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Budget Report 24 March 2010

This Report, which was written immediately after the Chancellor of the Exchequer delivered his Budget Speech, is intended to provide an overview of the latest announcements and recent measures most likely to affect you or your business.

Throughout this guide we have included some tips and ideas for effective tax and financial planning, but it is important to remember that this planning should be a continuing, year-round process, not something that is left until the last minute.

We can help you to reassess your plans regularly, and adapt them as your personal and business circumstances change. With our help, you can plan for a rewarding and financially secure future.

Please note: while most taxation changes take effect from the start of the financial year, or tax year, some may not take effect until 2011, or later. Where relevant, details of these changes have been included in this Report. Throughout the Report, 'HMRC' refers to HM Revenue & Customs.

Budget Highlights

Pre-election Budget 'to support recovery and tackle the deficit'

In his last Budget before a much-anticipated General Election, and with the UK emerging from the 'deepest global recession for over 60 years', Chancellor Alistair Darling faced a delicate balancing act as he outlined a series of measures aimed at tackling the deficit while supporting economic recovery.

Reiterating his plan to halve the deficit within four years, the Chancellor revised his borrowing forecast for 2009/10 downwards from £178 billion to £167 billion, but also downgraded the economic growth forecast for 2011 to 3-3.5%.

Among the key measures announced was support for first time buyers, in the form of a two year stamp duty land tax relief on residential properties costing less than £250,000. This will be offset by a new 5% rate for properties worth over £1 million. Meanwhile, the inheritance tax threshold has been frozen for a further four years.

A £2.5 billion small business package aimed at boosting skills and innovation was also unveiled, with a temporary increase in small business rate relief taking effect from October, in addition to a doubling of the Annual Investment Allowance and the Entrepreneurs' Relief lifetime limit.

Revealing that the one-off tax on bank bonuses has raised £2 billion, Darling pledged support for a global tax on bank transactions and announced that UK citizens will be guaranteed the right to a basic bank account.

The 3p rise in fuel duty scheduled for April will now be phased in between April and January 2011. Duty on wine, beer and spirits will rise by 2% a year until 2013, while duty on cider will increase by 10% and tobacco duty will rise by 1%.

Other measures include a new £2 billion investment bank to back low-carbon industries, funding for 20,000 new university places, further measures to tackle tax avoidance, and an extension of the higher winter fuel allowance rate for another year.

Budget Highlights

- SDLT threshold raised for first time buyers
- Increase in small business rate relief
- Annual Investment Allowance doubled
- Entrepreneurs' Relief doubled
- IHT threshold frozen until 2015
- 50% income tax rate confirmed

Income Tax and Personal Savings

Income tax rates

In the 2009 Budget the Chancellor announced controversial plans to introduce an additional rate of income tax.

From 6 April 2010 income in excess of £150,000 will be subject to a new 50% top rate of income tax (42.5% on dividends). There is no change to the tax rates and bands for income of up to £150,000.

Income Tax rates	2010/11	2009/10
Basic rate band – income up to	£37,400	£37,400
Starting rate for savings	*10%	*10%
Basic rate	20%	20%
Dividend ordinary rate	10%	10%

Higher rate - income over	£37,400	£37,400
Higher rate	40%	40%
Dividend upper rate	32.5%	32.5%
Additional rate – income over	£150,000	-
Additional rate	50%	-
Dividend additional rate	42.5%	-

*Starting rate is for savings income up to the starting rate limit of £2,440 within the basic rate band. The rate applies to any balance of the limit remaining after allocating taxable non-savings income.

Personal allowances (ages are as at the end of the tax year)		2010/11	2009/10
Personal allowances (PA)	under 65	£6,475	£6,475
	65 to 74	£9,490	£9,490
	75 and over	£9,640	£9,640
Married couple's allowance (MCA)			
Either partner born before 6 April 1935		£6,965	£6,965
(relief restricted to 10%)			

The amount of the PA remains unchanged for 2010/11 – however:

- age-related allowances are reduced by £1 for every £2 that net adjusted income exceeds £22,900, to a minimum PA of £6,475
- the married couple's allowance is reduced by £1 for every £2 by which the income of the spouse or civil partner with the most income exceeds £22,900, subject to a minimum of £2,670 (highest income counts for the reduction)
- where income exceeds £100,000, the PA, including the minimum age-related allowances, is reduced by £1 for every £2 that net adjusted income exceeds £100,000

Individual Savings Accounts (ISAs)

From 6 April 2010 the ISA limit will be raised to £10,200, up to £5,100 of which can be saved in cash. The higher limit was available to investors aged 50 and over from 6 October 2009.

From 6 April 2011 and over the course of the next Parliament, the annual ISA limits will increase each year in line with the RPI. The new annual limits will be rounded to the nearest multiple of 120 so that individuals who save monthly will be able to calculate their monthly savings more easily.

The new limits will be calculated by reference to the RPI for the September before the start of the tax year, and HMRC will announce the new limits as soon as possible after the RPI figure is published, and at least four months in advance of the start of the new tax year in which they will apply.

In the event that the RPI is negative, the ISA limits would be unchanged.

As is the case now, following indexation, the cash ISA limit will be half the value of the stocks and shares ISA limit.

Income tax adjustments between settlors and trustees

Settlors (people who set up a trust) may receive repayments of tax on trust income if they are liable to income tax at a lower rate than the trustees. A proposed new measure, to be effective from 6 April 2010, will require settlors to pay any such repayments of tax they receive to the trustees. It is understood that these payments to trustees will be disregarded for inheritance tax purposes.

Life insurance deficiency relief

Individuals may be entitled to the relief if their tax calculation needed when a policy or contract comes to an end gives a negative result rather than a gain, but taxable gains have arisen earlier in the life of the same policy or contract.

At present, a tax reduction may be due for the year in which the policy comes to an end if the individual has income subject to the higher rate and dividend upper rate of tax. New legislation, applying to surrenders on or after 6 April 2010, will extend the relief so that a tax reduction may also be due if the individual has income subject to the additional and dividend additional rates of tax.

This measure also provides that deficiency relief triggered by the surrender of a policy on or after 6 April 2010 may be restricted. The restriction will apply if the main purpose of an individual being a party to arrangements is to secure a tax reduction greater than the income tax due on earlier chargeable events that led to the relief. This provision applies to arrangements made on or after 22 April 2009 that culminate in the surrender of the policy on or after 6 April 2010.

UK charity tax reliefs

Legislation will be introduced in Finance Bill 2010 to extend UK charitable tax reliefs to certain organisations equivalent to UK charities and Community Amateur Sports Clubs in the EU and in the European Economic Area countries of Norway and Iceland, following a judgment in the European Court of Justice in January 2009.

The remittance basis: relevant person

A measure effective from 6 April 2010 will amend the legislation to clarify that a subsidiary of a non-UK resident company which would be a close company if it was resident in the UK will be treated as a relevant person for the purposes of the remittance basis.

Increased penalties for offshore tax evasion

Legislation, to apply for tax periods commencing on or after 1 April 2011, will be introduced in Finance Bill 2010 to provide for larger penalties for taxpayers who fail to provide a full account of their income tax or capital gains tax liabilities, where the failure is linked to an offshore matter.

Where the non-compliance occurs in a jurisdiction which:

- has provision to exchange information on savings income automatically with the UK, the penalty percentages will be the same as for non-compliance arising in the UK
- has agreed to exchange information with the UK, but does not automatically share that information, the penalty percentages will be 1.5 times those applying for non-compliance arising in the UK
- has not agreed to exchange information with the UK, the penalty percentages will be doubled.

Pension savings

Anti-forestalling provisions, restricting higher and additional rate tax relief for higher-earners, will continue to operate through 2010/11.

With effect from 6 April 2011, people with annual income of £150,000 or over but below £180,000 will have their tax relief on pension contributions (including the value of employer contributions for those in employment) reduced gradually from the individual's marginal rate to the basic rate as income increases. Where income is £180,000 or over, the measure restricts tax relief on pension contributions to the basic rate.

For the purposes of this measure, income is calculated before deduction or relief for pension contributions and charitable donations, and for those in employment, includes the value of any pension benefit funded (or eventually funded) by their employer.

Business Tax and Investment Incentives

Corporation Tax

Corporation tax rates and bands are as follows:

Financial Year to	31 March 2011	31 March 2010
Taxable profits		
First £300,000	21%	21%
Next £1,200,000	29.75%	29.75%
Over £1,500,000	28%	28%

Capital allowances

The Annual Investment Allowance (AIA) will be increased from the current limit of £50,000 to a new limit of £100,000. This will have effect for qualifying expenditure incurred on or after 1 April 2010 for corporation tax and on or after 6 April 2010 for income tax.

A 100% first year allowance will be introduced for business expenditure on new and unused (not second hand) zero-emission vehicles. The vehicles will need to be of a design primarily suited to the conveyance of goods or burden. For corporation tax the expenditure must be incurred on or after 1 April 2010 and before 1 April 2015, and for income tax it must be incurred on or after 6 April 2010 and before 6 April 2015.

All expenditure on cushion gas, incurred on or after 1 April 2010, will be treated as special rate expenditure qualifying for writing down allowances at 10% per year.

Loans to participators

Legislation will be introduced that will deny a corporation tax deduction for the amount of the release or write-off of a loan or advance of money made by a close company to a participator (or an associate of a participator). This has effect for debt (or part debt) releases or write-offs on or after 24 March 2010.

PAYE schemes

Legislation will be introduced in Finance Bill 2010 to allow HMRC to require a financial security from employers where amounts due under PAYE or NIC obligations are seriously at risk. This is likely to affect those employers who have a history of serious

non-compliance in terms of paying late or not paying. The amount of security will be set by HMRC in light of the potential tax liability.

Employer-supported childcare

The conditions for exemption from the chargeable benefit for employer-supported childcare, provided in the form of childcare vouchers or directly contracted childcare, are to be relaxed. The amendments will have retrospective effect for the tax year 2005/06 and subsequent years. This relaxation is to be introduced in order to clarify the position of employers with employees at or near the National Minimum Wage.

Real Estate Investment Trusts (REITs)

UK REITs will be allowed to issue stock dividends in lieu of cash dividends in meeting the requirement to distribute 90% of the profits from the property rental business of the REIT. The legislation will have effect for property income distributions made on or after Royal Assent.

Share schemes

HMRC will now be able to withdraw approval of a Share Incentive Plan (SIP) where alterations to share capital or changes in rights attaching to shares materially affect the value of participants' plan shares. In addition, corporation tax deductions will not be allowed where companies pay money to SIP trustees to buy shares from directors/shareholders, but no real value is transferred to employees under the SIP. These measures will have effect in relation to payments and alterations made on or after 24 March 2010.

Legislation will be introduced to counter avoidance arrangements which are being used to circumvent the financial limit in Company Share Option Plans (CSOPs). CSOP options granted on or after 24 March 2010 can no longer be over shares in a company which is under the control of a listed company.

Online services

By the end of 2011, HMRC will:

- personalise **www.businesslink.gov.uk** for those starting up in business and enhance online services for all SMEs, providing better access to relevant tax guidance and flexible tax payment plans to help businesses manage their cash flow
- help start-ups and new employers by introducing a single interactive form to enable businesses to register for multiple taxes online and to authorise tax agents

- provide an online facility that reduces the need for businesses, or their agents, to provide the same information to HMRC multiple times and allows them a single online view of current tax liabilities or repayments due.

Small business rate relief

The Government is to introduce a temporary increase in the level of small business rate relief, so that eligible small businesses occupying properties with rateable values up to £6,000 will pay no business rates for one year from October 2010. In addition, small businesses benefiting from rate relief taper (rateable values up to £12,000) will receive significant reductions.

Bank payroll tax

Following the announcement in the 2009 Pre-Budget Report, legislation in Finance Bill 2010 will introduce the bank payroll tax. The tax applies, broadly, to banks and building societies on awards of bonuses over £25,000 made to, or in respect of, certain of its employees in the period from 9 December 2009 to 5 April 2010. It will be chargeable at a rate of 50% on the aggregate excess of bonuses of £25,000 or more awarded in the period. There will be no change in the tax treatment of bonuses received by individuals.

The principal changes to the draft legislation already published are:

- clarification of the scope of the legislation in connection with when relevant remuneration is taken to be 'awarded' during the chargeable period
- clarification of the scope of the legislation in connection with the definition of 'taxable company'
- introduction of a 60 day rule for relevant banking employees
- inclusion of detailed machinery provisions for the assessment and the collection of bank payroll tax. These include provisions for penalties and interest.

Capital taxes

Capital Gains Tax (CGT)

The annual exempt amount is £10,100 for individuals (£5,050 for most trustees) for 2010/11.

The rate of CGT remains 18% with Entrepreneurs' Relief potentially reducing the effective rate of tax on qualifying gains to 10%.

Entrepreneurs' Relief

With effect from 6 April 2010, the Chancellor announced an increase in the lifetime limit for Entrepreneurs' Relief to £2 million.

The new limit will apply only to disposals on or after 6 April 2010. Where individuals or trustees make qualifying gains above the previous £1 million limit before 6 April 2010, no additional relief will be allowed for the excess above the old limit. But if they make further qualifying gains after 5 April 2010, they will be able to claim relief on up to a further £1 million of those additional gains, giving relief on accumulated qualifying gains up to the new limit of £2 million.

Inheritance tax (IHT)

The IHT allowance (nil-rate band) has been frozen at £325,000 for 2010/11 to 2014/15. The transferability of the allowance gives an effective joint tax-free maximum of £650,000 for married couples and civil partners.

The rate of IHT remains 20% for chargeable lifetime transfers and 40% for death estates (including transfers within seven years before death brought back into the estate for the purpose of calculating the tax due at death).

Tax and Travel

Car and fuel benefits

The taxable petrol and diesel car benefit is based on the car's CO₂ emissions. It is calculated using the car's UK list price and applying the 'appropriate percentage' as shown in the table below. The first two lines of figures in the table relate to qualifying low emissions cars (QUALECs).

The car fuel benefit is calculated by applying the same percentages to the fuel multiplier, which for 2010/11 increases from £16,900 to £18,000.

The percentages are reduced for cars (except QUALECs) that can be driven on alternative fuels by:

- 2% for cars manufactured to be capable of being run on E85 fuel
- 2% for bi-fuel cars or those which run on LPG only
- 3% for hybrid electric and petrol cars.

For cars which cannot produce CO₂ engine emissions under any circumstances when driven, the appropriate percentage is reduced to 0%, thereby reducing the car benefit charge to nil.

For cars emitting between 1 and 75g/km the appropriate percentage is reduced to 5% for 5 years from 6 April 2010.

Future changes

With effect from 6 April 2011, the list price cap of £80,000 is being withdrawn. This will increase substantially the tax charge for drivers of very expensive cars. For example for a car with a list price of £170,000 and CO₂ emissions of 320g/km, the annual taxable benefit will increase from £28,000 to £59,500.

For each of the two next tax years, the CO₂ emissions thresholds will be shifted down by 5g/km and from 6 April 2012 the table of tax bands will be extended down to a new 10% band for cars emitting up to 99g/km. This will replace the existing 10% band, so that QUALECs will no longer exist as a separate category.

VAT on fuel for private use in cars

Where businesses wish to reclaim the input VAT on fuel which has some degree of private use, they must account for output VAT on a scale charge.

The table shows the VAT chargeable for quarters commencing on or after 1 May 2010.

CO ₂ emissions (g/km)	Appropriate percentage		Quarterly VAT	
	Petrol %	Diesel %	Fuel scale charge £	VAT on charge £
Up to 75	5	8	141	21.00
76 - 120	10	13	141	21.00
121 - 134	15	18	212	31.57
135 - 139	16	19	227	33.80
140 - 144	17	20	241	35.89
145 - 149	18	21	255	37.97
150 - 154	19	22	269	40.06
155 - 159	20	23	283	42.14
160 - 164	21	24	297	44.23
165 - 169	22	25	312	46.46
170 - 174	23	26	326	48.55
175 - 179	24	27	340	50.63
180 - 184	25	28	354	52.72

185 - 189	26	29	368	54.80
190 - 194	27	30	383	57.04
195 - 199	28	31	397	59.12
200 - 204	29	32	411	61.21
205 - 209	30	33	425	63.29
210 - 214	31	34	439	65.38
215 - 219	32	35	454	67.61
220 - 224	33	35	468	69.70
225 - 229	34	35	482	71.78
230 and above	35	35	496	21.00

Mileage rates

Changes to the HMRC business mileage rates are announced from time to time. The rates at the time of the Budget are as follows:

Vehicle	First 10,000 miles	Thereafter
Car / Van	40p	25p
Motorcycle	24p	24p
Bicycle	20p	20p

Car - fuel only advisory rates

Engine Capacity	Petrol	Diesel	LPG
Up to 1400cc	11p	11p	7p
1401 - 2000cc	14p	11p	8p
Over 2000cc	20p	14p	12p

The fuel only advisory rates relate to company cars only. They can be applied as a tax-free maximum rate for employees claiming for petrol used on business journeys and for employees reimbursing their employers with the cost of petrol used for private journeys.

HMRC will consider claims for a higher maximum rate, if it can be demonstrated that it is necessary for an employee to use a car with higher than average fuel costs.

Car costs – Vehicle Excise Duty (VED) rates

Vehicle Excise Duty ('Car Tax') rates also reflect emissions, with lower scale rates for cars using alternative fuels. The following table shows the rates which apply from 1 April 2010 for cars registered on or after 1 March 2001:

VED Band	CO ₂ emissions (g/km)	First year rate	Standard rate	
			Petrol & Diesel	Alternative fuels
A	Up to 100	£0	£0	£0
B	101 – 110	£0	£20	£10
C	111 – 120	£0	£30	£20
D	121 – 130	£0	£90	£80
E	131 – 140	£110	£110	£100
F	141 – 150	£125	£125	£115
G	151 – 165	£155	£155	£145
H	166 – 175	£250	£180	£170
I	176 – 185	£300	£200	£190
J	186 – 200	£425	£235	£225
K*	201 – 225	£550	£245	£235
L	226 – 255	£750	£425	£415
M	Over 255	£950	£435	£425

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

Company vans

The taxable benefit for the unrestricted private use of vans is £3,000. There is a further £550 taxable benefit if the employer provides fuel for private travel.

Van and fuel charge	Van	Fuel	Total
Tax (20% taxpayer)	£600	£110	£710
Tax (40% taxpayer)	£1,200	£220	£1,420
Tax (50% taxpayer)	£1,500	£275	£1,775
Employer's Class 1A NIC	£384	£70.40	£454.40

The flat rate of £3,000 is reduced to nil for vans emitting zero CO₂. There will be no fuel benefit for such vans.

Duties

New rate of stamp duty land tax (SDLT)

A higher SDLT rate of 5% will be introduced for purchases of residential property where the consideration exceeds £1 million.

The new higher rate will apply to residential purchases where the effective date (normally the date of completion) is on or after 6 April 2011.

SDLT for first time buyers

Relief will be available from SDLT for purchases of residential property at up to £250,000 where the purchaser or all the purchasers are first time buyers and intend to occupy the property as their only or main home.

The new relief will be available for residential purchases where the effective date (normally the date of completion) is on or after 25 March 2010 and before 25 March 2012.

Alcohol and tobacco products duty

The duty rates for tobacco products are increased by 1%.

The impact of the changes on retail prices on and after 29 March 2010 for typical alcoholic drinks is equivalent to:

- 36p on a 70cl bottle of spirits @ 37.5% abs
- 2p on a pint of beer
- 5p on a liter of still cider
- 9p on a 75cl bottle of sparkling cider

- 10p on a 75cl bottle of wine or made-wine
- 12p on a 75cl bottle of sparkling wine.

National Insurance

2010/11 National Insurance Contributions (NIC)

	Employer	Employee
Payable on weekly earnings of		
£97 (lower earnings limit) to £110	0%	0%
£110.01 - £770 (upper accrual point)	12.8%	11%
£770.01 - £844 (upper earnings limit)	12.8%	11%
Over £844	12.8%	1%
<i>Over state retirement age, the employee contribution is generally Nil</i>		
Class 1A On relevant benefits	12.8%	Nil
Class 2 Self employed	£2.40 per week	
Limit of net earnings for exception	£5,075 per annum	
Class 3 Voluntary	£12.05 per week	
Class 4* Self employed on profits		
£5,715 - £43,875		8%
Excess over £43,875		1%

*Exemption applies if state retirement age was reached by 6 April 2010

Tax and NIC – What lies ahead?

In his 2008 Pre-Budget Report the Chancellor announced that the main NIC rates would be increased by 0.5% for 2011/12. In his 2009 Pre-Budget Report he announced a further 0.5% increase effective from 6 April 2011, taking rates to:

Employee Class 1	12%
Employer Class 1 and Class 1 A/B	13.8%
Self-employed Class 4	9%

Class 1/4 additional rate 2%

With effect from 6 April 2011, the primary threshold and lower profit limits were to be broadly aligned with the income tax personal allowance. It has been announced that these thresholds will be increased by a further £570 to compensate the lowest earners (up to £20,000) for the increase in Class 1 and 4 rates.

Other measures announced

Landline duty

As announced in the Digital Britain White Paper published in June 2009, a new duty will be introduced to help fund the roll-out of Next Generation Access (super-fast broadband). The duty is a 50p per line per month charge on landlines and applies to owners, wholesalers, retailers and end users of 'local loops' (a local loop is defined as the physical circuit connecting a network termination point to a public electronic communications network). It will apply on and after 1 October 2010.

Financial Services Compensation Scheme (FSCS)

Intervention by the FSCS can include the provision of financial assistance to an insurer, transferring policyholders' rights to another insurer or paying compensation to the policyholder.

A wide range of rules applies in connection with taxable and tax advantaged insurance and annuity products. However interventions under the FSCS may give rise to unintended tax consequences, such as the loss of tax advantaged status.

Finance Act 2009 introduced a regulation-making power to address tax impacts arising from FSCS interventions affecting pension saving with insurers. Finance Bill 2010 will introduce a regulation-making power to address tax impacts arising from interventions by the FSCS affecting mainly savings, investments and annuities outside pension schemes.

Regulations made using the powers in this measure will ensure that there will be broadly the same tax treatment for the continued cover or resulting payments as if the FSCS had not intervened. The regulations can apply to a period before they are made, provided they do not increase any person's tax liability.

National Employment Savings Trust (NEST)

Changes will be made to the pensions tax legislation as soon as possible in the next Parliament to enable the NEST to operate as a registered pension scheme. The measures will:

- allow NEST to register with HMRC for tax purposes, and to be subject to the same tax rules as other tax-registered pension schemes
- remove the tax liability on any interest charges on late pension contributions made by an employer to qualifying pension schemes
- provide a regulation-making power to deal with any unintended tax consequences that may emerge as a result of the implementation of NEST and the employer duties and compliance as set out in the Pensions Act 2008
- remove the tax charge on borrowing linked to the cost of establishing and operating a registered pension scheme, subject to conditions.

Trusts for asbestos victims

The Government announced its intention to introduce legislation in the next Parliament to help trusts specifically set up to compensate asbestos victims, but which have been unable to access tax-efficient structures for the benefit of victims. The legislation will apply retrospectively to April 2006.

Anti-avoidance: Transactions in securities

Legislation will be introduced in Finance Bill 2010 to replace the existing transactions in securities legislation with clearer legislation targeted more effectively at arrangements involving income tax avoidance.

Tax incentive for British video games industry

The Government announced in the Budget its intention, subject to State aid approval, to introduce a new tax relief for the UK video games industry, aimed at supporting game development in the UK. It will be introduced once the detailed design has been settled, and the relief is approved by the European Commission. The Government will be consulting later this year on the design of the new relief.

Special guardianship and residence orders

A new measure will mean that certain payments to special guardians, and to certain carers looking after children under a residence order, will be exempt from income tax.

The new exemption will be similar to the current tax exemption for payments to adopters and will have effect for payments received on or after 6 April 2010.

The National Minimum Wage

The Government has announced that the NMW rates will increase with effect from 1 October 2010.

The current NMW is £5.80 per hour for those aged 22 and over.

With effect from 1 October 2010, 21 year olds will be included in the main adult rate, which will rise to £5.93.

HMRC recently created a new enforcement team with the principal aim of cracking down on employers who are failing to pay their employees at the correct NMW rates. The Dynamic Response Team will concentrate on the most complex and high profile cases.

Value Added Tax

From	1 Jan 2010	1 Dec 2008
Standard rate	17.5%	15%
VAT fraction	7/47	3/23
Reduced Rate	5%	5%

Taxable Turnover Limits

Registration - last 12 months or next 30 days over	£70,000 from 1 April 2010
Deregistration - next 12 months under	£68,000 from 1 April 2010
Annual accounting scheme	£1,350,000
Cash accounting scheme	£1,350,000
Optional flat-rate scheme	£150,000

Change of standard rate and impact on flat rate scheme

The standard rate of VAT returned to 17.5% from 1 January 2010. The flat rates were amended on 1 January 2010 to take account of this change.

Tour Operators' Margin Scheme

From 1 January 2010, some amendments have been made to the Tour Operators' Margin Scheme to ensure full compliance with EU law.

Partial exemption

From 1 April 2010 the basis on which businesses calculate the amount of VAT they can recover will be simplified.

Option to tax

From 1 April 2010 amendments will be made to simplify the option to tax regime.

Switching to VAT online services

Those with an annual turnover of £100,000 or more (exclusive of VAT) on 31 December 2009 will be sent a letter from HMRC. This letter will explain that VAT returns must be submitted online and paid electronically for all returns starting on or after 1 April 2010. There will be a guide with the letter, which explains how to register and enrol for VAT online services. The requirement to submit VAT returns online and pay electronically also applies to those who register or should have registered for VAT on or after 1 April 2010, regardless of turnover.

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