Pre-Budget Report: 9 October 2007

Summary of the Main Taxation Provisions

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Introduction

Today at 3.30pm, the Chancellor of the Exchequer Alistair Darling delivered his first Pre-Budget Report to the House of Commons. His predecessor Gordon Brown, now Prime Minister, looked on with a watchful eye.

In an unusual move, the Chancellor of the Exchequer also unveiled long-term spending plans in the Comprehensive Spending Review. Spending Reviews set fixed three-year departmental expenditure limits and, through Public Service Agreements, define the key improvements that the public can expect from these resources. Successive Spending Reviews since 1997 have targeted increases in resources for the Government's priorities. The 2007 Comprehensive Spending Review sets spending plans for 2008-09, 2009-10 and 2010-11.

Whilst many people thought that the Pre-Budget Report would be a precursor to a snap election, it turned out not to be the case and the Prime Minister has been criticised for allowing election speculation, then ruling it out.

The Chancellor was widely expected to focus on inheritance tax and private equity bosses and, indeed, covered these issues in his speech.

This publication focuses only on the main taxation provisions in the Pre-Budget Report. It does not cover or comment on the Government's Spending Review.

What is the Pre-Budget Report?

A Pre-Budget Report (PBR) is delivered by the Chancellor to the House of Commons in the autumn. It provides a progress report on what has been achieved so far, gives an update of the state of the economy and public finances, and sets out the direction of Government policy in the run up to the spring Budget.

The Prime Minister, Gordon Brown, introduced the idea of a Pre-Budget Report (PBR) in his first year as Chancellor in 1997. Launching the first PBR on 26 November 1997, he said that its aim was to "help build the foundations of shared understanding and a sense of national economic purpose between Government, business, and individuals". The Treasury is legally bound to present two economic forecasts per year. Between 1993 and the 1997 election, this was done in the Budget which was held in November and the Summer Economic Forecast (late June/early July).

What the Chancellor said

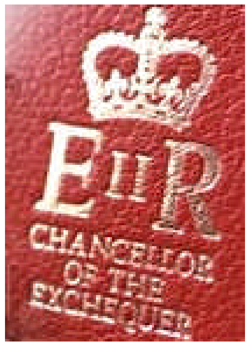
BBC News summarised the main points from Chancellor Alistair Darling's pre-Budget Report and Comprehensive Spending Review statement as follows:

Taxes

- The inheritance tax threshold for couples will rise to £600,000 and then to £700,000 by 2010.
- The main rate of corporation tax will be cut by 2p in the pound to 28% by next year.
- Mr Darling promised to reform the capital gains tax system, ensuring those working in private equity pay a "fairer share". There will be a single rate of 18%.
- A number of "loopholes" for non-domiciled tax payers will be examined. Mr Darling said Tory plans to charge a flat rate of £25,000 to such people, would mean only 15,000 paying. This would mean revenue of £650m a year, rather than £3.5bn that the Tories had estimated, he added.
- Grants to local authorities for local services in England will increase to £26bn by 2010 to ensure local authorities can keep council tax rises substantially below 5%, Mr Darling said.

Health

- Over the next three years the NHS will increase its funding by an average of 4% above the rate of inflation.
- Investment in health in England to rise from £90bn this year to £110bn by 2010.



Summary

This publication summarises the main proposals announced by the Chancellor on 9 October 2007. The information is derived from the many press releases issued by Government departments immediately after the Chancellor delivered his speech. Given the timescales involved in producing this publication only hours after the press releases became available, this is only a summary and is based on the press releases resourced by us on the day. Accordingly, there may be some proposals that are not covered here.

Origins of the Budget

Source: HM Treasury

The origins of the Exchequer go back to the Norman period. The Norman system was based on two departments to deal with finance: the first, the Treasury, received and paid out money on behalf of the monarch; the second, the Exchequer, had a 'lower office' connected with the Treasury which received money, and it had an 'upper office', a court of law concerned with regulating the King's accounts. The word 'exchequer' comes from the Latin 'scaccarium' meaning a chessboard. The name was given to the court because counters were moved on a square table. The word 'budget' comes from an old French word 'bougette' which means little bag.

Education and Science

- The education and skills budget will rise to £74bn by 2010.
- An additional £2bn will be invested in 2010 in health and education, Mr Darling said, including a £250m fund to ensure all children at school are ready to learn and benefit from personalised support.
- Investment on science and technology to rise to £6bn in three years' time.

Housing

- The government will spend more than £4bn over the next three years to help people in poor-quality housing make renovations.
- Proposals are to be brought forward in the Budget to help lenders provide more fixed-rate mortgages for 10 years or even longer.

The Economy

- Mr Darling said it was a time of "increased economic uncertainty" with "turbulence in America, Asia and Europe".
- There would be "no risks with unaffordable promises that put the public finances at risk".
- UK economic growth is expected to be between 2% and 2.5% next year, the chancellor said. And for 2009/2010 it is 2.5% to 3%.
- Mr Darling said he expected to make a statement on Northern Rock later this week.

Public Finances

- The government will keep net debt at a sustainable level during the next economic cycle, Mr Darling said.
- Net borrowing was forecast to fall from £38bn this year to £23bn in 2012.
- Government departments will save a further £30bn by 2010, on top of £20bn of savings already achieved, the chancellor said.

Defence, Terror and Crime

- Mr Darling allocated an extra £400m for military operations abroad this year.
- He announced a new single budget for the police, security services and other agencies to deal with terrorism, to rise by £1bn a year to £3.5bn in three years' time.
- Spending on the Home Office is to rise to £20bn by 2010.

Environment, Transport and Overseas Aid

- Mr Darling said aviation duty would be paid on flights, rather than individual passengers.
- An extra £200m for free pensioner bus travel next year.
- By 2010, the transport budget will rise to £14.5bn a year, including projects to widen the M1 and M6.
- Mr Darling said the UK was the only country to have met its Kyoto greenhouse gas emissions targets.
- The Department for the Environment, Food and Rural Affairs budget will rise to £4bn in three years' time, including £800m by 2010 for flood defences.
- The overseas aid budget will rise to £9bn by 2010.

Benefits and Pensions

- The amount of child maintenance a family can receive without it affecting their benefits will double from £20 a week to £40 a week by 2010.
- Pension credits will rise £5 a week from next April for single people and £7.65 for couples.

Culture

- There would be an inflation increase for arts and culture spending, Mr Darling said. The budget for the Department for Culture, Media and Sport will rise to £2.2bn in three years.

Tax Simplification

Building on recent initiatives, most notably at Budget 2007, the Government has launched a significant programme of tax simplification to further enhance UK productivity and competitiveness.

Underpinning principles

- Simplification will be a priority designing and reviewing tax policy, alongside fairness and sound public finances;
- The Government will work in partnership with business to identify further opportunities to simplify the tax system; and

The Government's Objective

The Government's objective is to build a strong economy and a fair society, in which there is opportunity and security for all. The 2007 Pre-Budget Report and Comprehensive Spending Review, *"Meeting the aspirations of the British people"*, published by The Stationery Office and on sale for a whopping £45, presents updated assessments and forecasts of the economy and public finances, describes reforms that the Government is making and sets out the Government's priorities and spending plans for the years 2008-09, 2009-10 and 2010-11.

- The Government will share its findings on the viability of tax simplifications with business.

Reviews

The Government has published its findings, for discussion with business, on the case for aligning income tax and national insurance contributions and has also announced three reviews beginning this autumn where HM Treasury and HMRC will work in partnership with business:

- looking at how to simplify VAT rules and administration in the UK and EU;
- how anti-avoidance legislation can best meet the aims of simplicity and revenue protection; and
- how to simplify the Corporation Tax rules for related companies.

Key tax changes

Today, the Government also announced immediate progress with over 20 simplification measures for business, including improvements to Self-Assessment, payrolling and Stamp Duty Land Tax simplification. Together these simplifications will help business across the UK economy, most notably by:

- reducing their administrative burdens by up to £100 million;
- making improvements to Income Tax Self Assessment benefiting 1.6 million small businesses;
- benefiting up to 0.5 million employers and 3 million self-employed and;
- enhancing the City's competitiveness by simplifying and modernising the tax system for financial services.

As part of the Government's new approach to tax simplification, it proposes over 20 tax measures:

Business

- beginning this year, doubling the three line account threshold to £30,000 and introducing shorter self-employment pages for businesses with turnovers below the VAT registration threshold, helping 1.3 million businesses submit shorter tax returns;
- doubling the payment on account threshold for income tax self assessment to £1,000 from April 2009, simplifying the payment system for 320,000 businesses;
- consulting this autumn on how best to collect tax on benefits in kind and expenses through the payroll, helping up to 500,000 employers by removing the need for a separate end of year process;
- including consultation on removing the £8,500 a year threshold at which most benefits in kind become taxable, making it simpler for employers when reporting benefits;
- consulting on how to improve the present separate systems for collecting Class 2 and 4 national insurance contributions (NICs), to make it easier for around 3 million self-employed to understand and pay their NICs;
- working closely with business to improve the guidance on tax and NICs, making it easier for all employers to understand and meet their tax obligations;
- repealing outdated legislation relating to expenditure on fire safety equipment from April 2008, making the tax code easier to understand;
- consulting on principles-based responses to avoidance involving income stripping to improve clarity and certainty; and
- consulting on principles-based responses to avoidance involving disguised interest to improve clarity and certainty.

Assets

- removing the need for 250,000 non-residential and residential Stamp Duty Land Tax (SDLT) returns by introducing a notification threshold of £40,000 for all freehold and leasehold transactions at Budget 2008. In addition, notifications will only be needed for certain high-value leases;
- simplifying the relevant legislation for companies that choose to invest in life insurance policies;
- responding to industry concerns about pensions taxation by simplifying the rules for protecting rights to pre-April 2006 lump sums and by cutting the administrative burden of a lifetime allowance anti-avoidance rule; and
- consulting on proposals to rationalise and simplify the business rate relief system while protecting those currently covered by reliefs and continuing the support offered to charities.

Financial Sector

- removing a range of smaller financial and other transactions from the charge to Stamp Duty – cutting the number of forms that need to be presented for stamping by more than 60 per cent;
- consulting on options to make 'Schedule 19' of the Stamp Duty Reserve Tax (SDRT) legislation simpler to administer and easier for investors to understand. This will benefit collective investment funds, improving the industry's international competitiveness;
- publishing HMRC guidance to clarify the direct tax treatment of financial derivative transactions, making it easier for investment funds and investors to deal with the tax system by giving more certainty on future tax treatment of investment strategies;
- publishing a discussion paper setting out proposals which simplify the offshore funds tax regime, remove tax barriers impacting on the development of offshore funds of funds and ensure the regime continues to prevent UK investors gaining unfair tax advantages. This follows the Budget 2007 announcement that, subject to consultation, the Government intends to legislate for a modernised offshore funds tax regime in Finance Bill 2008;
- modernising the Investment Manager Exemption legislation to clarify and simplify the scope of exempt transactions and ensure a proportionate tax response if a single condition for exemption is not met, so increasing certainty for UK-based fund managers involved in a wider range of activities;
- continuing to consult with the life insurance sector on proposals for further simplification, including on the repeal of complex inherited estates legislation; and
- publishing the latest draft of regulations as part of the final step toward the simplification of rules relating to transfers of life insurance business.

Charities

- continuing to consult with charities to identify ways of making the Gift Aid system – already worth more than £800 million a year to the charitable sector – simpler and easier to use.

The Environment

- reviewing the hydrocarbon oil duties legislation to simplify the duty rates structure and remove obstacles to the introduction of more environmentally friendly fuels.

Tax Appeals

- consulting on how to streamline and make more consistent across all taxes the process for reviewing decisions and handling appeals before they come before a tribunal, in the context of wider tribunal reform.

Simplifying Business Support

To tackle the proliferation of business support schemes and simplify the current large number of uncoordinated schemes provided by different tiers of government, the Business Support Simplification Programme is working with business and all tiers of government to reduce the number of business support schemes from over 3,000 to 100 or fewer by 2010. This will reduce complexity and the time that businesses spend in understanding what support is available and accessing it, and will improve the quality, effectiveness and efficiency of schemes.

To meet this goal, the Government has identified the support it is most appropriate to provide, reflecting the existence of market failures or social equity considerations. Following extensive analysis and public consultation, the Government has announced the high level portfolio of products from which business support will be provided in the future. Details of these products are set out on the BERR website (www.berr.gov.uk).

Business rates supplements

Following the recommendations of the Lyons Inquiry and representations from stakeholders the Government has published a White Paper setting out proposals to allow local authorities to invest in economic development through a business rates supplement. This is backed by clear protection for business:

- a requirement for statutory consultation on the basis of detailed proposals for specific spending on economic development;

- a maximum level of 2p per pound of rateable value;
- additional protection for smaller businesses through an exemption for properties worth less than £50,000; and
- a requirement to ballot local businesses where the supplement supports more than a third of the cost of the project.

Intangibles document

Today sees the publication of the first in a new series of Treasury Economic Working Papers - *Intangible investment and Britain's productivity*. The paper investigates the consequences for a range of macroeconomic variables, including productivity, of treating spending on intangible assets as investment. The intangible assets considered are scientific research and development, software, design, non-scientific research and development and spending by firms on reputation, human and organisational capital. The results suggest that traditional measures of investment may not be capturing fully the dynamic changes in the UK economy taking place as knowledge intensive industries become increasingly important. Reported UK productivity performance is higher when spending on intangibles is treated as investment.

Fairness and Opportunity for All

A decade ago, the Government set itself the twin aims of employment opportunity for all and a fair society in which everyone shares in rising national prosperity.

The Government is also committed to a modern and fair tax system that ensures that everyone pays their fair share of tax. The 2007 Pre-Budget Report and Comprehensive Spending Review sets out how the Government will promote fairness and opportunity for all:

- ensuring that all married couples and civil partners can benefit from double the inheritance tax allowance – £600,000 immediately, rising to £700,000 by 2010-11, in addition to the entitlement to full spouse relief;
- a major reform of capital gains tax, introducing a single rate of 18 per cent from April 2008, ensuring a more sustainable system that is straightforward for taxpayers and internationally competitive;
- announcing that, in addition to the £150 increase announced in Budget 2007, the child element of the Child Tax Credit will increase by a further £25 per year above indexation from April 2008 and by a further £25 above indexation from April 2010 and that the child maintenance disregard in the main income related benefits will increase to £20 by the end of 2008, with a further increase to £40 from April 2010, together lifting an estimated 100,000 children out of poverty;
- education spending in England will rise on average by 2.8 per cent a year in real terms between 2007-08 and 2010-11, meaning that UK education spending as a proportion of GDP is projected to increase from 4.7 per cent in 1996-97 to 5.6 per cent in 2010-11;
- increasing the Jobseeker's Allowance and Income Support rates for 16-17 year olds from April 2008 to align with the 18-24 rates, to help to simplify the system, and ensure a higher minimum level of income for this group;
- the national roll-out from April 2008 of the In-Work Credit for lone parents at a rate of £40, retaining a rate of £60 in London, ensuring a more substantial financial gain from moving into work;
- announcing the continuation of the Financial Inclusion Fund at £130 million over the CSR07 period and an £11.5m package of support for schools to teach children financial skills; and
- further reforms to modernise the tax system and protect tax revenues, including work to tackle avoidance.

Child Poverty

As already mentioned, the Government says that it is remains firmly committed to its goal of eradicating child poverty in a generation. The Pre-Budget Report and Comprehensive Spending Review set out financial support measures that will lift around 100,000 children out of poverty by:

- raising the child element of the Child Tax Credit by £25 a year above earnings indexation in April 2008, in addition to the Budget 2007 commitment to increase the child element by £150 above earnings indexation, and raising it again by further £25 above earnings indexation in April 2010; and
- substantially increasing the child maintenance disregards in income-related benefits. By the end of 2008, the child maintenance disregard in Income Support, income-based Employment Support Allowance and income-related Job Seekers Allowance will rise from £10 to £20 per week, where maintenance is being paid. In April 2010 the disregard will rise further to £40 per week. Also by the end of 2008, the maintenance disregard in Housing Benefit and Council Tax Benefit will rise from the current £15 per week to a full disregard.

Employment Opportunity for All

The Government says that its long-term aim for the labour market is employment opportunity for all. Delivering this requires that everyone should be given appropriate support to find and retain a job. The Pre-Budget Report and Comprehensive Spending Review sets out further steps towards this, including increasing the Jobseeker's Allowance and Income Support rates for 16-17 year olds from April 2008 to align with the 18-24 year olds rates and new measures to strengthen support for jobseekers including piloting a new rights and responsibilities seminar.

These measures will support the far-reaching reforms proposed in the Green Paper *"In Work, Better Off: next steps to full employment"*. The Government will set out its plans for wider reform after the consultation period ends in October 2007.

Financial Inclusion

The Government says it is committed to promoting financial inclusion. Building on the good progress achieved so far, today's Pre-Budget Report and Comprehensive Spending Review announces the continuation of the Financial Inclusion Fund at £130 million for the next spending period. The new fund will include continuing support for financial inclusion initiatives aimed at helping vulnerable people with problem debt, such as BERR's money advice projects and the DWP Growth Fund.

Residence and Domicile

The Government has announced the completion of the residence and domicile review with a package of reforms to make the system fairer while maintaining the UK's competitiveness.

UK residents who are non-domiciled, who currently pay £4bn in UK tax on UK earnings, will now also have to pay an annual charge of £30,000 to ensure that they contribute in respect of the foreign income and gains which they keep abroad and on which they do not pay UK tax. The charge will apply if they have been resident here for more than 7 years. Users of the remittance basis also lose their tax free personal allowances. The measure is targeted to protect competitiveness by ensuring that secondees to the City are not affected (the majority have left the UK by 7 years).
The Government will also:

- amend the current rules to remove flaws and anomalies that allow remittance basis users to sidestep UK tax where it is due on foreign income and gains;
- tighten up the day counting rules to bring the UK into line with international practice.

The Government will consult on the detail and on a wider range of options, including specifically whether those who have been resident here for more than 10 years should contribute more.

Pensions

Pension Credit

The Government has announced that it will increase the Pension Credit standard minimum guarantee to £124 for single pensioners and £189 for couples in 2008-09, demonstrating its commitment to tackling pensioner poverty.

State Second Pension

Following the Pensions White Paper, the Pensions Act 2007 puts in place proposals to reform the State Second Pension so that it becomes a simple, flat rate weekly top-up to the basic State Pension by around 2030, providing a clearer foundation for private saving. To ensure this timetable is met while delivering the personal tax reforms announced at Budget 2007 the Government will introduce the Upper Accruals Point for State Second Pension in 2009. Legislation will be introduced in the NICs Bill to ensure there is no delay in State Second Pension simplification.

Technical Improvements

This will affect pension scheme providers, pension scheme administrators, members of registered pension schemes and their dependants, and financial advisers.

The technical improvements will introduce easements to the existing rules.

Review of Tax and National Insurance Contributions (NICs)

Budget 2006 announced that the Government would review the case for further administrative alignment of the income tax and NICs systems. The findings of the review were published on 9 October 2007.

The review examined ways, within the current policy framework, of improving the administrative alignment of the two systems, particularly focusing on a proposal, often put forward by employers, to make NICs operate in a similar way to tax by moving it onto an annual basis and collecting it cumulatively.

Although, on balance, the Government has concluded that the potential savings for employers are lower than might have been expected, and the costs and benefits that would result do not justify making this change, the review has identified a number of simplification proposals around income tax and national insurance that will reduce burdens on business.

Other Measures

Investment Manager Exemption

On 20 July 2007, HM Revenue & Customs revised its guidance on the Investment Manager Exemption (IME) in an updated version of Statement of Practice 1/01. Certain changes required amendments to the legislation and could not be introduced through guidance. This measure will amend the IME legislation to clarify and simplify the scope of transactions to which the IME applies and ensure a proportionate outcome where one of the conditions for exemption is not met.

This measure will have effect on and after the date that Finance Bill 2008 receives Royal Assent.

The IME enables non-residents (funds and individuals) to appoint UK-based investment managers without the risk of exposing themselves to UK taxation provided certain conditions are met.

To clarify and simplify the scope of transactions to which the IME applies, the list of transactions to which the IME applies will be more closely aligned to activities regulated by the Financial Services Authority with certain exclusions. The changes will also provide a more proportionate tax effect for non-qualifying transactions or arrangements by removing the rule which may cause the whole of a non-resident's UK profits to be brought into UK tax if the investment manager carries out any transactions in the capacity of a permanent establishment.

Tax and Accountancy: Hedging Foreign Exchange Risks

This measure will affect large and medium-sized companies who are exposed to foreign exchange risk because they have investments in overseas subsidiaries. It makes changes to the tax treatment of exchange gains and losses on loans and derivatives that are used to hedge foreign exchange risk arising from a company's investment in non-sterling trading or business operations. This follows consultation with industry.

Regulations will be laid before the end of 2007 to make a short-term change. HM Revenue & Customs (HMRC) will issue a technical note in the first quarter of 2008, together with draft regulations to consult on more extensive changes that are to be introduced on or after 1 January 2009. The regulations will have effect for company accounting periods beginning on or after 1 January 2008. It is intended that the longer-term changes will apply to periods beginning on or after 1 January 2009, to give companies time to make any necessary adjustments to their hedging arrangements.

Companies holding shares or similar investments in non-sterling businesses frequently hedge the foreign exchange risk that arises by borrowing in the same currency, or using currency derivatives. Tax rules allow exchange gains or losses on these loans or derivatives to be disregarded where they hedge (or "match") shares in this way, so that only the net economic position is taxed.

Following on-going consultation with industry and the professions about forex matching, two measures have been announced:

- The first will allow companies to elect to value "matched" shares at the value of the net foreign currency assets underlying the shareholding, rather than at book value as at present. Amendments to the Disregard Regulations to allow such "net asset value matching" will be made later in 2007.
- The second measure will replace the present rules for identifying which loans and derivatives are matched with shares, which rely on the company's intentions, with a more straightforward and objective approach.

Draft regulations, to be published for consultation early in 2008, will embody this measure. They will also refine the "net asset value matching" approach and will include a targeted anti-avoidance rule to prevent companies disregarding exchange gains in circumstances where exchange losses would be claimed for tax.

Company Gains on Life Policies

This will affect companies who own life insurance policies with a large investment element or life annuity contracts. Legislation will be introduced in Finance Bill 2008 to bring all life insurance policies and life annuity contracts to which a company is a party, other than protection-type policies, within the loan relationships legislation that is used to tax debt and debt-like instruments. There will be a mechanism to give credit to the company for tax treated as suffered by the insurer where the UK 'I minus E' basis of taxation or an EEA equivalent has applied to the insurer.

The chargeable events rules that apply to companies will be repealed. The measure will apply to accounting periods of companies beginning on or after 1 April 2008.

Life Companies

Consultation Outcomes and Simplification

This will affect companies carrying on life insurance business.

In May 2006, HM Revenue & Customs (HMRC) published *"Life Assurance Company Taxation: A Technical Consultative Document"* to solicit views on how to simplify certain aspects of the tax law relating to life insurance companies. This work has already resulted in measures announced at 2006 Pre-Budget Report and Budget 2007, which were enacted in Finance Act 2007. The two changes announced today are further products of this work:

- The first change repeals the rules which apply to apportioning the investment return where a life insurance company has reattributed its inherited estate.
- The second change updates and simplifies the law which applies to transfers of long-term insurance business.

The repeal of the inherited estates legislation will have effect for accounting periods beginning on or after 1 January 2008. The changes to the transfers of business legislation will have effect for transfers taking place on or after a date in 2008 to be determined.

Expenses relating to Reinsurance Arrangements

This will affect companies carrying on life insurance business and entering into reinsurance arrangements in respect of some or all of their life insurance business.

This measure will prevent life insurance companies getting corporation tax relief for expenses relating to reinsured life insurance business where they have not borne the economic cost of those expenses.

Remittance Basis: Irish Investment and Employment Income

This will affect individuals who are resident but not domiciled or not ordinarily resident in the UK, and have investment income arising in the Republic of Ireland or work for an employer resident in the Republic of Ireland.

Restrictions in the way the remittance basis of taxation applies to investment and employment income from the Republic of Ireland are to be removed. The restrictions will cease to apply from 6 April 2008.

Air Passenger Duty (APD)

This will affect airlines, travel agents and air passengers.

Current definitions to determine class of travel for air passenger duty (APD) purposes will be amended so that single class flights offering only a business class service will attract the standard rate of APD.

This measure will have effect in relation to any carriage of a passenger which begins on or after 1 November 2008.

Landfill Tax

An exemption for waste arising from dredging and treated with additives has been announced. It will affect waterways authorities, dredging contractors and landfill site operators.

Secondary legislation was laid before Parliament on 8 October 2007 which will extend the scope of the exemption from landfill tax for waste arising from dredging activities.

The landfill tax exemption is being extended to ensure that all waste from dredging that is disposed of by landfill will continue to benefit from exemption.
The extension to the exemption will have effect for relevant disposals of waste made, or treated as made, on or after 30 October 2007.

Stamp Duty

Reduction in Admin Burden

This will affect taxpayers who acquire shares or securities in UK companies where a stock transfer form or other instrument is used to complete the transfer. Transfers that currently attract stamp duty not exceeding £5 whether fixed or *ad valorem*) will be exempt and not have to be presented for stamping. This measure will reduce the number of stock transfer forms that need to be presented to HMRC for physical stamping and will have effect on and after Budget Day 2008.

Stamp Duty Land Tax: Change in Notification Thresholds

This will affect:

- Taxpayers entering into a land transaction relating to residential or non-residential property where the chargeable consideration is less than £40,000.
- Taxpayers entering into linked land transaction relating to either residential or non-residential property where the chargeable consideration of the linked transactions is less than £40,000.
- Taxpayers who have had the grant of a lease for a period of 7 years or more where the grant is made for a chargeable consideration of less than £40,000.

Legislation will be introduced in Finance Bill 2008 to change the rules for individuals notifying HMRC about a land transaction. For transactions involving residential and non-residential property where the chargeable consideration is less than £40,000, there will no longer be any need to notify HMRC about the transaction. Leases will have to be notified when the lease is for a term of seven years or more and where any chargeable consideration is more than £40,000 and the annual rent is more than £1,000.

This measure will have effect for transactions on and after the date of Budget 2008**.**

Stamp Duty Land Tax: Change to Anti-Avoidance Legislation affecting Partnerships

This is likely to affect property investment partnerships that purchase interests in property in the United Kingdom.

Legislation will be introduced in Finance Bill 2008 to amend Finance Act (FA) 2007 to ensure that, where there is a transfer of an interest in a property within an investment partnership, there will be no charge to SDLT.

This measure will have effect on and after the date of Budget 2008. The measure will be retrospective and apply to such transactions that occurred on and after 19 July 2007 (the date FA 2007 received Royal Assent). The legislation in Finance Bill 2008 will amend FA 2007 in order to ensure that where there is a transfer of an interest in a property within an investment partnership, there will be no charge to SDLT.

Business Tax Reform

Budget 2007 announced a major package of reforms to the business tax system designed to enhance the UK's international competitiveness, encourage investment, promote innovation and ensure fairness across the tax system. The package was designed to increase the efficiency and simplicity of the system through:

- a reduction in the main rate of Corporation Tax from 30 per cent to 28 per cent;
- a new Annual Investment Allowance of £50,000 for all firms, to replace the existing first-year capital allowances: 95 per cent of firms will now be able to write off all of their capital expenditure in the year it is incurred;
- extensive reforms of the capital allowances system;
- an increase in the value of the R&D tax credits for SMEs to 175 per cent and large companies to 130 per cent from April 2008; and
- an increase in the small companies' rate of CT to 22 per cent by April 2009.

In July 2007 the Government launched a consultation on the details of the changes to the capital allowances system, *Business tax reform: capital allowances changes*. Later this year, the Government will publish draft legislation for further comment.

Taxation of Foreign Profits

The Government released the discussion document *Taxation of the foreign profits of companies* in June 2007. The Government continues to work with business to consider the issues raised. The Government will now develop a more detailed, broadly revenue neutral package of proposals to improve the competitiveness of the UK's corporate tax system in relation to foreign profits.

Private Equity

The UK's internationally competitive position has contributed to the development of a strong private equity industry in the UK. The scale of private equity buy-outs has increased over recent years, although recent sharp moves in credit markets may alter the frequency of large-scale deals in the short term. Large-scale buy-outs have raised concerns over reduced transparency, most obviously when a listed company is taken private. The Government has welcomed the private equity industry's resolve to become more transparent and the commissioning of Sir David Walker to develop a voluntary code to promote high standards of disclosure and valuation. The Government looks forward to the outcome of this work and to the development of a code that has strong industry buy-in; that results in meaningful disclosure of a breadth and depth to carry credibility with wider stakeholders, especially in relation to employee impacts; and that sets in place an effective monitoring framework with sufficient independence to command acceptance.

In March 2007, the Government announced a review of the rules that apply to shareholder debt where it replaces part of the equity element in leveraged private equity deals. Following completion of this review the Government says that it is satisfied that the 2005 changes to the Transfer Pricing rules have sufficiently extended the scope of the rules to include all private equity transactions. However, the Government is concerned that these rules may be less effective in the context of highly leveraged private equity transactions. The Government will therefore continue to monitor the operation of the rules where a tax deduction is being claimed for interest on shareholder debt in these types of transactions.

The reform of capital gains tax to a single rate of 18 per cent from 6 April 2008 establishes a system that is more sustainable, straightforward for taxpayers and internationally competitive. Along with measures to address loopholes and anomalies in the residence and domicile rules this will increase the fairness of the tax system, including for individuals in the private equity industry. The Government remains interested in wider aspects of the ways in which those involved in the private equity and other industries are rewarded, including the application of the legislation on employment related securities, in the context of the need to ensure that the tax system as a whole is fair and sustainable.

Protecting Tax Revenues

The Chancellor announced a package of measures designed to protect the tax system from abuse and ensure that individuals and businesses pay their fair share of tax. Where appropriate, draft legislation will be published for consultation to ensure it is well-targeted and provides clarity and certainty for taxpayers. These measures support the provision of public services whilst protecting the UK's competitive business environment.

Income Shifting

The Government says that it recognises the contribution that small businesses make to the economy and that business owners should profit from the success of their business.

However, the Government says it believes it is unfair for one person to arrange their affairs so that their income is diverted to a second person, subject to a lower tax rate, to obtain a tax advantage (income shifting). The vast majority of individuals cannot shift their income and income shifting runs counter to the principle of independent taxation.

The Government will be consulting, shortly after the Pre-Budget Report, on draft legislation to take effect from 2008-09 to address income shifting.

The legislation will work alongside the existing rules on businesses deductions and settlements, and will seek to remove the tax advantage obtained from income shifting. It would only apply when the income is in the form of distributions from a company (dividends) or partnership profits. Income from employment, interest on savings and any other source will not be affected.

HMRC will draw on the wide range of commercial experience available across the advisory community in framing practical guidance that minimises burdens, and makes it as easy as possible for individuals to understand their position. Relevant factors to consider when establishing whether or not income shifting has taken place could include the work done by the individuals in the business, the investments made and the risks to which they are subject through the business.

National Insurance Contributions Exemption for Holiday Pay

The exemption from National Insurance Contributions (NICs) of holiday pay paid via a third party is to be removed for all sectors outside the construction industry. The exemption was aimed at addressing problems of high mobility and turnover of the labour force in the construction industry, but working time regulations now ensure holiday entitlement is preserved in all sectors and therefore an on-going exemption for construction is no longer appropriate. However, given the longstanding nature and wide range of benefits typically provided by schemes, the exemption will be maintained for the construction industry for 5 years to give it sufficient time to adjust.

Employers outside this sector are increasingly using the exemption solely to reduce their and their employees' NICs liability, and therefore secondary legislation has today been laid before Parliament and which will remove the exemption for all outside from 30 October 2007.

Inheriting Tax-Relieved Pensions Savings

Legislation will be introduced in Finance Bill 2008 to ensure that tax-relieved pension savings diverted into inheritance using scheme pensions and lifetime annuities are subject to unauthorised payment tax charges. This measure will have effect for increases in a scheme member's pension rights attributable to the death of another member when that member dies on or after 6 April 2008.

Where appropriate, tax-relieved pension savings diverted into inheritance using scheme pensions and lifetime annuities will also be subject to inheritance tax (IHT). Draft legislation has been published today on the HMRC website.

Spreading of Tax Relief for Pension Contributions

Legislation will be introduced in Finance Bill 2008 to ensure that the rules that spread tax relief for large employer pension contributions relative to their contribution in the previous year cannot be circumvented.

This measure will have effect for payments made on or after 10 October 2007 under binding obligations entered into on or after 9 October 2007

The measure will ensure that the spreading of contributions cannot be avoided by routing them through a new company.

Disclosure Regime

Budget 2004 introduced a disclosure regime that has enabled the Government to respond to avoidance more swiftly and in a more targeted fashion.

In order to better identify and tackle those who make use of marketed avoidance schemes, the Government will consult on options to improve the operation of Scheme Reference Numbers.

Following on from action in 2006-07 on stamp duty land tax avoidance, the Government will consult with interested parties later this year on how to extend the disclosure regime to high value residential property transactions.

The Government will also consult with interested parties later this year on the practicalities of addressing the use of special purpose vehicles to reduce stamp duty land tax liability on high value residential property.

Financial Products - disguised interest

Action is being taken, effective from today, to counter attempts by some companies to get around the shares as debt rules, which apply to interest income disguised as a capital gain or tax nothing.

Interest Relief Exploitation

Action being taken, effective from today, will tackle avoidance schemes abusing the availability of interest relief through the payment of interest in advance. Draft Legislation has been published today on the HMRC website and will be discussed with business, prior to inclusion in the Finance Bill 2008.

Leasing Avoidance

Action is being taken, applying to transactions entered into on or after today, to prevent two types of arrangement that seek to avoid tax through the leasing of plant and machinery. The measures will counter avoidance involving the sale and finance leaseback of plant or machinery and attempts to exploit long funding leases to create a tax loss where there is little or no commercial loss.

Draft Legislation is published today and will be discussed with business, prior to inclusion in the Finance Bill 2008.

Draft legislation and draft explanatory notes are contained in a Technical Note published today on HMRC's website.

Life Insurance Companies

Legislation will be introduced to prevent life insurance companies benefiting from tax relief for expenses in respect of reinsured business which has been met by the reinsurer of that business.

This will apply to transactions entered into on or after today (and from 2008 to amounts spread forward in respect of earlier transactions).

Draft legislation and draft explanatory notes have been published today for consultation, prior to inclusion in Finance Bill 2008.

Tackling Vehicle Excise Duty Evasion

To assist in the fight against VED evasion, the Government has today strengthened VED enforcement powers to include motorists driving unlicensed vehicles and parking in areas where enforcement is not currently permitted.

Therefore in addition to public roads, from 1 September 2008, VED enforcement will also cover vehicles parked in public places that are not intrinsically part of a private dwelling, where a Statutory Off Road Notification has not been made.

Missing Trader Intra-Community (MTIC) VAT Fraud Estimates

New fraud estimates released today show that attempted fraud fell by up to £1.5 billion in 2006-07. This follows the introduction of operational measures to strengthen the Government's strategy for tackling MTIC fraud. The Government says that it is determined to build on this success. HMRC will take further steps to apply both criminal and civil sanctions to those who are found to be knowingly involved in fraudulent trading.

Sale of Lessors: Companies in Partnership

This measure amends Schedule 10 to Finance Act (FA) 2006 to avoid an unintended and unfair tax liability where a single company acquires all of the business of leasing plant or machinery carried out by a partnership.

This measure will have effect on and after 5 December 2005, the date from which Schedule 10 has effect. It counters avoidance involving the sale of companies leasing plant or machinery. In broad terms it does this by bringing into charge an amount of income that is taxed on the seller's group and giving an equal amount of relief to the purchaser's group.

Where the business is carried on by companies in partnership and there is a change in a partner's interest in the business the legislation brings into charge an amount of income for the selling partner and a relief for the acquiring partner.

When a leasing business carried on by companies in partnership is sold to a single company, Schedule 10 brings an amount of income into charge for the partners. However, it does not give matching relief to the purchaser. Legislation will be introduced in Finance Bill 2008 to ensure that relief is available to the purchasing company.

Allowances, Reliefs and Rates

The 2008-09 rates and allowances for Income Tax, National Insurance Contributions, the Working and Child Tax Credits and Child Benefit/Guardian's Allowance will be published after the September 2007 RPI becomes available.

Personal Allowances and NICs etc

All income tax allowances will automatically be increased in line with inflation. We will not know the new figures until publication of the September 2007 RPI figure..

The basic rate of income tax will be reduced from 22% to 20% for 2008/9. Also, the 10% tax rate on employment income and pensions will be abolished from 6 April 2008 (but not for savings income).

What is yet to be confirmed (to be decided in the 2008 Budget) is the Higher Rate Income Tax Rate for 2008/9.

The income tax personal allowances for under 65s and NICs thresholds and limits, except the upper earnings and profit limits, will be raised in line with the RPI from April 2008. As announced at Budget 2007, age-related personal tax allowances for the over-65s will be raised by £1,180 above inflation, and the national insurance upper earnings and profit limits will increase by £75 above inflation per week in 2008-09 before they are aligned with the increased level at which higher rate tax begins to be paid in 2009-10. This alignment will ensure that people paying higher rate tax under the new thresholds will be no worse off than under the current arrangements. There will be no changes to the NICs rates for employers and employees, or to the profit-related NICs paid by the self-employed.

Self-Assessment Payments on Account

This will affect taxpayers making payments on account (POA) of their annual income tax liability under the income tax self assessment (ITSA) system, with annual income tax liabilities between £500 and £1000 from 2009/10 and beyond.

This measure will have effect on and after 6 April 2009 for income tax due for 2009-10. The first POAs affected will therefore be those due in January 2010 and July 2010.

Pensions

On 6 April 2006 (known as A-Day) new tax rules for all pensions came into force. These new rules are intended to encourage us all to save more for our retirement.

Amongst the changes that came in on 6 April 2006 are significant increases in the maximum amount an individual can put into a pension without tax penalty (the Annual Allowance), and a lifetime allowance being the value of pension savings anyone can draw in their lifetime without a tax penalty.

The table below shows the allowance levels from A-Day up to 2010/11.

There are also changes to the amount that can be taken as a tax free lump sum at retirement (from A-Day it will be basically 25% of total pension benefits) and the minimum age for taking pension benefits (from A-Day it is 50, increasing to 55 from 6 April 2010).

PENSIONS - ANNUAL AND LIFETIME ALLOWANCES

Tax Year	Annual Allowance	Lifetime Allowance
2006/07	£215,000	£1,500,000
2007/08	£225,000	£1,600,000
2008/09	£235,000	£1,650,000
2009/10	£245,000	£1,750,000
2010/11	£255,000	£1,800,000

Tax Shelters

There were no announcements affecting existing tax shelters which are currently as follows:

TAX SHELTERS 2007/8

Venture Capital Trusts - investment limit and rate of tax relief (maximum)	£200,000 (relief at 30%)
EIS – investment limit and rate of tax relief (maximum)	£400,000 (relief at 20%)
Tax-free employment termination	£30,000
Tax-free "rent-a-room" income	£4,250
ISAs	£7,000**

** increasing to £7,200 in April 2008

Capital Gains Tax Rates and Reliefs

The 2007 Pre-Budget Report announced a major reform of capital gains tax, which will put it on a more sustainable footing that is straightforward for taxpayers and internationally competitive. For disposals on or after 6 April 2008 there will be a single rate of capital gains tax of 18 per cent. As part of this new system the annual exempt amount (currently £9,200) will remain in place, but taper relief and indexation allowance will be withdrawn. For disposals before this date the current rules will continue to apply. HMRC have today published further details of the proposed changes and will immediately begin discussion with interested parties on the technical detail and implementation.

CAPITAL GAINS TAX TAPER RELIEF (BUSINESS ASSETS)**

Whole years asset held from 6 April 1998	Percentage of gain charged to tax	Effective rate of tax for higher rate taxpayer (%)
Less than 1	100	40
1	50	20
2	25	10

** withdrawn from 6 April 2008

CAPITAL GAINS TAX TAPER RELIEF (NON-BUSINESS ASSETS)**

Number of whole years in the qualifying holding period	Gain remaining chargeable (%)
Less than 1	100
1	100
2	100
3	95
4	90
5	85
6	80
7	75
8	70
9	65
10 or more	60

** withdrawn from 6 April 2008

CAPITAL GAINS TAX EXEMPT AMOUNT

	Annual exempt amount for individuals	Annual exempt amount for trustees
2007/8	£9,200	£4,600
2008/9	£9,200	£4,600

VAT Rates

There were no new announcements affecting VAT rates or registration/de-registration limits which remain as follows:

VALUE ADDED TAX

	Rates etc from 1 April 2007
Standard rate	17.50%
VAT fraction	7/47ths
Registration limit at	£64,000
Deregistration limit at	£62,000
Cash accounting turnover limit	£1.35m
Annual accounting turnover limit	£1.35m

VAT and Housing

This will affect construction contractors and property owners

Secondary legislation will be introduced to ensure that renovations and alterations to residential properties that have been empty for at least two years will be eligible for a reduced VAT rate of 5 per cent. Currently, such properties must have been empty for at least three years to qualify for the reduced VAT rate.

This measure will have effect on and after 1 January 2008.

Working Tax Credit (WTC)

The Government announces the uprating of all elements of the WTC, except for the childcare element, in line with the Retail Prices Index (RPI). It also confirms the Budget 2007 measures to increase the income threshold below which WTC can be claimed in full by £1,200 to £6,420 and the increase in the withdrawal rate for tax credits by two percentage points to 39 per cent. Also from April 2008, the disregard of tax credits in Housing Benefit will increase in line with RPI, to help enhance financial incentives to work.

Cars

The Pre-Budget Report announced that from April 2008 the fixed figure on which the company car fuel benefit charge is based will be increased, from £14,400 to £16,900, to enhance the environmental incentive for people to drive fewer miles.

CAR BENEFIT READY RECKONER

CO_2 emissions in grams per km	2005-2006 to 2007-2008	2008-2009
120 or lower	Not applicable	10%
125-135	Not applicable	15%
140	15%	16%
145	16%	17%
150	17%	18%
155	18%	19%
160	19%	20%
165	20%	21%
170	21%	22%
175	22%	23%
180	23%	24%
185	24%	25%
190	25%	26%
195	26%	27%
200	27%	28%
205	28%	29%
210	29%	30%
215	30%	31%
220	31%	32%
225	32%	33%
230	33%	34%
235	34%	35%
240	35%	35%
245	35%	35%
250	35%	35%
255	35%	35%

Vehicle Excise Duty

Budget 2007 set out car VED rates for the next three years to further sharpen the environmental signals to motorists and to continue to support the development of the low carbon market.

The Government has announced inflation-only increases on motorcycle VED rates in 2008-09, while VED rates for special types vehicles, combined transport vehicles and all vehicle categories that are linked to the basic goods rate will be frozen. It also announced on 1 October 2007 that heavy goods vehicles (HGV) VED rates would be frozen in 2008-09. All changes take effect from licences commencing 1 April 2008.

CAR FUEL ADJUSTMENTS

Type of fuel	Code	Standard adjustment	Other adjustments
Petrol	P	none	none
Diesel (not Euro IV)	D	supplement: 3% (see note 1)	none
Diesel (Euro IV) first registered on or before 31 December 2005	L	cancel type D supplement, above	none
Diesel (Euro IV) first registered on or after 1 January 2006	L	supplement: 3% (as type D; see note 1)	none
Electric only	E	reduction: 6%	none
Hybrid electric	H	reduction: 3%	none
Gas only	B	reduction: 2%	none
Bi-fuel with CO_2 emissions figure for gas (note 2)	B	reduction: 2%	use lowest CO_2 figure
Bi-fuel conversion, or other bi-fuel not within type B	C	none	none
Car manufactured to be capable of running on E85 fuel	G	reduction: 2% (from 2008/09 only)	none

Notes
1. Subject to the overall maximum appropriate percentage of 35%.
2. Cars which were type approved as bi-fuel cars and were first registered on or after 1 January 2000. These cars have two approved CO2 emissions figures, one each for petrol and gas (though only one may appear on the Vehicle Registration Certificate, V5C).
Supplements and reductions only apply to cars first registered on or after 1 January 1998. They apply to all such cars, whether or not they have an approved CO2 emissions figure.
3. Further changes from 2008/09: The changes are:
- Introduction of QUALECs, to which adjustments for diesel cars apply but alternative fuel reductions do not
- Introduction of reduction for Type G cars (see above)

Corporation Tax Rates

Changes to the corporation tax regime from 1 April 2008 are shown in the table below (including previously announced figures).

The profit limits may be reduced for a company that is part of a group or has associated companies. The lower rates and marginal reliefs do not apply to close investment holding companies.

CORPORATION TAX RATES:

	YEAR TO 31 MARCH 2009	YEAR TO 31 MARCH 2010
Companies earning under £300,000	From £1 to £300,000 @ 21%	From £1 to £300,000 @ 22%
Companies earning between £300,000 and £1.5million:		
First £300,000	21%	22%
Upper Marginal rate (excess over £300,000)	29.75%	29.5%
Companies earning over £1.5million:		
Main rate	28%	28%

Stamp Duty Rates

The Chancellor made no new announcements on the stamp duty land tax rates which were last increased on 23 March 2006 as shown in the Table below.

STAMP DUTY LAND TAX RATES FROM 23/03/06

Rate	**Land in disadvantaged areas**		**All other land in the UK**	
	Residential	**Non-residential**	**Residential**	**Non-residential**
0%	Up to £150,000	Up to £150,000	Up to £125,000	Up to £150,000
1%	More than £150,000 but not more than £250,000	More than £150,000 but not more than £250,000	More than £120,000 but not more than £250,000	More than £150,000 but not more than £250,000
3%	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000
4%	More than £500,000	More than £500,000	More than £500,000	More than £500,000

Inheritance Tax (IHT) Rates and Reliefs

Budget 2007 announced that the individual inheritance tax allowance will rise from £300,000 in 2007-8 to £350,000 in April 2010. In order to continue to make inheritance tax fairer, the Government today announced that, from today, the inheritance tax allowance will be transferable between spouses or between civil partners. This will enable all married couples and civil partners to automatically benefit from double the tax-free allowance in addition to their existing entitlement to full spouse relief. This measure will also be extended to all widows, widowers and bereaved civil partners. As a result of today's announcements the married couples' and civil partners' allowance now stands at £600,000 for this year and will rise to £700,000 in April 2010.

Legislation will be introduced in Finance Bill 2008 to allow a claim to be made to transfer any unused IHT nil-rate band on a person's death to the estate of their surviving spouse or civil partner who dies on or after 9 October 2007. This will apply where the IHT nil-rate band of the first deceased spouse or civil partner was not fully used in calculating the IHT liability of their estate. When the surviving spouse or civil partner dies, the unused amount may be added to their own nil-rate band.

The IHT provisions for alternatively secured pensions (ASP) will also be changed. Currently, a charge arises on left-over ASP funds once a relevant dependant's pension benefits cease and the rates of tax are those applying at the date of that event rather than as at the date of death of the scheme member. This rule will be modified so that, if the IHT nil-rate band was not fully used when the original 'owner' of the ASP died, the same proportion that was unused will be applied to the amount of the nil–rate band in force at the date of the later event and be available against the ASP.

A transfer of unused nil-rate band from a deceased spouse or civil partner (no matter what the date of their death) may be made to the estate of their surviving spouse or civil partner who dies on or after 9 October 2007.

Under current law, the estate left by someone who dies is entitled to an amount known as the IHT nil-rate band which is chargeable to IHT at 0 per cent. Any value above the nil-rate band is charged at 40 per cent. The nil rate band in 2007/08 is £300,000.

Transfers of property between spouses or civil partners are generally exempt from IHT. This means that someone who dies leaving some or all of their property to their spouse or civil partner may not have fully used up their nil-rate band. The new rules will allow any nil-rate band unused on the first death to be used when the surviving spouse or civil partner dies. The amount of the nil-rate band potentially available for transfer will be based on the proportion of the nil-rate band that was unused when the first spouse or civil partner died. For example:

- On the first death none of the original nil-rate band was used because the entire estate was left to a surviving spouse. Then if the nil-rate band when the surviving spouse dies is £350,000 that would be increased by 100 per cent to £700,000.
- If on the first death the chargeable estate is £150,000 and the nil-rate band is £300,000, then 50 per cent of the original nil-rate band would be unused. If the nil-rate band when the surviving spouse dies is £350,000, then that would be increased by 50 per cent to £525,500.

The amount of additional nil-rate band that can be accumulated by any one surviving spouse or civil partner will be limited to the value of the nil rate band in force at the time of their death. This may be relevant where a person dies having survived more than one spouse or civil partner. This may also be relevant where a person dies having been married to, or the registered civil partner of, someone who had themselves survived one or more spouses or civil partners.

Where the new rules have effect, personal representatives will not have to claim for unused nil-rate band to be transferred at the time of the first death. Any claims for transfer of unused nil-rate band amounts will be made by the personal representatives of the estate of the second spouse or civil partner to die when they make an IHT return.

The following thresholds for IHT were previously announced up to 2009-10:

INHERITANCE TAX (IHT) THRESHOLDS

Year	Nil Rate Band
2006-07	£285,000
2007-08	£300,000
2008-09	£312,000
2009-10	£325,000
2010-11	£350,000

For married and civil partners, the above figures are doubled from today (see text above)

IHT MAIN EXEMPTIONS

	Exempt Amount
Annual gifts per donor	£3,000 per year
Small gifts to same person	£250
To non-domicile spouse	£55,000 for life
To UK domicile spouse	unlimited gifts
On marriage by either party to the marriage	£2,500
On marriage by parent of either party	£5,000
On marriage by remoter ancestor of either party	£2,500
On marriage by any other person	£1,000
To charities	all gifts
To political parties	all gifts

IHT CHARGE ON GIFTS WITHIN SEVEN YEARS OF DEATH

Years between gift and death	Percentage of death rate charge applied to gift
0 to 3	100%
3 to 4	80%
4 to 5	60%
5 to 6	40%
6 to 7	20%

Capital Allowances

The following capital allowances changes previously announced are:

CAPITAL ALLOWANCES

For 2008/9 onwards:

1. The writing down allowance (WDA) on Plant & Machinery in the general pool is reduced from 25% to 20%.
2. The WDA on Plant & Machinery Long Life Assets in the general pool is increased from 6% to 10%.

There will be no relief available for expenditure incurred on or after 1 April 2008 for companies and 6 April 2008 for unincorporated businesses on fire safety alterations in response to notices issued by Fire Authorities. Capital Allowances for expenditure on fire safety equipment continue unaffected.

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

If you would like to receive further information about this subject or other publications, please call us – see our contact details on the next page.

Important Notice

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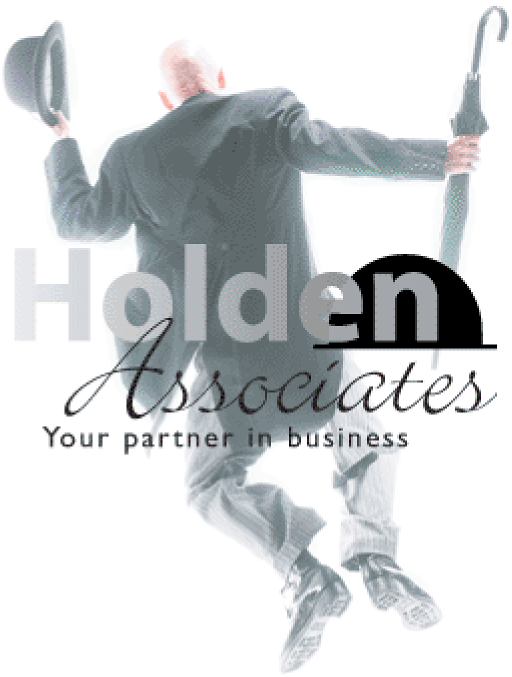

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