

Budget 2012 : 50p tax rate cut while income tax threshold is raised

Chancellor George Osborne announced that the 50p top rate of tax will be reduced to 45p in April, and a further £1,100 increase in the personal allowance by 2013, in the Budget made earlier this afternoon.

The 50p rate, which affects those earning over £150,000, is to be cut from 2013 after a report from HMRC revealed that it had caused 'massive distortions' and damaged competitiveness - raising only a third (£1 billion) of the original £3 billion expected.

According to the Chancellor, the 50p rate had been harmful to the economy and five times the amount could be raised through other taxes targeted at the wealthy and new anti-avoidance rules.

In a Budget which pledged to lift the lowest earners out of tax altogether and increase taxes for the wealthy, it was also announced that the personal income tax threshold would increase 'further and faster', rising to £8,105 next month and increasing by a further £1,100 next year to £9,205 in 2013.

The move brings the Government closer to achieving its goal of increasing the personal tax free allowance to £10,000 by 2015.

Tackling tax avoidance sat high on the agenda, with the announcement of a new General Anti Avoidance Rule (GAAR) to be announced in next year's finance bill to deal with what Osborne called a 'morally repugnant' practice.

Stamp duty tax avoidance was a particular issue raised, and a new stamp duty rate of 7 per cent for residential properties worth over £2 million will be introduced from 22 March. Those properties purchased through a 'corporate envelope' such as an offshore company to avoid tax will be hit with a new 15 per cent stamp duty charge.

Plans to withdraw child benefits from higher earning households have also been altered. Child benefit is now to be withdrawn gradually from households where one individual earns more than £50,000, and withdrawn completely when one individual earns over £60,000.

As well as a promise to simplify the tax system for pensioners - the Government hopes to create a single personal allowance for pensioners - , it will also set up an 'automatic review' of the state pension age in response to an aging population.

Elsewhere, tax on tobacco will rise by 5 per cent above inflation, adding 37p to the price of a packet of 20 cigarettes from 6pm tonight, although the tax on alcohol will remain unchanged. Motorists will also endure further increases in fuel, with fuel duty to rise to 3.02p per litre on 1 August as previously planned.



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