

PRACTICE NOTE

PN 155/09

Date: 17 February 2009

BUDGET 2009 – INCOME TAX PROPOSALS

In his Budget speech today, the Minister for the Treasury, the Hon AR Bell MHK, announced various taxation measures.

This Practice Note contains further information regarding the changes.

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1. INCOME TAX ALLOWANCES AND RATES OF TAX

The following rates and allowances will apply for the 2009/10 tax year commencing on 6 April 2009:-

Personal allowances	2009/10 £	(2008/09) £
Single person	9,200	(9,200)
Married couple (combined)	18,400	(18,400)
Single parent addition	6,300	(6,300)
Blind person	2,850	(2,850)
Disabled person	2,850	(2,850)
Co-habiting couple's maximum addition	6,300	(6,300)
Non-resident's personal allowance	2,120	(2,120)
Age	2,000	(2,000)

Income tax rates	2009/10	(2008/09)
Individuals	%	%
Resident		
Single: Standard rate on first £10,500	10	(10)
Married couple, jointly assessed:		
Standard rate on first £21,000	10	(10)
Higher rate on balance	18	(18)
Non-resident:		
Non-resident rate on all income	18	(18)
Companies		
Banking business	10	(10)
Land & property in the Isle of Man	10	(10)
All other income	0	(0)
Other non-corporates e.g. trusts	18	(18)
10% rate band for resident individuals	£	£
Single person	10,500	(10,500)
Married couple, jointly assessed	21,000	(21,000)
Personal allowance credit (PAC) for resident individuals		
Upper income point	9,200	(8,850)
Maximum credit	550	(500)

All PAC amounts are doubled for married couples who are jointly assessed.

2. CLASS 4 NATIONAL INSURANCE CONTRIBUTIONS

The rate of Class 4 National Insurance Contributions remains at 8% and is charged on profits between the lower and upper limits. The limits will be increased as follows (the previous limits are shown in brackets):-

	£	£
Lower limit	5,715	(5,435)
Upper limit	37,960	(36,140)

3. PERSONAL ALLOWANCE CREDIT

The PAC is paid to resident individuals who do not fully utilise their single or married couple's personal allowance. The amount of the credit will be increased by 10% from £500 to £550, with effect from 6 April 2009.

All amounts and limits are doubled for jointly assessed married couples.

4. TAXATION OF JOBSEEKER'S ALLOWANCE

Jobseeker's Allowance is no longer classed as taxable income with effect from 6 April 2008.

5. COMMUTATION OF TRIVIAL PENSION FUNDS

Treasury has increased the trivial commutation limit for pension funds from £16,500 to £17,500 for the year of assessment commencing on 6 April 2009 and to £18,000 for years of assessment commencing on or after 6 April 2010, in line with the limit set in the United Kingdom.

6. CORPORATE CHARGE

Treasury has revoked the Corporate Charge Deduction for corporate tax payers who pay tax at rate of 10%. The Order applies from 6 April 2009 for all accounting periods ending on or after 6 April 2009.

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This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.