

---

## Emergency Budget 2010 – Implications for the Private Rented Sector

---

### EMERGENCY BUDGET 2010

Please find below parts of the coalition Government's Emergency Budget 2010, which will be of particular relevance to the RLA.

#### Housing Spending

Total Government spending on Housing and the Environment for 2010-11 will be £27 billion out of total Government spending this year of £697 billion.

#### Capital Gains Tax

In line with the Coalition Agreement commitment, the Government will reform capital gains tax to align it more closely with income tax rates in order to finance an increase in the personal allowance.

The announcement made included:

- ❑ Effective from 23 June 2010, capital gains tax will rise from 18 to 28% for those with total taxable gains and income above the higher rate threshold. Basic rate taxpayers will continue to pay an 18% rate on their gains. Legislation will be in the Finance Bill introduced after the Budget.
- ❑ Effective from 23 June 2010, the lifetime limit for entrepreneurs relief will be extended from £2 million to £5 million. Legislation will be in the Finance Bill introduced after the Budget.
- ❑ The Annual Exempt Amount for capital gains tax will remain at £10,100 for 2010-11 and will continue to rise in line with inflation.

#### Furnished Holiday Lettings

- ❑ The coalition will repeal the proposal by the previous Government to impose special tax rules for furnished holiday lettings.
- ❑ The Government will instead consult over the summer on a proposal designed 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.
- ❑ Any changes made to this policy will take effect from April 2011. In the meantime, existing rules will continue to apply for the 2010-11 tax year.

#### Housing Benefit Reform

The Chancellor has pledged a series of reforms to housing benefits in order to address criticisms that it can make excessively generous payments that damage incentive to work.

The Government will therefore introduce a package of reforms to Housing Benefit from April 2011 onward, which will include:

- ❑ From October 2011, Local Housing Allowance rates will be set at the 30th percentile of local rents.
- ❑ Deductions for non-dependents will be uprated in April 2011 on the basis of prices. This will reverse the freeze in these rates since 2001-02.
- ❑ From 2013-14, Local Housing Allowance rates will be uprated in line with CPI.
- ❑ From April 2013, housing entitlements for working age people in the social sector will reflect family size.
- ❑ Housing Benefit awards will be reduced to 90% of the initial award after 12 months for claimants receiving Jobseekers Allowance. This will be introduced in April 2013.
- ❑ From April 2011, Housing Benefit claimants with a disability and a nonresident carer will be entitled to funding for an extra bedroom.
- ❑ From April 2011, Local Housing Allowance Rates will be capped at £250 per week for a one bedroom property, £290 per week for a two bedroom property, £340 per week for a three bedroom property and £400 per week for four bedrooms or more.
- ❑ The Government contribution to Discretionary Housing Payments will be increased by £10 million in 2011-12 and £40 million in each year from 2012- 13.

Full details of the announcements made in the budget can be found by accessing the Government's Red Book at [http://www.hm-treasury.gov.uk/d/junebudget\\_complete.pdf](http://www.hm-treasury.gov.uk/d/junebudget_complete.pdf).