

TAX RATES AND ALLOWANCES

INCOME TAX

Tax free allowances	2009/10	2010/11
	£	£
Personal	6,475	6,475
Age: 65-74	9,490	9,490
75 and over	9,640	9,640
Blind person's	1,890	1,890

From 6 April 2010, the personal allowance is gradually withdrawn for income over £100,000 at a rate of £1 of allowance lost for every £2 over £100,000 until it is completely removed.

Rate on taxable income	Band	Rate	Band	Rate
	£	%	£	%
Other than dividends and interest				
Basic rate (BR) on first	37,400	20	37,400	20
Higher rate (HR) on	37,400	40	37,400 – 150,000	40
Additional rate (AR) above		-	150,000	50

There is a 10% SR for savings income only, up to a maximum of £2,440 (2009/10: £2,440). If an individual's non-savings taxable income exceeds the maximum, the 10% SR for savings will not be available.

Dividends and interest – treated as top and next-to-top slices of income respectively. Tax credit (TC) = $1/9 \times \text{dividend}$.

		2010/11	
Income falling in	BR band	HR band	AR band
Dividends (+TC)	10%	32.5%	42.5%
Interest (gross)	20%	40%	50%

Rates applicable to trusts	2009/10	2010/11
Discretionary and A&M trusts	40%	50%
Dividend trust rates	32.5%	42.5%

The standard rate applies for 2010/11 on the first £1,000 at 10%/20% depending on the source of income.

Allowances available at 10%	2009/10	2010/11
	£	£
Married couples allowance (MCA)		
- Age 75 and over	6,965	6,965
- Minimum amount of MCA	2,670	2,670
Income limit for age allowances	22,900	22,900
 Other major reliefs		
	£'000	£'000
At 20% - Enterprise Investment Scheme (max)	500	500
At 30% - Venture Capital Trust (max)	200	200

COMPANY CAR SCALE CHARGES

For 2010/11 the company car scale charges are:

- 10% of the list price if emissions ≤120g/km
- 15% of the list price if emissions >125g/km but ≤130g/km
- 1% increase per additional emissions of 5g/km
- maximum benefit is 35% of list price where emissions ≥ 230g/km
- for diesel engines add 3% (max benefit is 35%)

There is a 2% reduction for cars run on E85 fuel.

Fuel benefit 2010/11

The fuel benefit charge is based on the car's CO2 emission rate and calculated by reference to a percentage of £18,000. The same CO2 percentages are used as for the car scale charges above.

- maximum benefit is £6,300 for ≥ 230g/km
- for diesel engines supplements apply (max benefit is £6,300).

Use of vans 2010/11 **£3,000**

Limited private use (eg commuting) will not incur the above charge.

CHEAP LOANS

Official rate of interest – from 6 April 2010 **4%**
 Exemption for total loans not above £5,000 at any time during the year.

Employers are liable for Class 1A National Insurance contributions on the above car fuel scale charges and cheap loans which apply to directors and employees earning at a rate of £8,500 pa or more.

AUTHORISED MILEAGE ALLOWANCE PAYMENT (AMAP)

Business mileage	2009/10	2010/11
First 10,000 miles	40p	40p
Excess over 10,000 miles	25p	25p

The above rates also apply to vans. Motorcycles receive a rate of 24p per mile and bicycles a rate of 20p. In addition employees may be paid up to an additional 5p per mile per passenger for carrying fellow employees on the same business trip.

TAX AND NI FREE BENEFITS PROVIDED TO EMPLOYEES

- Car and motorcycle parking facilities/parking fees at or near place of work.
- Cycles used partly for commuting.
- Protective clothing and uniforms.
- Childcare help for children under 18 (£2,860 pa cap may apply).
- Interest free loans up to £5,000.
- Employer supplied mobile telephones (limited to one per employee).
- Relocation costs not exceeding £8,000.
- Works bus services.
- Support for public transport bus services.

This list is not exhaustive.

CAPITAL GAINS TAX

Annual Exemption (AE)	2009/10	2010/11
- Individuals	£10,100	£10,100
- Trustees	£5,050	£5,050

Gains in excess of AE taxed at a flat rate of 18% (subject to entrepreneurs' relief – see below).

From 23 June 2010 gains which take total income to more than the basic rate band will be taxed at 28% again subject to entrepreneurs' relief.

Chattels exemption **£6,000**

Indexation allowance is available for companies only.

Entrepreneurs' relief

From April 6 2008, entrepreneurs' relief may be available for individuals on disposals of certain business assets including the sale of a business or the sale of a qualifying (5%) shareholding in a trading company/holding company of a trading group. Gains which qualify are taxed at 10%. The lifetime limit for entrepreneurs' relief was increased to £5 million from 23 June 2010.

NATIONAL INSURANCE CONTRIBUTIONS

		2009/10	2010/11
Class 1 Employment			
Lower earnings limit	pw	£95	£97
	pa	£4,940	£5,044
Upper earnings limit	pw	£844	£844
	pa	£43,875	£43,875
Primary threshold (employee)	pw	£110	£110
	pa	£5,715	£5,715
Secondary threshold (employer)	pw	£110	£110
	pa	£5,715	£5,715
Employee's contributions		11%	11%
- On weekly earnings between		£110/£844	£110/£844
- On weekly earnings above £770/£844		1%	1%
Employee's contracted-out rebate		1.6%	1.6%
Married woman's reduced rate		4.85%	4.85%
- On weekly earnings between		£110/£844	£110/£844
- On weekly earnings above £770/£844		1%	1%
Employer's contributions		12.8%	12.8%
- On weekly earnings over		£110	£110
Employer's contracted out rebate			
- Salary related		3.7%	3.7%
- Money purchase		1.4%	1.4%
Class 1A and 1B Employer			
- Car, car fuel and other taxable benefits		12.8%	12.8%
- PAYE settlement agreements		12.8%	12.8%
Class 2			
- Self-employed per week		£2.40	£2.40
- Annual earnings exception limit		£5,075	£5,075
Class 3			
- Voluntary per week		£12.05	£12.05
Class 4			
- Self-employed (rate on profits)		8%	8%
- On annual profits between		£5,715/£43,875	£5,715/£43,875
- On annual profits >£40,040/£43,875		1%	1%

PENSION SCHEMES

From 6 April 2006 (A-day) a single universal tax regime for pensions came into effect.

Contribution limits	Tax year	Annual allowance
	2007/08	£225,000
	2008/09	£235,000
	2009/10	£245,000
	2010/11	£255,000

Tax relief up to 40% is available on contributions of 100% of earnings subject to the annual allowances. Contributions exceeding the annual allowance will be subject to a 40% tax charge on the excess.

From 6 April 2011 the tax relief on pension contributions, for those earning over £150,000, will be tapered, so that for those earnings over £180,000, the relief will be at the basic rate. Transitional rules are in place from Budget Day 2009.

Statutory lifetime Allowance (SLA)	Tax year	Annual allowance
	2007/08	£1.60m
	2008/09	£1.65m
	2009/10	£1.75m
	2010/11	£1.80m

Pension Age

The minimum pension age is 50 rising to 55 from 2010. However, benefits may be taken early on grounds of ill health.

Retirement Benefits

A maximum lump sum of 25% of the fund (capped at 25% of the SLA at A-day may be withdrawn tax free).

CORPORATION TAX

Rate for financial years ended		31.3.09	31.3.10
	Band*	Rate	Rate
	£	%	%
Starting companies rate** on first	300,000	21	21
Marginal rate on next	1.2m	29.75	29.75
Standard rate** on over	1.5m	28	28
Marginal relief fraction		7/400	7/400

* Limits shared equally between associated companies.

** The small companies' rate remains at 19% for companies with 'ring fence profits' and the main rate remains at 30% for these companies. Ring fence profits are profits from oil extraction and oil rights in the UK. Companies whose profits for two consecutive periods exceed £1.5m*, must pay quarterly instalments of CT starting six months and 14 days after the start of the second accounting period.

The emergency budget in June 2010 announced that the main rate of corporation tax will be reduced to 27% from 1 April 2011 and will decrease by 1% each year thereafter to 24% by 2014. The small companies' rate of tax will be reduced to 20% from 1 April 2011.

VALUE ADDED TAX

Standard rate	17.5% (up to 3/1/2011) thereafter, the rate will increase to 20%)	
Domestic fuel, power and energy saving measures	5%	
Thresholds from	1.5.09	1.4.10
	£'000	£'000
Registration limit pa	68	70
Deregistration limit pa	66	68
Annual accounting – turnover limit pa (£'000)	1,350	1,350
Cash accounting – turnover limit pa (£'000)	1,350	1,350

CAPITAL ALLOWANCES

Plant and machinery; patents; know-how	2009/10	2010/11
Annual Investment Allowance (AIA) (excluding cars)		
– Expenditure limit	£50,000	£100,000
– Allowance	100%	100%
Writing-down allowance on reducing balance		
– Generally (cars subject to max of £3,000 pa if cars acquired before 1/6 April 2009)	20%	20%
– Integral features within buildings	10%	10%
– Certain long-life assets	10%	10%

*Where an accounting period straddles 1 April (for Corporation Tax) and 6 April (for Income Tax) a 'hybrid' rate will apply. Enhanced CAs for energy efficient and water technology plant and machinery are available. Subject to a cap of £250,000, loss making companies can surrender loss in exchange for tax credit of 19%.

From 1 April 2009 cars with CO2 emissions exceeding 160g/km will qualify for allowances at 10% in a special rate pool. Cars with emissions of less than 160g/km will be added to main pool and qualify for allowances at 20%.

From 1 April 2012 the rate of capital allowances for plant and machinery expenditure will be reduced to 18% from 20% whilst the rate on the Special Rate Pool will reduce to 8% from 10%. The AIA will be reduced to a maximum amount of £25,000.

First year allowances of 40% will be available on capital expenditure (excluding cars, integral features and long life assets) for the 12 months to 31 March (or 5 April) 2010. First year allowances are also available for expenditure incurred on:

– Designated Energy Efficient or Water Saving plant	100%	100%
– Renovation of business premises in disadvantaged areas for expenditure incurred after 10 April 2007	100%	100%
– Low emission cars (<110g/km)	100%	100%

Industrial and agricultural buildings; hotels; dredging

Writing-down allowance on cost (IBAs and ABAs will be reduced by 1% each year until 2011).	2%	1%
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INHERITANCE TAX

	2009/10	2010/11
Exempt band	£325,000	£325,000

The proportion of an individual's exempt band which has not been utilised on their death can be transferred to the surviving spouse/civil partner.

Rate on excess over exempt band

Chargeable lifetime transfers (ie transfers to trusts)	20%
Death transfers	40%

Transfers made within seven years of death

The 40% rate applies subject to tapering relief as follows:

Years between death and gift	0-3	3-4	4-5	5-6	6-7
Tapering relief	Nil	20%	40%	60%	80%

Business/agricultural property relief at 100% or 50% may apply.

Exemptions	£
Annual	3,000
Small gifts – to any one person (pa)	250
Gifts in consideration of marriage – parent	5,000
– grandparent	2,500
– other	1,500
Gifts to charity	unlimited

Regular gifts out of surplus income are also exempt.

INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

No tax on interest, dividends or capital gains. In 2010/11 individuals can invest in two separate ISAs each tax year; a cash ISA and a stocks and shares ISA. The annual ISA investment allowance is £10,100. Up to £5,100 of the ISA may be in cash. The remainder can be invested in stocks and shares.

STAMP DUTY

Shares and securities 0.5%
Exempt where consideration is < £1,000.

Stamp Duty Land Tax (SDLT)

Residential (from 3.9.08)

– up to £175,000 (until 31.12.09 when it will revert to £125,000 from 1.1.10) Nil
– £175,001 (£125,001 from 1.1.10) to £250,000 1%
– £250,001 to £500,000 3%
– over £500,000 4%

Non-residential (or mixed)

– up to £150,000 Nil
– £150,001 to £250,000 1%
– £250,001 to £500,000 3%
– over £500,000 4%

From 1 January 2010 there is an SDLT exemption for certain residential property purchases in 'disadvantaged' areas for consideration up to £150,000 (ie once the temporary exempt threshold of £175,000 ceases).

First time buyers can claim relief from SDLT on transactions up to £250,000 between 25 March 2010 and 25 March 2012

Stamp Duty land Tax on New leases

Residential

Up to £175,000
excess over £175,000
(up to 31.12.09,
£125,000 thereafter)

Non-residential or mixed

Up to £150,000
over £150,000

Rate of charge on net present value of rent

0%
1% of the value
that exceeds £125,000.