



NEWSLETTER

Number 59

24 June 2010

Dear Colleague

TAX, PENSIONS AND BENEFIT CHANGES FOR 2010-11 and 2011-12

The Chancellor announced his Emergency Budget proposals on 22 June 2010. The following items will be of particular interest to pensioners.

Note. The Government has said that it intends to use the Consumer Prices Index (CPI) for price indexation of benefits. The CPI increase is usually less than the Retail Prices Index (RPI). See Newsletter Number 58 for comparisons.

Value Added Tax will rise from 17.5% to 20% on 04 January 2011.

The Standard Rate of **Insurance Premium Tax** will rise from 5% to 6% on 04 January 2011. The Higher rate will rise from 17.5% to 20%.

From 11 April 2011, the Basic State Retirement Pension will rise by the higher of the increase in earnings, the increase in prices or 2.5%. In 2011 the price increase will be measured using the RPI but in subsequent years it will be measured using the CPI. The current rates are £97.65 per week for a single person and £156.15 per week for a couple.

From 11 April 2011 **Additional Pensions** will increase in line with the CPI.

There has been no announcement about the **age addition** for the over 80's, so we assume that it will remain at **25 pence** per week.

From 11 April 2011, the **Pension Credit Guarantee** will increase from £132.60 per week for a single pensioner and from £202.40 per week for a couple "by the cash rise in a full state pension." There has been no announcement about the capital disregard, which is currently **£10,000**, nor about the saving credit threshold, which is currently £98.40 for a single pensioner and £157.25 for a couple.

The Government has said that it will "protect" the **Winter Fuel Payment**. However, we have good reason to believe that the Government intends to revert from £250 to **£200** for households with someone at or over the female State Pension Age and from £400 to £300 for households with someone aged 80 or over. **Some "protection" !!!**

There has been no announcement about the **Christmas Bonus**, so we assume that it will remain at **£10**.

From 06 April 2011 the basic **personal allowance** for Income Tax will rise from £6,475 to **£7,475**. The personal allowance for someone aged 65 to 74 will remain at **£9,490** and for someone aged 75 or more at **£9,640**. The maximum income a pensioner can have and still get

the age-related allowances is currently **£22,900**. If, there is any increase in this limit, it is likely to be in line with the CPI.

Nothing has yet been said about the **married couple's allowance** (for those aged 75 and over), which is currently **£6,965**. The married couple's allowance is currently subject to the **£22,900** income limit for age-related allowances but there is a minimum allowance of **£2,670**. The married couple's allowance is given at the rate of 10%.

Nothing has yet been said about the **blind person's allowance**, which is currently **£1,890** but we would expect it to rise in line with the CPI.

From 11 April 2011, **Disability benefits** are expected to rise in line with the CPI.

The 10% starting rate of Income Tax for savings income is expected to apply to income between £0 and £2,440. If an individual's taxable non-savings income is above £2,440, then the 10% savings rate will not be available for savings income. The basic Income Tax rate of 20% will apply to the first £34,900 (after the personal allowance) of taxable earned income and pensions. The 40% Income Tax rate will apply to such income above £34,900. **(Note. The reduction in the current basic rate limit is expected to be about £2,500 but the precise figure is not yet known.)** The 50% rate is expected to apply to income over £150,000.

The **Inheritance Tax allowance** will remain at **£325,000** for individuals and at **£650,000** for married couples and civil partners until 2014/15.

It is expected that the **ISA** annual investment limit will rise, in line with the CPI, from the current overall limit of **£10,200**, and cash limit of **£5,100**

The standard rate of **Capital Gains Tax** will remain at **18%** but from 23 June 2010 there will be a **new higher rate of 28%**. The higher rate will be applicable to higher rate taxpayers. Disposals before 23 June 2010 will remain liable to the 18% standard rate.

The proposed **Landline Duty** will be scrapped.

For those still in employment, from 06 April 2011 the **Employee National Insurance** standard rate contributions will rise from 11% to **12%** and the higher earnings rate will rise from 1% to 2%.

*"The Government will work in partnership with local authorities in England to implement a **Council Tax freeze in 2011-12.**"*

So, not much good news there, then !!!.

Yours sincerely

John Amos

Deputy General Secretary