



Hugh Davies & Co.  
CHARTERED ACCOUNTANTS

**Pre-Budget Report 2008  
Monday 24 November**

**Darling takes steps to 'shorten the slowdown'**

Set against a backdrop of global economic uncertainty, Chancellor Alistair Darling has announced a raft of measures in this year's much-anticipated Pre-Budget Report that he hopes will stimulate the economy and boost consumer confidence.

Emphasising the wider global recession, and highlighting the crisis in the banking system as the cause of economic slowdown in the UK, the Chancellor announced that borrowing will increase to £78bn this year, and revised his economic growth forecast from 2.5% to 0.75% for 2008.

The Chancellor unveiled an estimated £20bn package of measures supposedly designed to help individuals and businesses to weather the storm. These include a cut in VAT from 17.5% to 15% for a period of 13 months ending 31 December 2009.

The temporary increase in the basic personal tax allowance, worth £120 a year, has also been made permanent, and the tax reduction will rise to £145 in 2009/10. However, after the next election in 2011 those earning in excess of £150,000 a year will be subject to an income tax rate of 45%, and national insurance contributions for employers, employees and the self-employed will also rise by 0.5%.

The Chancellor announced help for businesses, in the form of a postponement of the 1p increase in the small companies rate of corporation tax, new measures allowing businesses to spread the payment of all taxes to HM Revenue & Customs and changes to the loss relief provisions. A temporary small business finance scheme worth £1bn will also be made available, and there will be an increase in the empty property relief threshold.

Other measures announced include: additional support for mortgage holders; early increases in child benefit and the state pension; and a new state supported savings scheme. Meanwhile, duty on fuel, alcohol and tobacco will be increased to offset the reduction in VAT, and new rates of vehicle excise duty will be phased in over time.

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