



**Personal Tax changes.
Highlights from the
Pre-Budget Report November 2008**
Updated December 2008

Super Tax!

One of the major income tax announcements last month was the proposed increase in income tax and National Insurance rates for high income earners. A quick summary follows.

- **2009/10** – No change for this tax year!
- **2010/11** – If your earnings are between £100,000 and £140,000 you will lose one-half of your personal allowance. If your earnings exceed £140,000 you will gradually lose the remainder of your personal allowance.
- **2011/12** – As well as losing your personal allowance, in this year if your earnings exceed £150,000 any excess will be taxed at 45%.

Additionally NIC rates are going up from 6 April 2011. The main NIC rates are to increase by half a percent for both employed and self employed individuals, to 11.5% and 8.5% respectively. At the same time, Employer's NIC will also increase by 0.5% to 13.3%. NIC on benefits will also go up by the same amount. The higher rates of National Insurance for both employees and self employed individuals will also increase to 1.5%.

The increases, particularly in 2011/12 produce startling marginal rates of tax and NIC. If your income falls into the two bands that reduce your personal allowance, your effective, NIC inclusive marginal rates are: - 2010/11 61%, 2011/12 61.5%!

Reprieve for 'gas guzzling' motorists on road fund license increases

'Gas guzzling' motorists saw a temporary reprieve in the 2008 Pre-Budget Report. Reforms announced in the March 2008 Budget to incentivise the manufacture and encourage the purchase of more fuel efficient cars were reconsidered to soften the blow to motorists.

However, the reprieve is only temporary. For those considering the purchase of a new car, it is still worth thinking 'green'. The Government is introducing first-year rates for newly purchased cars in 2010, offering no VED in the first year of use for those cars with CO2 emissions under 130g/km, whereas the highest emitting cars will suffer a charge of £950.