



Budget 2009

Summary

The highlights of a rather conservative Budget of most relevance to Capitus and our clients are:

1. Budget 09 introduces a new higher rate of income tax for those earning over £150,000 per annum. With Royal Assent, the proposed new rate will be introduced from April 2010. This will have implications for partnerships investing in real estate assets.
2. Businesses investing in general plant and machinery between April 2009 and April 2010 will have the opportunity to claim a first year allowance equal to 40% of expenditure. Expenditure on integral features is excluded from the 40% FYA. The current allowance for general plant and machinery is 20% reducing balance per annum.

This allowance is in addition to the existing annual investment allowance of £50,000 per annum.

3. There were slight amendments to the Enhanced Capital Allowances (ECA) scheme which provides 100% relief for businesses investing in plant and machinery which is energy efficient, reduces water usage or improves water quality.

The items of plant and machinery which qualify for the ECA must be on the pre-approved list at www.eca.gov.uk. New items mentioned in Budget 09 include one new technology (uninterruptible power supplies) and two new sub-technologies (air to water heat pumps and close control air-con systems).

4. The 2008 Budget introduced measures to abolish the capital allowance regime for expensive cars and Budget 2009 published new draft legislation.

The new rules, operative from 1 April 2009 provides relief through capital allowances based on CO2 emissions of the motor cars rather than the price. Cars with emissions of under 160g/km attract relief at 20% reducing balance per annum, whilst those over 160g/km will only attract relief in the special rate pool at 10% per annum.

5. Budget 09 also provides revised rules for the taxation of foreign profits of UK companies. UK companies that are members of groups in receipt of dividends from foreign companies will no longer be subject to corporation tax on the foreign dividend received.

There are also proposed rules regarding the finance expense payable by UK companies of a Group. The finance costs payable by UK companies will be subject to a cap equal to the consolidated gross finance expense of the group.

6. Extension of trading loss carry-back for businesses. Companies and unincorporated businesses may claim to carry back trading losses incurred in accounting periods ending between 24 November 2008 and 23 November 2010 against the profits of the previous three periods.

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