

2011 Budget Summary

Yesterday, The Chancellor of the Exchequer, George Osborne, delivered his second budget speech to the House of Commons. We have outlined the key points that will affect your finances in the coming months:-

Income Tax

The point at which an individual starts to pay income tax will rise by £1,000 to £7,475.

This will rise again in April 2012 to £8,105.

The rate at which you begin paying tax at 40% is reduced from £37,401 to £35,000 in April 2011 and to £34,370 in April 2012.

National Insurance rates have increased. The employee contribution rate has increased from 11% to 12%.

Stricter penalties have been introduced for those who file their Tax Return late.

The tax rules have changed for people who own furnished holiday lettings – losses can no longer be offset against other income in the same tax year.

With effect from 6 April 2011 the rate of income tax relief given under the Enterprise Investment Scheme will increase from 20% to 30%

Savings

The annual limit for investing in an ISA increases from £10,200 to £10,680.

Pensions and Benefits

Pension contributions that qualify for tax relief will be reduced to an annual allowance of £50,000 instead of the previous limit of £255,000.

Child Benefit will be frozen for three years from April 2011 at £20.30 for a first or only child and £13.40 for each additional child.

Capital Gains Tax

The annual exempt amount for CGT will increase to £10,600 from 6 April 2011.

The lifetime limit on gains qualifying for entrepreneurs' relief (10% rate) has increased to £10 million.

VAT

VAT registration and deregistration thresholds have increased to £73,000 and £71,000 respectively.

Corporation Tax

The main rate of corporation tax will reduce to 26% from 1 April 2011 and to 25% from 1 April 2012.

The small profits rate of corporation tax (for companies with profits up to £300,000) will be reduced to 20% from 1 April 2011.