

# Account Tax Ltd

*Chartered Certified Accountant and Registered Auditor*

## 50% TAX RATE

The 50% tax rate comes into effect from April 2010. Any emergency budget measures in the next few years are unlikely to reduce this rate as the country tries to overcome a deficit which is projected to reach £900 billion. Servicing this debt at 4% interest costs £36 billion alone. This equates to £3 billion per month or £750 million per week – scary figures! Government initiatives for a few tens of millions here or there are nothing compared to the deluge of interest payments. Apart from the likelihood of Sterling depreciating there is certainty that taxes will rise inexorably.

The 50% tax rate only applies to *personal* income in excess of £150,000. Most of you are unaffected by this. Two types of client are potentially affected by this. One man limited companies in Norway have 75% of their fee income subject to Norwegian tax. The top rate of tax in Norway is 40%. This will not fully cover the UK liability on high earners. These individuals will have additional UK tax to pay. Individuals working in Azerbaijan will similarly be exposed. The flat rate tax at 33½% is increasingly exceeded by UK personal tax. The 50% rate will only exacerbate the problem.

Finally, there are those of you who have significant retained profits that you don't need. If there is anything likely to arise in the next couple of years that would necessitate all of the accumulated profits being withdrawn better to do it now and pay 40% tax than have no choice with 50%.