

# Pre-Budget Report – Headlines

November 2008

## Top earners will bear the brunt

**The Chancellor looks to claw Pre-Budget Report spend back from High Net Worth Individuals.**

The UK's top earners will bear the brunt of the Government's moves to boost the economy in today's Pre-Budget Report, (PBR). From April 2010, the personal allowance for those earning more than £100,000 will be halved and then reduced to zero from 2011 for those earning over £140,000, creating an additional £2.15bn in tax receipts for the Treasury.

## Giving the economy a kick start

**The Chancellor's PBR increases borrowing and cuts taxes by £20 billion to kick start the economy.**

We have negative economic growth, serious adjustments happening in the housing market, a weakening pound and consumer confidence falling off a cliff. This was a bleak PBR for bleak times. The economy is now almost certainly in a recession for the first time since 1992. The Chancellor has responded to this in three ways. Firstly he has increased the personal tax allowance for low income families, he has reduced VAT by 2.5% and lastly he has increased public borrowing to £78 billion for 2008/9 and to £118 billion in 2009/10.

## Green light given to multinationals

**The Chancellor has given the green light to multinational companies (MNCs) and has provided them with incentives to stay in the UK.**

The Government's move on foreign dividend exemption will have a positive impact for multinational companies with UK holding companies, however more still needs to be done on simplifying the corporate taxation system if the UK is to revive its competitiveness. Companies can now bring foreign profits from fellow group companies into the UK without suffering additional UK tax, providing a boost in investment to the economy of billions of pounds. Today's measures are generally to be applauded. Many companies will regret that such positive moves have only come about in such difficult economic circumstances. However, it is unfortunate that these measures will only apply to medium and large companies, as small companies are specifically excluded.



## Low income earners

**Darling's tax cuts may help low income earners now but tax rises are not far away.**

With the Government faced with providing answers to help low income earners during the fiercest economic crisis of the century, Chancellor Alistair Darling has used today's PBR to present New Labour as being back in touch with its grass roots supporters and showing the way to help ailing low income earners have more access to cash.

## Small business/VAT reduction

**Too little too late for many small and medium enterprises (SMEs).**

The Chancellor's announcement on initiatives to help SMEs by putting in place measures to tide businesses over during the forthcoming recession comes at a time when many business owners have no other viable option.

The Chancellor's decision to reduce the current standard rate of VAT, aimed at kick starting the economy, will have winners and losers amongst small to medium businesses. The winners will be those businesses that cannot fully reclaim VAT, such as the Independent Financial Advisor, who should see a reduction

in the costs of running his business. However, for many, a reduction in the current rate of 17.5% to 15% could create a cash flow disadvantage for businesses who collect their debts promptly. They will have less money on deposit in their accounts to use as working capital before the VAT is paid over to HMRC on a quarterly basis.



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