



# BUDGET STATEMENT 2010 -TAKE TWO-



*...Summary from the NLA Campaign Team...*

## *In Brief.....*

In this Summary ...

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George Osborne today delivered the Coalition Government's first Budget against the backdrop of unprecedented public sector debt.

Unlike recent economic statements the second Budget of 2010 contains a considerable amount of interest of residential landlords, including:

- A new 28 percent rate of Capital Gains Tax (CGT) is to be introduced for higher and additional rate income tax payers from midnight 23 June 2010. Basic rate tax payers will continue to pay 18 percent on capital gains.
- Changes to the treatment of furnished holiday lettings proposed by the last Government will not be implemented.
- Various reforms to LHA – but no mention of direct payment to landlords
- Increase in the standard rate of VAT to 20 percent (from 4 January 2011)
- Renewed commitment to the 'Green Investment Bank' for carbon reduction measures
- Corporation Tax to decrease by one percent to 27 percent next year, with corresponding decreases in each of the subsequent three years.
- Small business rate of corporation tax cut to 20 percent, from 2011

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*new 28 percent rate of  
Capital Gains Tax for  
higher rate tax payers*

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## ***In focus....***

### ***Capital Gains Tax***

The current single CGT rate of 18 percent is to be brought closer into line with income tax bands. From midnight 23 June basic rate income tax payers will be liable for 18 percent taxation of their capital gains while those whose income is beyond the rate for higher rate income tax will become liable for 28 percent of their capital gains.

In in order to retain the simplicity of the single rate system the Chancellor announced that, after listening to various lobbies, no indexation or taper relief is to be introduced.

### ***Local Housing Allowance***

With the current Housing Benefit expenditure at £21 billion, today's Budget includes measures seeking to cut it by seven percent. Unfortunately all the cuts are due to fall on Local Housing Allowance with the Chancellor calling costs 'completely out of control'.

The budget announced:

- From April 2011 LHA rates will be capped at:
  - £250 per week for a one bedroom property
  - £290 p/w for a two bedroom property
  - £340 p/w for a three bedroom property
  - £400 p/w for all properties with four bedrooms or more
- Also LHA will provide an extra bedroom for disabled claimants who have a non-resident carer;
- From October 2011 LHA rates will not be set on the basis of median local market rates but on the 30<sup>th</sup> percentile of the local market.

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*the temptation to use LHA  
for other costs could see  
rent arrears in the LHA  
market rise*

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In the longer term, from April 2013:

- Uprating of LHA will be against CPI, rather than RPI;
- For tenants on Jobseekers Allowance Housing Benefit will be cut by 10 per cent after 12 months;

The effects of these measures are likely to reduce choice for LHA tenants as LHA rates become unaffordable for the majority of PRS properties, pushing tenants to the lower, roguish end of the market.

As tenants' budgets get tighter, the temptation to use LHA for other costs could see rent arrears in the LHA market rise.

### ***Furnished Holiday Lettings***

The previous Government's proposals to repeal the special tax treatment of furnished holiday lettings will not be implemented.

The Government is to consult over the summer on a proposal to ensure the tax rules meet EU legal requirements in a fiscally responsible way, by changing the eligibility thresholds and restricting the use of loss relief.

The NLA look forward to working with HM Treasury to ensure that landlords interests are fully represented in the process.

# Overview....

## Business and the economy

- Structural current deficit to be in balance by 2015 and debt to be falling as a percentage share of GDP
- Spending cuts will account for 77 per cent of deficit reductions, while 23 per cent from tax rises
- From 4 January 2011 VAT will be raised to 20 per cent
- The corporation tax rate will be cut by one per cent per year for four years, from 28 to 24 per cent and the small firms' rate will be cut to 20 per cent. Capital and investment allowances will be reduced, but this will be delayed until 2012
- Capital gains tax to be raised to 28 per cent for higher rate tax payers
- A bank balance sheet levy will be introduced from January 2011 to eventually generate over £2 billion annually
- From April 2011 the employer national insurance contributions threshold will rise by £21 a week above inflationary rises
- The income tax personal allowance will be increased by £1,000 to £7,475
- For the next three years the first £5,000 of national insurance contributions will be waived for the first ten employees of new businesses outside London, the South East and the East of England
- No rises in alcohol, tobacco or fuel duty – alcohol and fuel duties, including air passenger duty, to be considered in the autumn
- Part of Royal Mail to be sold off to raise investment capital
- The government will implement the recommendations of the Dyson review into R&D tax credits and expand the enterprise finance guarantee scheme
- The government will publish a White Paper on tackling regional economic differences in Britain later in the summer, followed by a paper on rebalancing the economy of Northern Ireland
- The Government will create a Regional Growth Fund to provide finance for regional capital projects over the next two years

## Health

- Cuts to other government departments will exclude the NHS
- Abolition of the health and pregnancy grant and a reduction of the Sure Start grant
- Child benefit to be frozen for next three years.
- Disability living allowance will not be reduced, but a medical assessment will be applied to new and existing claimants from 2013

## Education and Skills

- The Government will look at how to dispose of its shareholding in the student loan book
- The Chancellor said he recognised "particular pressures on our education system and on defence", and final departmental settlements will be set in the spending review

## Culture, Media and Sport

- The broadband levy will be abolished and replaced in part with spending from the digital switchover portion of the television licence fee
- The government will examine how Tote betting can be sold off
- Tax relief for the video games industry will be scrapped
- The furnished holiday lettings rules will be maintained

## Transport

- The government will look at how to dispose of its shareholding in air traffic body NATS.
- The chancellor announced that some backdated business rate bills will be cancelled including that of port businesses.
- A number of regional transport schemes will go ahead, including upgrading the Tyne and Wear Metro, extending the Manchester Metrolink, redevelopment of Birmingham New Street Station and improvements to the rail lines to Sheffield and between Liverpool and Leeds.
- The government will report back in the autumn on its proposal to impose a per plane tax as opposed to a per passenger tax to contribute towards a reduction in carbon emissions.

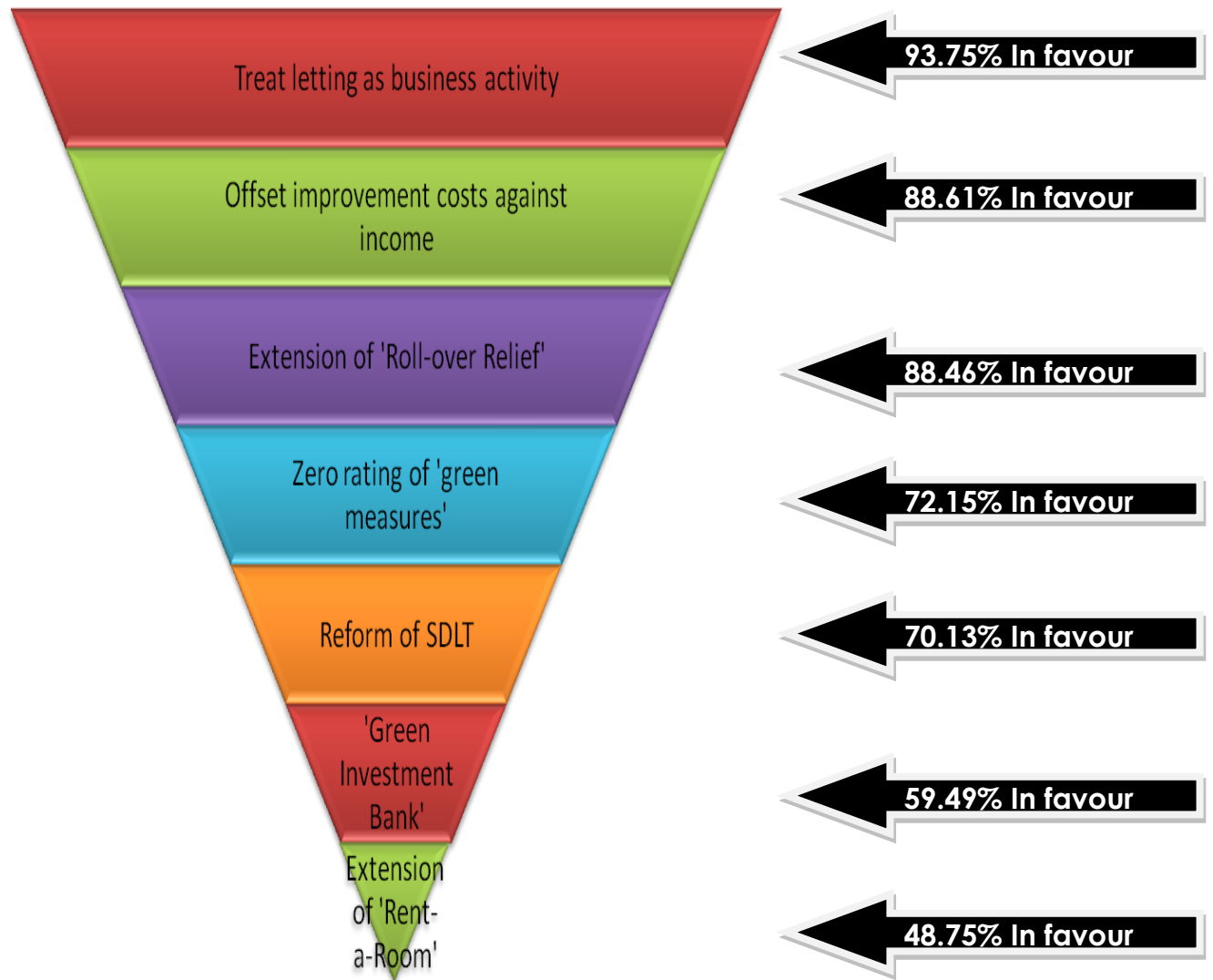
## Welfare and benefits

- Earnings will be re-linked with basic state pensions from April 2011
- There will be a two-year pay freeze for civil servants earning more than £21,000. Those earning less than this will receive a flat rate pay rise of £250 in both these years.
- The government will increase the retirement age to 66 and consult on whether to phase it out altogether
- The uprating of benefits will be aligned to the consumer price index rather than the retail price index
- Tax credits will be reduced for families earning over £40,000 and the taper rate increased
- Child benefit will be frozen for the next three years
- Local housing allowances and mortgage interest support will be restricted and maximum limits set on housing benefit payments

## Landlord Perspective

### *If I were Chancellor of Exchequer.....*

A recent *NLA Focus* email asked landlords their opinion of a range of tax issues. Here are the results:



As illustrated above the vast majority of landlords questioned indicated that they believe investment in residential property should be treated as a business for tax purposes, 72.20 percent went further and declared that this is personally a 'very important' reform.

The ability to off-set the costs of improvements against income rather than capital gains came in a close second with 88.61 percent viewing the matter as either important or 'very important'.

However, landlords indicated that the establishment of a 'Green Investment Bank' (*the only reform listed above which the Government has made a commitment to implement*) was a much lower priority. Only 59.49 percent believe that this is important or 'very important'.

Increasing the tax threshold in relation to letting a room in a landlords own home proved least popular. One third of those questioned had no view what-so-ever on the matter and only 48.75 percent indicated support for the measure.

For further information, please go to [www.landlords.org.uk/campaigning](http://www.landlords.org.uk/campaigning) or contact the  
NLA Campaigns Team at [policy@landlords.org.uk](mailto:policy@landlords.org.uk)

The National Landlords Association (NLA) exists to protect and promote the interests of private residential landlords. With over 20,000 individual landlords from around the United Kingdom and over 90 local authority associates, it provides a comprehensive range of benefits and services to its members and strives to raise standards in rented accommodation. The NLA seeks to safeguard landlords' legitimate interests by making their collective voice heard by local and central government and the media. The NLA seeks a fair legislative and regulatory environment for the private-rented sector while aiming to ensure that landlords are aware of their statutory rights and responsibilities towards their tenants.

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