

# Budget 2011: Everything you need to know

## INCOME TAX

Personal tax allowance will rise by a further £630 to £8,015 from April 2012. The Chancellor, George Osborne, said this represented “£326 extra each a year for those working hard.”

Meanwhile, there will be a consultation on a long-term plan to merge National Insurance and income tax – creating a basic tax rate of 32%. Osborne promised the Treasury would not make pensioners liable for NI, although details on how this will work remain scarce.

The 50% top rate of tax will remain but Osborne pledged this is only a ‘temporary’ measure and said there would be a review of how much it raises.

## PENSIONS

There is a long-term aim for a £140-per-week flat-rate state pension, although this will not apply to current pensioners. The single-tier system would end contracting-out for defined benefit (DB) schemes. Contracting-out has already been banned for defined contribution (DC) schemes from April 2012.

## HOUSING

Government-backed shared equity schemes will help 10,000 first-time buyers (FTB) to purchase properties. Buyers will have to stump up a deposit worth 5%. The government and house-builders would put in a 10% deposit each, enabling the FTB to qualify for a 75% loan-to-value mortgage. For those earning less than £60,000, the equity loan will be interest-free for five years.



## HELP FOR BUSINESS

Corporation tax is to be cut by 2% from April, not 1% as previously planned. The tax is to be cut by 1% in each of the next three years, reducing it to 23%.

A total of 43 tax reliefs, including a relief on life assurance premiums, are to be scrapped as part of a drive to simplify the tax code.

George Osborne said there would be no new regulation on firms with fewer than 10 staff for three years.

Meanwhile, a business rate relief holiday for small firms will be extended for another year, while a total of 21 ‘enterprise zones’ will be created in England, backed by tax incentives.



## OTHER TAXES AND ALLOWANCES

Council tax will be frozen or reduced for the remainder of 2011 in every English council.

Estates will benefit from a 10% discount in inheritance tax (IHT) if individuals leave part of the money to charity, though the cut translates to just a 4% reduction in the final bill (40% to 36%). IHT is currently charged at 40% on estates worth more than £325,000, the nil-rate band, following their owner’s death.

Levy of up to £50,000 (previously £30,000) on so-called ‘non-doms’ resident in the UK for 12 years or more.

A clampdown on tax avoidance will raise as much as £1bn for the Treasury this year. The biggest measure involves a crackdown on ‘disguised remuneration’, which often involved highly-paid employees being offered tax-free, lifetime loans that were never repaid.

**“This Budget confronts the hard truth that has been ignored for too long. Britain has lost ground in the world’s economy and needs to catch up.”**

