

## Emergency Budget 2010 - An overview

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Tough, but fair.....?

Chris Biggs, 23 June 2010

George Osborne, the Chancellor of the coalition government announced his emergency budget on 22 June 2010 in an attempt to tackle the state of the economy. He indicated that the government had inherited one of the worst debts of any country in Europe and stated that one pound in every four we spend is being borrowed. Everyone will be asked to contribute to aid the recovery, although George Osborne described the budget as “tough; but it is also fair”. A summary of some of the measures introduced are set out below.

#### Value Added Tax

There will be a rise in VAT by 2.5%, from 17.5% to 20%, on the 4<sup>th</sup> January 2011.

#### Capital Gains Tax

From midnight on 22 June 2010, there was a rise in capital gains tax for higher rate taxpayers from 18% to 28%. Low and middle rate taxpayers will be unaffected as the rate will remain at 18%.

#### Corporation Tax

There will be a cut in corporation tax – the full rate will be reduced by 1% next year and 1% per year for the three following years. For small companies, there will be a reduction in the small companies rate from 21% to 20%.

#### National Insurance

The threshold at which employers pay national insurance will rise by £21 per week from April 2011.

#### Personal Allowances

The personal allowance, the threshold below which no income tax is payable will increase by £1,000 from April 2011. The threshold will therefore rise to £7,475 at that time.

#### Tax Credits

Families with incomes over £40,000 (as opposed to the current threshold of £50,000) will see a reduction in tax credits. However, the child element of the tax credit will increase by £150 above inflation next year for low income families.

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