Corporation tax on profits

£ per year (unless stated)	2008-09	2009-10
£0 - £300,000	21 %	21 %*
£300,001 - £1,500,000	Marginal Relief	Marginal Relief
£1,500,001 or more	28 %	28 %

* The 2008 Pre-Budget Report announced that a rise in the small companies' rate to 22% would be deferred until 2010-11.

National insurance contributions*

£ per week (unless stated)	2008-09	Change	2009-10
Lower earnings limit, primary Class 1	£90	+£5	£95
Upper earnings limit, primary Class 1	£770	+£74	£844
Upper Accruals Point	N/A	N/A	£770
Primary threshold	£105	+£5	£110
Secondary threshold	£105	+£5	£110
Employees' primary Class 1 rate between primary threshold and upper earnings limit	11%	-	11%
Employees' primary Class 1 rate above upper earnings limit	1%	-	1%
Employees' contracted-out rebate - salary-related schemes	1.6%	-	1.6%
Employees' contracted-out rebate - money-purchase schemes	1.6%	-	1.6%
Married women's reduced rate between primary threshold and upper earnings limit	4.85%	-	4.85%
Married women's rate above upper earnings limit	1%	-	1%
Employers' secondary Class 1 rate above secondary threshold	12.8%	-	12.8%
Employers' contracted-out rebate, salary-related schemes	3.7%	-	3.7%
Employers' contracted-out rebate, money-purchase schemes	1.4%	-	1.4%
Class 2 rate	£2.30	+£0.10	£2.40
Class 2 small earnings exception (per year)	£4,825	+£250	£5,075
Special Class 2 rate for share fishermen	£2.95	+£0.10	£3.05
Special Class 2 rate for volunteer	£4.50	+£0.25	£4.75

£ per week (unless stated)	2008-09	Change	2009-10
development workers			
Class 3 rate (per week)	£8.10	+£3.95	£12.05
Class 4 lower profits limit (per year)	£5,435	+£280	£5,715
Class 4 upper profits limit (per year)	£40,040	+£3,835	£43,875
Class 4 rate between lower profits limit and upper profits limit	8%	-	8%
Class 4 rate above upper profits limit	1%	-	1%

* As announced at the 2008 Pre-Budget Report

Working and Child Tax Credits rates*

£ per year (unless stated)	2008-09	Change	2009-10
Working Tax Credit			
Basic element	£1,800	+£90	£1,890
Couple and lone parent element	£1,770	+£90	£1,860
30 hour element	£735	+£40	£775
Disabled worker element	£2,405	+£125	£2,530
Severe disability element	£1,020	+£55	£1,075
50+ Return to work payment (16-29 hours)	£1,235	+£65	£1,300
50+ Return to work payment (30+ hours)	£1,840	+£95	£1,935
Childcare element of the Working Tax Credit			
Maximum eligible cost for one child	£175 per week	-	£175 per week
Maximum eligible cost for two or more children	£300 per week	-	£300 per week
Percentage of eligible costs covered	80%	-	80%
Child Tax Credit			
Family element	£545	-	£545
Family element, baby addition	£545	-	£545
Child element	£2,085	+£150	£2,235
Disabled child element	£2,540	+£130	£2,670
Severely disabled child element	£1,020	+£55	£1,075
Income thresholds and withdrawal rates			
First income threshold	£6,420	-	£6,420
First withdrawal rate	39%	-	39%
Second income threshold	£50,000	-	£50,000
Second withdrawal rate	6.67%	-	6.67%
First threshold for those entitled to Child Tax Credit only	£15,575	+£465	£16,040
Income disregard	£25,000	-	£25,000

*As announced at the 2008 Pre-Budget Report

Guardian's Allowance rates from 6 April*

£ per week	April 2008	Change	April 2009
Guardian's Allowance	£13.45	+0.65	£14.10

* As announced at the 2008 Pre-Budget Report

Stamp taxes and duties

Transfers of land and buildings (consideration paid)

The stamp duty land tax (SDLT) holiday, which exempts residential properties up to the value of £175,000 from SDLT, is extended until 31 December 2009.

From 1 January 2010, the zero and 1% rates apply as per the table below:

Rate	Residential in disadvantaged areas	Residential outside disadvantaged areas	Non-residential
	Total value of consideration		
Zero	£0 - £150,000	£0 - £125,000	£0 - £150,000
1%	Over £150,000 - £250,000	Over £125,000 - £250,000	Over £150,000 - £250,000
3%	Over £250,000 - £500,000	Over £250,000 - £500,000	Over £250,000 - £500,000
4%	Over £500,000	Over £500,000	Over £500,000

Transfers of shares and stocks

The rate of stamp duty/stamp duty reserve tax on the transfer of shares and securities is unchanged at 0.5 per cent for 2009-10.

Tobacco duty rates

On 22 April 2009, tobacco duty rates will be:

Product	Current Duty	Duty on 22 April 2009
Cigarettes	24 per cent of the retail price plus £112.07 per thousand cigarettes	24 per cent of the retail price plus £114.31 per thousand cigarettes
Cigars (per kilogram)	£169.74	£173.13
Hand-rolling tobacco (per kilogram)	£122.01	£124.45
Other smoking tobacco and chewing tobacco (per kilogram)	£74.63	£76.12

The impact of the tobacco duty changes is shown in the table below

Product	Typical unit	Excise duty including VAT at 15% on duty
Cigarettes (premium)	Packet of 20	7 pence
Cigars	Packet of 5	3 pence
Hand-rolling tobacco	25g	7 pence
Other smoking tobacco and chewing tobacco	25g	4 pence

Alcohol duty rates

On 23 April 2009, duties on alcohol will be:

	Current	On 23 April 2009
Rate per litre of pure alcohol		
Spirits	£22.20	£22.64
Spirits-based ready to drink	£22.20	£22.64
Wine and made-wine: Exceeding 22% abv	£23.05	£22.64
Rate per hectolitre per cent of alcohol in the beer		
Beer	£16.15	£16.47
Rate per hectolitre of product		
Still cider and perry: Exceeding 1.2% - not exceeding 7.5% abv.	£31.21	£31.83
Still cider and perry: Exceeding 7.5% - less than 8.5% abv.	£46.83	£47.77
Sparkling cider and perry: Exceeding 1.2% - not exceeding 5.5% abv.	£31.21	£31.83
Sparkling cider and perry: Exceeding 5.5% - less than 8.5% abv.	£203.14	£207.20
Wine and made-wine: Exceeding 1.2% - not exceeding 4% abv.	£64.65	£65.94
Wine and made-wine: Exceeding 4% - not exceeding 5.5% abv.	£88.90	£90.68
Still wine and made-wine: Exceeding 5.5% - not exceeding 15% abv.	£209.82	£214.02
Wine and made-wine: Exceeding 15% - not exceeding 22% abv.	£279.74	£285.33
Sparkling wine and made-wine: Exceeding 5.5% - less than 8.5% abv.	£203.14	£207.20
Sparkling wine and made-wine: 8.5% and above - not exceeding 15% abv.	£268.75	£274.13

The impact of the alcohol duty changes is shown in the table below

Product	Typical unit	Excise duty including VAT at 15% of the duty
Beer @ 4.2% abv	pint	1p
Wine	75cl bottle	4p
Sparkling wine	75cl bottle	5p
Spirits @ 37.5% abv	70cl bottle	13p
Spirits-based ready to drink	275ml bottle	1p
Cider & perry	litre	1p

Gambling tax

From 4pm on 22 April 2009, rates of all categories of amusement machine licence duty (AMLD) will increase.

AMLD (£) after increase - months for which licence granted	Category A	Category B1	Category B2	Category B3	Category B4	Category C
1	500	255	200	200	180	80
2	985	490	385	385	350	145
3	1475	735	585	585	530	220
4	1965	985	775	775	705	290
5	2465	1230	970	970	875	365
6	2955	1475	1160	1160	1050	435
7	3445	1720	1355	1355	1225	505
8	3935	1965	1550	1550	1405	580
9	4430	2215	1745	1745	1580	655
10	4920	2465	1935	1935	1755	725
11	5410	2710	2130	2130	1930	795
12	5625	2815	2215	2215	2010	830

For accounting periods starting on or after 1 April 2009 gaming duty bands will be revalorised to the following:

Marginal Tax Rate	15% of first	20% of next	30% of next	40% of next*
Current Bands	£1,911,000	£1,317,000	£2,307,000	£4,869,500
Revalorised Bands	£1,929,000	£1,329,500	£2,329,000	£4,915,500

*50% will be charged on the remainder of Gross Gaming Yield

On 27 April 2009 participation fees for bingo and player-to-player gaming in casinos will no longer be subject to VAT.

For accounting periods starting on or after 27 April 2009 bingo duty will increase to 22%.

On 27 April 2009 player-to-player gaming in casinos will be brought into the gaming duty regime.

The Government will consult on moving the taxation of gaming machines onto a gross profits tax basis.

Fuel duties

Pence per litre (unless stated)	Duty rate pre-1 April 2009	From 1 April 2009*		From 1 September 2009	
		Change	New duty rate	Change	New duty rate
Ultra-low sulphur petrol/diesel	52.35p	+1.84p	54.19p	+2p	56.19p
Sulphur-free petrol/diesel	52.35p	+1.84p	54.19p	+2p	56.19p
Biodiesel	32.35p	+1.84p	34.19p	+2p	36.19p
Bioethanol	32.35p	+1.84p	34.19p	+2p	36.19p
Liquefied petroleum gas used as road fuel	20.77p per kg	+4.05p per kg	24.82p per kg	+2.85p per kg	27.67p per kg
Natural gas used as road fuel	16.60p per kg	+2.66p per kg	19.26 p per kg	+2.9p per kg	22.16p per kg
Rebated gas oil (red diesel)	10.07p	+0.35p	10.42p	+0.38p	10.80p
Fuel Oil	9.66p	+0.34p	10.00p	+0.37p	10.37p

*As pre-announced at Budget 2007 and confirmed at the 2008 Pre-Budget Report

Vehicle excise duty

Vehicle Excise Duty for Cars registered on or after 1 March 2001: 2009-10 and 2010-11 standard rates*

VED band	CO ₂ emissions (g/km)	Change from 2008-09 to 2009-10	Standard rate 2009-10**	Standard rate 2010-11**
A	Up to 100	£0	£0	£0
B	101-110	£0	£35	£20
C	111-120	£0	£35	£30
D	121-130	£0	£120	£90
E	131-140	£0	£120	£110
F	141-150	+£5	£125	£125
G	151-165	+£5	£150	£155
H	166-175	+£5	£175	£180
I	176-185	+£5	£175	£200
J	186-200	+£5	£215	£235
K***	201-225	+£5	£215	£245
L	226-255	+£5	£405	£425
M	Over 255	+£5	£405	£435

* As announced at the 2008 Pre-Budget Report

**Alternative fuel discount: 2009-10, A-I £20, J-M £15; 2010-11 onwards, £10 all cars

***Includes cars emitting over 225g/km registered between 1 March 2001 and 23 March 2006

Vehicle Excise Duty for brand new Cars: 2010-11 first-year rates*

VED band	CO ₂ emissions (g/km)	First-year rate 2010-11**
A	Up to 100	£0
B	101-110	£0
C	111-120	£0
D	121-130	£0
E	131-140	£110
F	141-150	£125
G	151-165	£155
H	166-175	£250
I	176-185	£300
J	186-200	£425
K	201-225	£550
L	226-255	£750
M	Over 255	£950

* As announced at the 2008 Pre-Budget Report

**Alternative fuel discount: 2010-11 onwards, £10 all cars

Vehicle Excise Duty for Cars and Light Goods Vehicles registered before 1 March 2001: 2009-10 and 2010-11 rates*

VED band	Change from 2008-09 to 2009-10	2009-10 rate	2010-11 rate
Up to 1549cc	+£5	£125	£125
Over 1549cc	+£5	£190	£205

* As announced at the 2008 Pre-Budget Report

Vehicle Excise Duty for Light Goods Vehicles registered on or after 1 March 2001: 2009-10 and 2010-11 rates*

VED band	Change from 2008-09 to 2009-10	2009-10 rate	2010-11 rate
Euro 4** & 5*** discount rate	+£5	£125	£125
Standard rate	+£5	£185	£200

*As announced at the 2008 Pre-Budget Report

**for Euro 4 compliant vans registered between 1 March 2003 and 31 December 2006

***for Euro 5 compliant vans registered between 1 January 2009 and 31 December 2010

Vehicle Excise Duty for Motorcycles: 2009-10 rates*

VED band	Change from 2008-09 to 2009-10	2009-10 rate
Up to 150cc	-	£15
151-400cc	-	£33
401-600cc	-	£48
Over 600cc	-	£66

*As announced at the 2008 Pre-Budget Report

Vehicle Excise Duty for Heavy Goods Vehicles and related vehicles: 2009-10 rates*

VED band	Change from 2008-09 to 2009-10	Standard rate 2009-10	Reduced Pollution Certificate Rate 2009-10
A	-	£165	£160
B	-	£200	£160
C	-	£450	£210
D	-	£650	£280
E	-	£1,200	£700
F	-	£1,500	£1,000
G	-	£1,850	£1,350

* As announced at the 2008 Pre-Budget Report

DETAILS

Further details of changes in 2009-10 (and, where indicated, later years) are set out below:

Income tax

As announced at the 2008 Pre-Budget Report the personal allowance for under 65s will increase above indexation to £6,475.

Age related allowances have been increased in line with inflation to £9,490 for people aged between 65-74 and to £9,640 for those aged 75 and over. This will mean that in 2009-10 no one aged 65 or over need pay tax on an income of up to £183 a week.

The basic rate of tax will remain at 20p, and the higher rate of tax will remain at 40p.

National insurance contributions

As announced at the 2008 Pre-Budget Report the starting point for employers', employees' and self employed National Insurance Contributions (NICs) will increase in line with inflation to £110. The upper earnings and profits limits for Class 1 and Class 4 NICs respectively will increase from 2009 from £770 to £844 per week. For the self-employed, the rate of Class 2 contributions will increase to £2.40 a week.

Capital Gains Tax

The capital gains tax (CGT) annual exempt amount increased in line with statutory indexation to £10,100 for the tax year 2009-10 for individuals, personal representatives of deceased persons and trustees of certain settlements for the disabled. The annual exempt amount for most other trustees is increased to £5,050.

Every husband, wife, civil partner and child has his or her own £10,100 annual exempt amount.

For capital gains above the annual exempt amount the CGT rate for 2009-10 will continue to be 18 per cent.

Non-payable dividend tax credit

There is currently a one ninth non-payable dividend tax credit available for UK individuals receiving dividends from UK resident companies or from shareholdings of less than 10 per cent in foreign companies. For these individuals, higher rate taxpayers are liable to tax at 32.5 per cent but in practice only pay 25 per cent (of the net dividend) because part of the tax liability is covered by the tax credit. Basic rate taxpayers are liable to tax at 10 per cent but in practice do not pay any tax on dividends from UK companies because the tax liability is entirely covered by the tax credit.

As announced at Budget 2008, the non-payable dividend tax credit will be extended from 22 April 2009 to investors with a shareholding of 10 per cent or more in a non-UK resident company, unless the source country does not levy a tax on corporate profits similar to corporation tax. The credit will also be extended to all dividends from offshore funds, except for distributions from offshore funds with more than 60 per cent of interest bearing assets, which will be taxed as interest.

Inheritance Tax

As announced in Budget 2006, the inheritance tax allowance increased in 2009-10 to £325,000 for individuals or £650,000 for married couples and civil partners. The value of estates over and above the allowance is taxed at 40 per cent. The proportion of estates left on death in 2009-10 which are expected to be liable for inheritance tax is 2 per cent.

Child Benefit

At Budget 2008, it was announced that in April 2009 the Child Benefit eldest/only child rate would increase above inflation to £20.00, and the rate for other children would increase in line with inflation to £13.20. At the 2008 Pre-Budget Report, these rises were brought forward from April 2009 to January 2009.

Child and Working Tax Credits rates

As announced at the 2008 Pre-Budget Report, on 6 April 2009 all elements of the Working Tax Credit (WTC), apart from the childcare element, increased in line with inflation. The limits on eligible childcare costs in the childcare element remain at £175 for one child and £300 for two or more children. The proportion of childcare costs payable through the childcare element of WTC remains at 80%.

As announced at the 2008 Pre-Budget Report, the child element of the Child Tax Credit (CTC) increased by £75 above average earnings indexation. This included the Government's commitment to increase the child element by £50 above indexation in April 2009, and also brought forward the Government's commitment to increase the child element by £25 above indexation in April 2010 to April 2009. The elements for disabled children and severely disabled children increased in line with inflation. The family element and baby addition remain unchanged.

As announced at the 2008 Pre-Budget Report, the income threshold for receiving maximum CTC only increased to £16,040, equivalent to the effective threshold for lone parents and couples receiving both WTC and CTC. The threshold for receiving maximum WTC remains at £6,040, and the threshold for receiving maximum family element of CTC remains at £50,000. The withdrawal rate for the family element remains at 6.67%, and for the rest of tax credits at 39%. The disregard for changes in income during the tax year remains at £25,000.

Stamp duty land tax (SDLT)

On the 2 September 2008 a SDLT holiday was announced, increasing the starting rate of SDLT for residential property to £175,000. This was due to expire on 3 September 2009. Budget 2009 announces that this will be extended until 31 December 2009.

Vehicle excise duty (VED)

Changes to this year's VED rates will take effect from 1 May 2009.

On 1 May 2009, new emissions based VED bandings will be introduced for all cars registered on or after 1 March 2001. Full rates are set out in the table above.

Both VED rates for cars and light goods vehicles registered before 1 March 2001 will increase by £5 in 2009. In 2010, the higher rate will increase by £15 and the lower rate will be frozen.

The standard VED rate for light goods vehicles registered on or after 1 March 2001 will increase by £5 in 2009. The discounted rate for eligible light goods diesel vehicles achieving early compliance with Euro 4 and 5 emissions standards will also be increased by £5. In 2010, the standard rate will be increased by £15 and the discounted rate will be frozen.

VED rates for motorbikes, Heavy Goods Vehicles (HGVs), Special Types Vehicles, Combined Transport vehicles and all related vehicles will be frozen in 2009.

Tax relief for business expenditure on cars

New rules for tax relief for business expenditure on cars were announced on 1 April. These take effect from 1 April 2009 for businesses in the charge to Corporation Tax and 6 April 2009 for businesses in the charge to Income Tax. The rate at which qualifying expenditure on cars can be written down against profits will depend on the car's CO₂ emissions. Expenditure on cars with CO₂ emissions exceeding 160 g/km will be allocated to the special rate capital allowances pool and attract 10% writing-down allowance (WDA). Expenditure on cars with CO₂ emissions of 160g/km or less will attract 20% WDA in the main plant and machinery pool. The associated rules which disallow a proportion of car lease rental payments have also been amended in line with the new capital allowances rules.

NOTES FOR EDITORS

Section 41 of the Tax Credits Act requires a report to be laid before Parliament each year reviewing the amounts of certain tax credit elements and thresholds. Section 145 of the Social Security Contributions and Benefits Act 1992 requires an annual review of Child Benefit rates. Section 150 of the Social Security Administration Act 1992 requires the weekly rate of Guardian's Allowance to be increased in line with prices.

Budget 2009

PROTECTING TAX REVENUES

Today the Chancellor announces a series of measures to protect the tax system from abuse and ensure that all individuals and businesses pay their fair share of tax.

The Government is determined to continue to challenge tax evasion and avoidance, which undermine fiscal stability, damage the delivery of policy objectives, impose significant costs on society and shift a greater burden of tax onto ordinary taxpayers.

This Budget includes measures to tackle evasion, including the publication of the names of deliberate tax defaulters and an offshore disclosure opportunity, and targeted anti-avoidance measures as a proportionate response to those who seek to avoid paying their fair share.

The Government has also been leading international efforts to tackle tax havens and tax evasion through its Presidency of the G20. This will deliver improved transparency and exchange of tax information between jurisdictions and important new commitments from a wide range of countries.

Budget includes a package of measures which raise over £1 billion during the period 2009-10 to 2011-12, and protect a further £3 billion per year of tax receipts by 2010-11 from erosion by tax evasion and avoidance.

DETAILS

Offshore disclosure

Please see Press Notice 1 for further details of a New Disclosure Opportunity (NDO) for offshore bank account holders.

Publication of names of serious tax defaulters

Please see Press Notice 1 for further details of the publication by HMRC of the names of deliberate tax defaulters.

New reporting requirements for tax defaulters

A small minority of tax defaulters put significant tax revenues at risk. The Government today announces that those who have incurred a penalty for the deliberate understatement of tax of at least £5,000 will be required to provide

more information on their tax affairs for up to five years to ensure they have proper systems to be able to make a correct tax return and allow HMRC to monitor future compliance.

Accountability of senior accounting officers

The Government today announces a measure to establish a statutory requirement for senior accounting officers of major corporates to certify personally that adequate controls to prepare accurate tax computations are in place.

Developing the disclosure of avoidance schemes regime

Disclosure of Tax Avoidance Schemes (DOTAS) is an important part of the tax framework giving HMRC early warning of avoidance schemes. HMRC will begin discussions with interested parties with a view to extending the 'hallmarks' used to identify avoidance schemes, to ensure they continue to bear down on avoidance, and revising the penalty regime to introduce tougher sanctions for the non compliant.

Tacking avoidance of tax on disguised interest and transfers of income streams

Following consultation the Government today announces the introduction of principles-based legislation to counter avoidance in two areas involving financial products, in response to continued attempts at abuse. Specifically, the legislation will prevent schemes designed to avoid tax on interest received and schemes seeking to side-step existing anti-avoidance legislation on the sale of income streams.

Proposals to counter avoidance using financial products

The Government today announces a measure to counter avoidance schemes involving the use of convertible securities within a group to create accounting asymmetries and the creation of artificial losses on loans and derivatives.

Foreign exchange targeted anti-avoidance rule

The Government today announces a targeted anti-avoidance rule to stop the use of tax avoidance schemes that seek to exploit the foreign exchange tax matching rules. Exchange gains or losses on borrowings or currency derivatives will only be disregarded for tax purposes if they do not arise from tax avoidance arrangements.

Exploitation of the double tax relief and manufactured overseas dividend rules

The Government today announces measures to clarify the rules that provide relief for UK tax against foreign tax payable on foreign income (double taxation relief); and the rules dealing with manufactured overseas dividends. These changes, effective from today

- prevent a deduction for foreign tax on the receipt of a Manufactured Overseas Dividend by a company, where the economic cost of the foreign tax has not been borne by the company;
- ensure that banks always take a reasonable proportion of their funding costs into account in the calculation of double taxation relief.

The changes will also put beyond doubt:

- that any receipts that are in substance trade income will be taxed accordingly. Banks and other financial institutions will be unable to gain a tax advantage by fragmenting parts of their trade into investment companies; and
- that double taxation relief will be given net of any repayments of foreign tax, whether made to the original payer or otherwise.

Countering abuse in the corporate intangible fixed asset regime

The Government today announces a measure to clarify the intangible fixed assets regime rules by confirming that goodwill is treated as intended. Effective from today, the legislation will confirm that for the purposes of the corporate intangible regime, goodwill includes internally-generated goodwill. It also confirms that all goodwill is created in the course of carrying on the business in question and is subject to rules determining whether goodwill is treated as created on or after 1 April 2002.

Ensuring tax and National Insurance paid on lease premiums

The Government today announces a measure to prevent tax avoidance where an employee or director of a company is provided with living accommodation through the payment of a lease premium rather than a full market rent for the use of the property. From today, those who take out new leases using a lease premium will pay tax and National insurance contributions as if the full market rent had been paid.

North Sea Fiscal Regime: Preventing Accelerated Decommissioning Relief

The Government announces a measure that changes the North Sea fiscal regime to ensure companies cannot access tax relief for decommissioning oil and gas infrastructure years in advance of the decommissioning activity actually being carried out. As originally intended, tax relief for this expenditure will only be incurred when decommissioning work is actually carried out.

Spotlight on selected avoidance schemes

The Government announces today that HMRC will shortly publish a Spotlight giving notice of selected avoidance schemes that are thought to be ineffective to discourage potential users. HMRC will challenge these schemes when encountered.

Structured foreign exchange arrangements

The Government announces today the publication of a technical note in the summer. The note will set out the issues and potential approaches to certain structured financial arrangements (often described as overhedging or underhedging) that, although not undertaken for tax avoidance, seek to pass on to the Exchequer, through tax relief, commercial risk that would otherwise be borne by groups on such transactions. The Government believes that the economic risks should be shared between the Exchequer and business as Parliament intended.

Alcohol Fraud Strategy

The Government today announces the renewal of its strategy for protecting honest businesses and addressing tax losses through alcohol fraud. '*Tackling Alcohol Fraud*' is a programme of change for implementation in stages through 2009/10, including:

- strengthening the operational response to alcohol fraud, establishing new alcohol anti-fraud teams as part of a centrally coordinated effort to detect, disrupt and dismantle organised criminal networks and illicit supply chains;
- legislating where necessary to make life tougher for criminals and easier for honest businesses to compete; and,
- working closely with legitimate businesses in the continuing fight against alcohol fraud.