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**BUDGET
2008**

Student tax services

examines the effect of the 2008 Budget on students



The Chancellor's chair is now occupied by Alistair Darling, who has come fresh with new ideas and policies, or not!

It would appear the new chancellor has merely rubber stamped the proposals set out by Gordon Brown in his last budget announcement.

As Student Tax Services warned last year, the abolition of the 10% tax rate band has been a disastrous move and extremely bad for students.

Due to political pressure from some Labour back-benchers and the opposition, measures have been taken to counter the effect of this in part, but sadly it took a backlash before the Government listened.

This could have been avoided last year, had they Treasury listened to bodies representing low income groups such as STS.

Retrospectively from April 2008 personal tax free allowances are up £810 to £6,035.

The Basic Rate of Income Tax has been reduced to 20% and the basic rate band is now £34,800.

If a student earns approximately £7,500 per tax year, this change will mean they are approximately £60 worse off under the new tax system, even after the increase in personal allowances.

This is disappointing considering the Government has had an opportunity to fix the problem.

The other announcements in brief are as follows;

The National Minimum Wage increases to £5.73 per hour from October 2008 for those over 21; £4.77 for those aged between 18 to 21; and £3.53 for those aged 16 and 17.

The Capital Gains Tax annual exemption increases from £9,200 to £9,600. A complete reform will take place with a new flat rate of 18% to be introduced.

The Inheritance Tax nil rate band, already announced for 2007/08 to 2009/10 will increase further to £350,000 from 6 April 2010. Students should discuss these aspects with their parents to ensure their inheritance is protected. Parents should be aware that an estate can attract 40% tax, before the amount is passed on to their beneficiaries, if a Will has not been appropriately drafted.

Petrol prices will increase by 2 pence per litre from 1 October 2008 as previously announced by Gordon Brown.

Car tax will be calculated based on the CO2 emissions of the car rather than engine size with rates ranging from 14% to 36%, with higher CO2 emissions attracting higher tax. With effect from 1 July.

Finally, tax on cigarettes is up 11p for 20, and 4p for hand rolled tobacco. Tax on beer is up 4p and wine is up 14p. The message is don't drink or smoke!

However, for those rich students if you wish to save under an ISA, the limit has been modestly increased by £200 to £7,200. Is there anyone out there?



Students requiring help or assistance with their tax affairs should register on

www.studenttaxservices.org.uk

for free and impartial advice on student tax matters