

The Big Picture Wealth Management Ltd – June 2010 Budget Update

Income tax - From 6 April 2011

- The basic personal allowance will increase to £7,475
- The basic rate limit for tax will reduce by £2,500 based on current estimates of the Retail Prices Index (RPI) - exact figures will be confirmed when September's RPI is known
- Decisions on all other allowances are to be announced later
- The long term objective is to increase the personal allowance to £10,000

Impact

- The increase in the personal allowance is the first step towards the Government's target of a £10,000 personal allowance. This is one of the core manifesto pledges of the Liberal Democrats in creating a fairer tax system.
- Basic rate taxpayers who remain within the reduced basic rate band will benefit from an increased personal allowance which equates to £200 in cash terms.
- For higher rate taxpayers the increase in the personal allowance is offset by the reduction in the basic rate band and increase in National Insurance.
- For the current tax year Investment bonds will continue to be popular trust investments – providing opportunities to avoid income tax at the new higher/additional rates through a combination of tax deferral and assignment of segments to beneficiaries as an alternative to a cash distribution. Scope for tax mitigation is further enhanced by the availability of top-slicing relief to basic rate tax paying beneficiaries.

State benefits and tax credits

State Pension

- In the future the basic state pension would be increased by a 'triple guarantee' of the highest of earnings, prices (CPI but RPI for increase in April 2011) or 2.5% from April 2011.
- State pension age was previously proposed to increase from 65 to 66 between April 2024 and April 2026. The Government intends to review the date at which the state pension age will increase. This mirrors the coalition programme for government, which committed to 'hold a review to set the date at which the state pension age starts to rise to 66, although it will not be sooner than 2016 for men and 2020 for women'.

Pension credit

- The capital disregard in respect of savings was increased from £6,000 to £10,000 from November 2009.
- The standard minimum income guarantee in the pension credit will increase from April 2011 by the cash rise in the full basic state pension.