

2008 Pre-Budget Report

VALUE ADDED TAX, INCOME TAX ALLOWANCES, NATIONAL INSURANCE CONTRIBUTIONS, CHILD AND WORKING TAX CREDIT RATES 2009-10 AND OTHER RATES

2009-10 rates and allowances for Value Added Tax, Income Tax, National Insurance Contributions, the Working and Child Tax Credits and Child Benefit/Guardian's Allowance, fuel duties and vehicle excise duties are set out below.

Value Added Tax (VAT)

	Current rate	On and after 1 Dec 2008	On and after 1 Jan 2010
Standard rate	17.5%	15%	17.5%

Income tax

£ per year (unless stated)	2008-09	Change	2009-10
Income tax personal and age-related allowances			
Personal allowance (age under 65)	£6,035	+£440	£6,475
Personal allowance (age 65-74)	£9,030	+£460	£9,490
Personal allowance (age 75 and over)	£9,180	+£460	£9,640
Married couple's allowance* (aged less than 75 and born before 6th April 1935)	£6,535	+£330	£6,865
Married couple's allowance* (age 75 and over)	£6,625	+£340	£6,965
Married couple's allowance* - minimum amount	£2,540	+£130	£2,670
Income limit for age-related allowances	£21,800	+£1,100	£22,900
Blind person's allowance	£1,800	+£90	£1,890
Pension schemes allowances			
Annual Allowance	£235,000	+£10,000	£245,000
Lifetime Allowance	£1,650,000	+£100,000	£1,750,000

*Married couple's allowance is given at the rate of 10 per cent.

Income tax: taxable bands

2008-09	£ per year	2009-10	£ per year
Starting savings rate 10%*	£0-£2320	Starting savings rate 10%	£0-£2440
Basic rate: 20%*	£0-£34,800	Basic rate: 20%*	£0-£37,400
Higher rate: 40%*	Over £34,800	Higher rate: 40%*	Over £37,400

* There is a 10p starting rate for savings only. If an individual's non savings taxable income exceeds the starting rate limit, the 10p starting rate for savings will not be available for savings income.

National insurance contributions

£ per week (unless stated)	2008-09	Change	2009-10
Lower earnings limit, primary Class 1	£90	+£5	£95
Upper earnings limit, primary Class 1	£770	+£74	£844
Upper Accruals Point	N/A	N/A	£770
Primary threshold	£105	+£5	£110
Secondary threshold	£105	+£5	£110
Employees' primary Class 1 rate between primary threshold and upper earnings limit	11%	-	11%
Employees' primary Class 1 rate above upper earnings limit	1%	-	1%
Employees' contracted-out rebate - salary-related schemes	1.6%	-	1.6%
Employees' contracted-out rebate - money-purchase schemes	1.6%	-	1.6%
Married women's reduced rate between primary threshold and upper earnings limit	4.85%	-	4.85%
Married women's rate above upper earnings limit	1%	-	1%
Employers' secondary Class 1 rate above secondary threshold	12.8%	-	12.8%
Employers' contracted-out rebate, salary-related schemes	3.7%	-	3.7%
Employers' contracted-out rebate, money-purchase schemes	1.4%	-	1.4%
Class 2 rate	£2.30	+£0.10	£2.40
Class 2 small earnings exception (per year)	£4,825	+£250	£5,075
Special Class 2 rate for share fishermen	£2.95	+0.10	£3.05
Special Class 2 rate for volunteer development workers	£4.50	+£0.25	£4.75
Class 3 rate (per week)	£8.10	+£3.95	£12.05
Class 4 lower profits limit (per year)	£5,435	+£280	£5,715
Class 4 upper profits limit (per year)	£40,040	+£3,835	£43,875
Class 4 rate between lower profits limit and upper profits limit	8%	-	8%
Class 4 rate above upper profits limit	1%	-	1%

Working and Child Tax Credits rates

£ per year (unless stated)	April 2008	Change	April 2009
Working Tax Credit			
Basic element	£1,800	+£90	£1,890
Couple and lone parent element	£1,770	+£90	£1,860
30 hour element	£735	+£40	£775
Disabled worker element	£2,405	+£125	£2,530
Severe disability element	£1,020	+£55	£1,075
50+ Return to work payment (16-29 hours)	£1,235	+£65	£1,300
50+ Return to work payment (30+ hours)	£1,840	+£95	£1,935
Childcare element of the Working Tax Credit			
Maximum eligible cost for one child	£175 per week	-	£175 per week
Maximum eligible cost for two or more children	£300 per week	-	£300 per week
Percentage of eligible costs covered	80%	-	80%
Child Tax Credit			
Family element	£545	-	£545
Family element, baby addition	£545	-	£545
Child element	£2,085	+£150	£2,235
Disabled child element	£2,540	+£130	£2,670
Severely disabled child element	£1,020	+£55	£1,075
Income thresholds and withdrawal rates			
First income threshold	£6,420	-	£6,420
First withdrawal rate	39%	-	39%
Second income threshold	£50,000	-	£50,000
Second withdrawal rate	6.67%	-	6.67%
First threshold for those entitled to Child Tax Credit only	£15,575	+£465	£16,040
Income disregard	£25,000	-	£25,000

Child Benefit rates (from 5 January 2009)

£ per week	April 2008	Change	Jan 2009
Eldest/Only Child	£18.80	+£1.20	£20.00
Other Children	£12.55	+£0.65	£13.20

Guardian's Allowance rates

£ per week	April 2008	Change	April 2009
Guardian's Allowance	£13.45	+£0.65	£14.10

Tobacco duty rates

From 6pm on 24 November 2008, tobacco duty rates will be:

Product	Duty
Cigarettes	24 per cent of the retail price plus £112.07 per thousand cigarettes
Cigars	£169.74 per kilogram
Hand-rolling tobacco	£122.01 per kilogram
Other smoking tobacco and chewing tobacco	£74.63 per kilogram

The impact of the tobacco duty changes is shown in the table below. This does not show the offsetting impact of the reduction in VAT, which will vary between products of different price.

Product	Typical unit	Excise duty including VAT at 15% on duty
Cigarettes (premium)	Packet of 20	17p
Cigars	Packet of 5	5p
Hand-rolling tobacco	25g	13p
Other smoking tobacco and chewing tobacco	25g	8p

Alcohol duty rates

From 1 December 2008, duties on alcohol will be:

Product and basis of duty	Duty
Rate per litre of pure alcohol	
Spirits	£23.05
Spirits-based RTDs ready to drink	£23.05
Wine and made-wine: exceeding 22% abv.	£23.05
Rate per hectolitre per cent of alcohol in the beer	
Beer	£16.15
Rate per hectolitre of product	
Still cider and perry: exceeding 1.2% - not exceeding 7.5% abv.	£31.21
Still cider and perry: exceeding 7.5% - less than 8.5% abv.	£46.83
Sparkling cider and perry: exceeding 1.2% - not exceeding 5.5% abv.	£31.21
Sparkling cider and perry:	£203.14

exceeding 5.5% - less than 8.5% abv.	
Wine and made-wine: exceeding 1.2% - not exceeding 4% abv.	£64.65
Wine and made-wine: exceeding 4% - not exceeding 5.5% abv.	£88.90
Still wine and made-wine: exceeding 5.5% - not exceeding 15% abv.	£209.82
Wine and made-wine: exceeding 15% - not exceeding 22% abv.	£279.74
Sparkling wine and made-wine: exceeding 5.5% - less than 8.5% abv.	£203.14
Sparkling wine and made-wine: 8.5% and above - not exceeding 15% abv.	£268.75

The impact of the alcohol duty changes is shown in the table below. This does not show the offsetting impact of the reduction in VAT, which will vary between products and depending on the point of sale.

Product	Typical unit	Excise duty including VAT @ 15% of the duty
Beer @ 4.2% abv	pint	3p
Wine	75cl bottle	13p
Sparkling wine	75cl bottle	17p
Spirits @ 38.77% ave abv	70cl bottle	53p
Spirits-based RTDs ready to drink	275ml bottle	3p
Cider & perry	litre	3p

Air Passenger Duty Rates

Air Passenger Duty rate changes will take effect from 1 November 2009 and from 1 November 2010.

Band and distance of capital city of destination country in miles from the UK	In the lowest class of travel (reduced rate)		In other than the lowest class of travel (standard rate)	
	On and after 1 Nov 2009	On and after 1 Nov 2010	On and after 1 Nov 2009	On and after 1 Nov 2010
Band A (0 - 2000)	£11	£12	£22	£24
Band B (2001 – 4000)	£45	£60	£90	£120
Band C (4001 – 6000)	£50	£75	£100	£150
Band D (over 6000)	£55	£85	£110	£170

Fuel duties

Fuel duty rate changes will take effect from 1 December 2008 and 1 April 2009.

Fuel Type	Duty rate (pence per litre, unless stated)		
	Current Rate	On and after 1 Dec 2008	On and after 1 April 2009
Ultra-low sulphur petrol/diesel	50.35	52.35	54.19
Sulphur-free petrol/diesel	50.35	52.35	54.19
Biodiesel	30.35	32.35	34.19
Bioethanol	30.35	32.35	34.19
Liquefied petroleum gas used as road fuel	16.49p per kg	20.77p per kg	24.82p per kg
Natural gas used as road fuel	13.70p per kg	16.60p per kg	19.26p per kg
Rebated gas oil (red diesel)	9.69	10.07	10.42
Fuel Oil	9.29	9.66	10.00

Vehicle excise duty

Cars registered on or after 1 March 2001

Vehicle Excise Duty for Cars registered on or after 1 March 2001: current rates (2008-09)

VED band	CO ₂ emissions (g/km)	2008-09*
A	Up to 100	£0
B	101-120	£35
C	121-150	£120
D	151-165	£145
E	166-185	£170
F**	Over 185	£210
G	Over 225	£400

*Alternative fuel discount: A-E £20, F-G £15

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

Vehicle Excise Duty for Cars registered on or after 1 March 2001: 2009-10 and 2010-11 standard rates

VED band	CO ₂ emissions (g/km)	Change from 2008-09 to 2009-10	Standard rate 2009-10*	Standard rate 2010-11*
A	Up to 100	+£0	£0	£0
B	101-110	+£0	£35	£20
C	111-120	+£0	£35	£30
D	121-130	+£0	£120	£90
E	131-140	+£0	£120	£110
F	141-150	+£5	£125	£125

G	151-165	+£5	£150	£155
H	166-175	+£5	£175	£180
I	176-185	+£5	£175	£200
J	186-200	+£5	£215	£235
K**	201-225	+£5	£215	£245
L	226-255	+£5	£405	£425
M	Over 255	+£5	£405	£435

*Alternative fuel discount: 2009-10, A-I £20, J-M £15; 2010-11 onwards, £10 all cars

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

Vehicle Excise Duty for brand new Cars: 2010-11 first-year rates

VED band	CO ₂ emissions (g/km)	First-year rate 2010-11
A	Up to 100	£0
B	101-110	£0
C	111-120	£0
D	121-130	£0
E	131-140	£110
F	141-150	£125
G	151-165	£155
H	166-175	£250
I	176-185	£300
J	186-200	£425
K	201-225	£550
L	226-255	£750
M	Over 255	£950

Cars and light goods vehicles registered before 1 March 2001

Vehicle Excise Duty for Private and Light Goods Vehicles registered before 1 March 2001: 2009-10 and 2010-11 rates

VED band	Change	2009-10 rate	2010-11 rate
Up to 1549cc	+£5	£125	£125
Over 1549cc	+£5	£190	£205

Light goods vehicles registered on or after 1 March 2001

Vehicle Excise Duty for Light Goods Vehicles registered on or after 1 March 2001: 2009-10 and 2010-11 rates

VED band	Change	2009-10 rate	2010-11 rate
Euro 4* & 5** discount rate	+£5	£125	£125
Standard rate	+£5	£185	£200

*for Euro 4 compliant vans registered between 1 March 2003 and 31 December 2006

**for Euro 5 compliant vans registered between 1 January 2009 and 31 December 2010

Motorbikes and Heavy Goods Vehicles

Vehicle Excise Duty for Motorcycles: 2009-10 rates

VED band	Change	2009-10 rate
Up to 150cc	-	£15
151-400cc	-	£33
401-600cc	-	£48
Over 600cc	-	£66

Vehicle Excise Duty for Heavy Goods Vehicles and related vehicles: 2009-10 rates

VED band	Change	Standard rate 2009-10	Reduced Pollution Certificate Rate 2009-10
A	-	£165	£160
B	-	£200	£160
C	-	£450	£210
D	-	£650	£280
E	-	£1,200	£700
F	-	£1,500	£1,000
G	-	£1,850	£1,350

DETAILS

Further details of changes in 2009-10 (and, where indicated, later years) are set out below:

Value Added Tax (VAT)

There will be a temporary reduction in the standard rate of VAT to 15% from 1 December 2008 until 31 December 2009 as part of a fiscal stimulus.

Income tax rates and allowances

The main rates of income tax for 2009/10 will remain at 20% for basic rate taxpayers and 40% for higher-rate taxpayers.

The age related allowance has been raised in line with inflation to £9,490 for people aged between 65 and 74 and to £9,640 for those aged 75 and over. This will mean that in 2009-10 no one aged 65 or over need pay tax on an income of up to £182 a week.

The personal allowance for people aged under 65 will increase by £130 above indexation on top of the £600 increase this May to £6,475.

The annual (AA) and lifetime allowances (LTA) for pensions tax relief were set in the Finance Act 2004 for the period 2006/07 until 2010/11. The LTA will rise to £1.75m in 2009/10 and then to £1.8m in 2010/11; the AA will at the same time be increased to £245,000 and then £255,000. Thereafter, both the LTA and AA will remain constant at their 2010/11 rates for a period of five years, up to and including 2015/16.

National insurance contributions

The starting point for employers', employees' and self-employed NICs in 2009-10 will increase in line with inflation to £110 per week. NICs are not paid on earnings or profits below this amount. The upper earnings and profits limits for NICs will increase from £770 to £844 per week. For the self-employed, the rate of Class 2 contributions will increase to £2.40 per week.

The weekly rate of voluntary Class 3 contributions for the 2009/10 tax year will be £12.05 per week. This rate supports an amendment to the Pensions Bill, tabled by DWP Ministers on 29 October 2008, that relaxes the time limits for the payment of voluntary NICs by individuals approaching state pension age. The amendment allows individuals with 20 qualifying years on their record (which may include any complete year of Home Responsibilities Protection) who reach State Pension age between 6 April 2008 and 5 April 2015 to pay an additional six years of voluntary Class 3 contributions for any missing years since 1975/76. As announced during the Bill debate, this rate is designed to make the amendment cost neutral overall. The number of qualifying years required to receive a full State Pension falls from 44 for a man and 39 for a woman to 30 for both men and women from 6 April 2010. This significantly increases the value of voluntary Class 3 contributions to those who buy them. The actuarial value of Class 3 contributions is around £45 per week.

Employers' and employees' contributions

In line with the Social Security Contributions and Benefits Act 1992, the lower earnings limit for employees' Class 1 contributions is to be raised to £95 a week. It is set at the level of the basic state pension for a single person from April 2009, rounded down to the nearest pound. This is the lowest level of weekly earnings that can count towards entitlement to contributory benefits.

The primary and secondary thresholds for Class 1 contributions will increase in line with inflation to £110 a week. Employees and employers will pay no Class 1 contributions on earnings below this level.

The upper earnings limit for employees' Class 1 contributions will be raised to £844 a week, aligning it with the weekly equivalent of the higher rate threshold, the level at which higher rate tax starts to be paid.

The standard main rate of employees' Class 1 contributions below the upper earnings limit will continue to be 11 per cent, and above the limit the rate will continue to be 1 per cent.

The standard rate of employers' Class 1 contributions will continue to be 12.8 per cent.

The self-employed

The flat rate of Class 2 contributions will increase to £2.40 a week. Those with earnings below the annual small earnings exception can apply to be exempted from paying Class 2 contributions; this limit will be raised to £5,075. The annual lower profits limit for Class 4 contributions will increase in line with inflation to £5,715.

The upper profits limit for Class 4 contributions will be raised to £43,875, to align it with the level at which higher rate tax begins to be paid.

The self-employed will pay Class 4 contributions on all their profits above the lower profits limit. The rate of Class 4 contributions will continue to be 8 per cent on profits below the upper profits limit, and 1 per cent on profits above that limit.

Child and Working Tax Credits rates and Child Benefit

Child Benefit is increasing to £20 for the first child, and in line with inflation for subsequent children. These changes will be brought forward from April 2009 to 5 January 2009.

All elements of the Working Tax Credit, apart from the childcare element, are increasing in line with inflation. The limits on eligible childcare costs in the childcare element remain at £175 for one child and £300 for two or more children. The proportion of childcare costs payable through the childcare element of WTC remains at 80%.

The child element of the Child Tax Credit is increasing by £75 above average earnings indexation. This includes the Government's commitment to increase the child element by £50 above indexation in April 2009, and also brings forward the Government's commitment to increase the child element by £25 above indexation in April 2010 to April 2009. The elements for disabled

children and severely disabled children are increasing in line with inflation from April 2009. The family element and baby addition remain unchanged.

The income threshold for receiving maximum CTC only is increasing to £16,040, equivalent to the effective threshold for lone parents and couples receiving both WTC and CTC. The threshold for receiving maximum WTC remains at £6,040, and the threshold for receiving maximum family element of CTC remains at £50,000. The withdrawal rate for the family element remains at 6.67%, and for the rest of tax credits at 39%. The disregard for changes in income during the tax year remains at £25,000.

Air Passenger Duty

Air passenger duty will be reformed from a two-band system, to a four-band system from 1 November 2009. The four distance bands will be set at 2,000 mile intervals from London, and destinations will be categorised based on the distance from London to the capital city of the destination country/territory. A list of countries/territories by bands can be found on the HM Revenue and Customs (HMRC) website: www.hmrc.gov.uk.

Each band will have two rates, one for the standard class of travel and one for other classes of travel. Changes will have effect in relation to any carriage of a passenger that begins on or after 1 November 2009, irrespective of when the ticket for travel was booked or purchased. The scope of APD remains the same, and all existing exemptions will continue to apply, details can be found on the HMRC website.

Fuel duty

This PBR announces that the main fuel duty rates will increase by 2 pence per litre on 1 December 2008.

Duty rates for rebated oils will also rise in proportion to main road fuel duties on this date. The duty differential for compressed natural gas will be maintained and the differential for liquefied petroleum gas will decrease by 1 pence per litre.

Vehicle excise duty (VED)

Changes to this year's VED rates will take effect from 1 April 2009.

On 1 April 2009, new emissions based VED bandings will be introduced for all cars registered on or after 1 March 2001. Full rates are set out in the table above.

Both VED rates for cars and light goods vehicles registered before 1 March 2001 will increase by £5 in 2009. In 2010, the higher rate will increase by £15 and the lower rate will be frozen.

The standard VED rate for light goods vehicles registered on or after 1 March 2001 will increase by £5 in 2009. The discounted rate for eligible light goods diesel vehicles achieving early compliance with Euro 4 and 5 emissions standards will also be increased by £5. In 2010, the standard rate will be increased by £15 and the discounted rate will be frozen.

VED rates for motorbikes, Heavy Goods Vehicles (HGVs), Special Types Vehicles, Combined Transport vehicles and all related vehicles will be frozen in 2009.

Lottery Taxation

Following in depth analysis of the impact of switching lottery duty to a gross profits tax, the Government announces that it will retain the stakes based system of lottery taxation because of uncertainty over the likely impact of a change at this time.

NOTES FOR EDITORS

Section 41 of the Tax Credits Act requires a report to be laid before Parliament each year reviewing the amounts of certain tax credit elements and thresholds. Section 145 of the Social Security Contributions and Benefits Act 1992 requires an annual review of Child Benefit rates. Section 150 of the Social Security Administration Act 1992 requires the weekly rate of Guardian's Allowance to be increased in line with prices.