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Highlights of The Budget 2011 for Individuals

Income tax

From April 2012 the personal allowance for those under 65 will increase £630 to £8105. This increase will not be restricted to basic rate tax payers so no one else will be pulled into the higher rate tax band. However, the increase will only partly mitigate the increase in national insurance contributions which will affect employees earning over £25,000 from 6th April 2011. The 50% tax rate will be reviewed if it has not generated sufficient income. The changes are summarised in the table below:

	2011/12	2012/13	Tax Rate
Personal allowance for those			
Under 65	£7,475	£8,105	0%
Basic rate limit	(next) £35,000	(next) £34,370	20%
Higher rate	(from) £42,475 (to) £150,000	(from) £42,475 (to) £150,000	40%
Top rate	(above) £150,000	(above) £150,000	50%

National Insurance

Income tax and national insurance may be merged if it is viable to do so. Any such move will take years to achieve and the Chancellor has said that the intention is to simplify – and not increase – the tax burden. This will not result in pensioners having to pay national insurance.

Inheritance tax

The Government will be consulting before Summer 2011 on details of a new proposal to apply a reduced rate of Inheritance tax on estates where the deceased leaves 10% or more of their estate to charity. The inheritance tax is likely to be reduced from 40% to 36%. The new rate will apply to individuals dying on or after 6th April 2012

Capital Gains Tax

The capital gains exemption increases to £10,600 in line with changes in RPI (Retail Prices Index) but this may be changed in the future to the CPI (Consumer Prices Index)

Entrepreneurs Relief

This is doubled from 6th April 2011 from £5,000,000 to £10,000,000. The relief is available for individuals and trustees who dispose of qualifying business assets and shares and meet certain other conditions. This means the first £10,000,000 of gains will be taxed at a rate of 10%. Gains in excess of that figure will be taxed at the individuals marginal rate.

Pensions tax

The annual allowance changes to £50,000 and the Lifetime allowance changes to £1.5 million. It has also been confirmed that it is no longer required to buy an annuity on reaching 75 providing you have sufficient other income not less than £20,000 a year.

Council tax

Council tax will be frozen or reduced this year across England.

Stamp Duty Land Tax

Between 25th March 2010 and 25th March 2012 first time buyers have SDLT relief on properties not exceeding £250,000, provided they meet the appropriate conditions. This will be reviewed and the outcome announced in Autumn.

Should we be able to assist you in any way, please do not hesitate to contact us.