

pre-budget review 2008

25 November 2008

key proposals...

affecting individuals

From April 2009

- The personal allowances will increase from £6,035 to £6,475.
- The basic rate tax band increases from £34,800 to £37,400.
- The level of a full State basic pension will rise in line with prices from £90.70 to £95.25.
- In addition, a one-off payment of £60 for each pensioner will be paid in January 2009.
- There will be an above-indexation increase in pension credit from £124.05 to £130 for individuals and from £189.35 to £198.45 for couples.

From April 2010

- For those on incomes of £100,000 or more, the personal allowance will be reduced by £1 for every £2 earned above £100,000 until the allowance has been reduced by half.
- If income is above £140,000, the remaining allowance continues to be eroded, again at a level of £1 for every £2 earned, until the personal allowance is eliminated.
- The lifetime allowance for registered pension scheme benefits of £1.8m by April 2010 will then be frozen up to April 2016.
- The annual allowance of £255,000 by April 2010 will similarly then be frozen up to April 2016.

From April 2011

- An income tax rate of 45% will be introduced for income from earnings and savings of over £150,000.
- National Insurance (NI) contribution rates in all categories for employers, employees and the self-employed will be increased by 0.5%.
- It is also intended to align the starting point for paying NI contributions and income tax, implying that if a high earner's personal allowance is reduced to zero, as indicated above, NI contributions would also be payable on total earned income.

the wider economy

From April 2009

- Government debt issuance is forecast to amount to £146.4bn, nearly three times the amount raised in the 2007/08 fiscal year, and is expected to average £135bn a year over the next four years.
- Net government borrowing is expected to reach 8% of GDP, four times greater than in 2007/08.
- National output is forecast to have fallen by about 1.7% from peak to trough.

From April 2011

- Public expenditure growth will be cut to 1% p.a. in real terms.