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**BUDGET
2009**

Student tax services
examines the effect of the 2009 Budget on students



This was dubbed to be the budget of all budgets; with so much resting on Alistair Darling's shoulders to pull the UK out of a recession we were bracing ourselves for white knuckle ride. It turned out to be more of a rusty Ferris wheel painfully slowing at the top!

Given the magnitude of debt and financial problems faced by Britain today, this was never going to be a popular budget, if the Chancellor gave any money away he would have been accused of being reckless, if he increased taxes, then he would be accused of going back to the "old labour" ways.

It is a budget to review for the long term. There are national debts to pay which will become the responsibility of future taxpayers who are today's students. It is easy to shoot holes in this budget, but the truth is any one of the political parties would have struggled to have delivered a popular budget this time around.

The budget itself was fairly neutral for most students.

From April 2009 personal tax free allowances are up £440 to £6,475 and the threshold of the basic rate tax band of 20% is increased by £2,600 to £37,400.

There is a new rate of tax of a whopping 50%! This is unlikely to affect any students since it only applies once a taxpayer's income exceeds £150,000 per year.

Commenting on the Budget, Unies Mirza, technical partner of Student Tax Services stated "Last year's budget was unnecessarily harsh on lower paid workers and Darling did little to make up for that. It would have made more sense to raise the income tax threshold to assist the lower paid and to bring the 50% tax threshold in sooner as this has not helped the low paid who need the most assistance right now."

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

The other announcements in brief are as follows;

The National Minimum Wage increases are yet to be announced. For now these remain at £5.73 per hour 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 £9,600 to £10,100, at a flat rate of 18%.

The Inheritance Tax nil rate band, already announced for 2007/08 to 2009/10 will increase further to £350,000 from 6th 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.

There will be spending cuts all round, health cuts of £2.3bn, education cuts of £1bn, local council cuts of £600m all in 2011.

As previously promised, the temporary VAT rate cut to 15% will revert back to 17.5% on 1 January 2010.

Petrol prices will increase by 2.3 pence per litre from 1st October 2009.

There is to be a "Name and Shame" measure introduced to publish details of taxpayers who have deliberately understated their tax bills.

A new car scrappage scheme has been introduced. Consumers are to be offered £2,000 to scrap their 10-year-old vehicle for a new car or van.

Finally, tax on cigarettes is up 12p. Tax on beer is up 1p and wine is up 4p and 13p on a bottle of spirits.

