

Rates and Allowances – Income Tax

Income Tax Allowances

Income tax allowances	2010-11 (£)	2009-10 (£)
Personal allowance	6,475	6,475
Personal allowance for people aged 65-74 *	9,490	9,490
Personal allowance for people aged 75 and over *	9,640	9,640
Income limit for age-related allowances	22,900	22,900
Married couple's allowance – aged 75 or more *	6,965	6,965
Minimum amount of married couple's allowance	2,670	2,670
Blind person's allowance	1,890	1,890

Personal Allowances for 2010/11 are withdrawn at £1 for every £2 by which the income exceeds £100,000

*Age allowances are reduced £1 for every £2 by which income exceeds the income limit, until the age allowance is reduced to the normal allowance. Personal allowance is reduced before married couple's allowance.

Taxable Bands

Taxable Bands Allowances	2010-11 (£)	2009-10 (£)
Starting rate (See Note)*	0 – 2,440	0 – 2,440
Basic rate	2,441 – 37,400	2,441 – 37,400
Higher rate	37,401 – 150,000	Over 37,400
Additional Rate	Over 150,000	N/A

* Starting rate band is within basic rate band and applies to savings income only; if taxable general income exceeds the band, the 10% rate is not available.

Tax rates differ for General/Savings/Dividends

Tax Rates 2010/11

Tax Rates	General	Saving	Dividend
Starting rate	Nil	10%	10%
Basic rate	20%	20%	10%
Higher rate	40%	40%	32.5%
Additional Rate	50%	50%	42.5%

General income (salary, pension, profit, rent) uses lower rate bands first, then saving (interest), then dividends. Discretionary trusts: basic rate as above applies to first £1,000 of income, then higher rate.

Car benefit assessment 2010/11

Charge based on a percentage of the initial list price of the car, including accessories, delivery charges and VAT. The percentage depends on the carbon dioxide emissions rating of the car, and whether the engine runs on petrol or diesel. For 2010/11 the taxable benefit on an electric car (no emissions) is NIL.

Ratings	Petrol	Diesel
0- 75g/km	5%	8%
76 - 120g/km	10%	13%
121-135g/km	15%	18%
over 135g/km	+ 1% for each extra 5g/km (135,140 etc.)	
Maximum	35%	35%

Special rules apply to older cars which do not have a CO2 rating. Employee contributions for private use are deducted from the taxable figure.

Company vans are charged at £3,000 if private use is more than home-to-work travel.

An additional amount of £550 is charged if fuel is provided free for private use.

There is no taxable benefit on an electric van.

Car fuel benefit

The benefit of free fuel for private use in a company car is calculated using the same percentage as that used for the car benefit, applied to a standard figure of £18,000 (2009/10 - £16,900). The taxable amount is therefore between £900 (min.) and £6,300 (max.).

Tax free mileage allowances

	Higher Rate	Lower Rate
	2010/11 & 2009/10	
All cars	40p	25p
Motorcycles	24p	24p
Bicycles	20p	20p
Business passengers	5p	5p

Higher rate allowed up to 10,000 business miles.

Fuel-only allowances for company cars

	Petrol	Diesel	LPG
From 1.6.2010 (From 1.12.2009)			
Up to 1400cc	12p (11p)	11p (11p)	8p (7p)
1401 - 2000cc	15p (14p)	11p (11p)	10p (8p)
Over 2000cc	21p (20p)	16p (14p)	14p (12p)

These figures may change more often than once a year.

Capital Gains Tax

Capital Gains Tax: Individuals and Trustees

Annual exempt amount	2010-11 (£)	2009-10 (£)	2008-09 (£)
Individuals etc*	10,100	10,100	9,600
Other trustees	5,050	5,050	4,800

Net gains after all reliefs, losses and annual exempt amount are taxed at 18%. (disposals pre 23.06.10. For disposals after 22.06.10, an individual's net gain are added to income and taxed at 18% (basic rate band) and 28% (higher rate band). For trusts, the CGT rate is 18% (pre 23.06.10 disposals) and 28% (post 22.06.10 disposals).

Entrepreneurs' relief

For disposals of sole trade or interest in a partnership trade, or shares in a trading company by an employee owning at least 5%, the gain (up to the lifetime allowance) is taxed at an effective or actual rate of CGT of 10%. The lifetime limit is increased to £5m for disposals after 22.06.10 (previously £2m from 06.04.10 – 22.06.10, £1m pre 6.4.10).

Corporation Tax

Years to 31.3.2010 and 31.3.2011

Main Rate	28%
Profits above	£1.5 m
Small Companies rate	21%
Profits up to	£300,000
Small/Large marginal band	£300K - £1.5m
Fraction (effective rate)	7/400 (29.75%)

Main capital allowances

	Allowance %
Plant and machinery	
– annual investment allowance: £100,000*	100
– certain energy efficient plant, including low emission cars	100
– writing down allowance: general pool	20
– writing down allowance: special rate pool	10
* £50,000 to 31.03.10 (Companies) or 05.04.10 (Income tax traders)	

The special rate pool includes long life assets, integral plant in buildings, thermal insulation and cars with CO2 emissions over 160g/km. The general pool contains other plant and machinery.

The old system of cheap/expensive cars has been abolished, but transitional rules cover existing expenditure before April 2009.

Industrial building allowances are being phased out: 4% in 2007/08; 3% 2008/09;
2% 2009/10; 1% 2010/11; nil thereafter

Stamp Duty and Stamp Duty Land Tax

Rates on sales	% of Total Consideration
Shares and marketable securities (nil if value up to £1,000)	0.5%
Land 0 - threshold	NIL
Threshold - £250,000	1%
£250,001 - £500,000	3%
£500,001 and over	4%

The threshold is

£125,000	General Residential Property
£150,000	Residential in “disadvantaged area”
£150,000	Commercial Property

For the two years to 24.3.2012, first time buyers can claim relief from SDLT on purchases of up to £250,000 for property they intend to live in.

Inheritance tax

Charges on or after 6 th April 2009	Rates %	
0-£325,000	NIL	Nil band frozen
Above £325,000	40%	until 2014/15

Lifetime chargeable transfers at half the death rate, i.e. 20%.

Business property relief of 100% for all shareholdings in qualifying unquoted trading companies and for most unincorporated trading businesses; agricultural property relief at 100% for qualifying holdings of agricultural land.

Annual exemption for lifetime gifts £3,000.

Small gifts - annual amount per donee £250.

Reduced tax charge on transfers within 7 years of death

Years before death	Percentage of death rates
3 - 4	20%
4 - 5	40%
5 - 6	60%
6 - 7	80%
Over 7	100%

Value Added Tax

Standard rate (7/47 of VAT-inclusive price)	17.5%
Registration level from 1.4.10	£70,000 per annum
Deregistration level from 1.4.10	£68,000 per annum
Standard rate rises to 20% on 4.1.11 (1/6 of VAT inclusive price)	

Scale charges (will change from 4.1.11)

The scale charges for private use of business fuel are based on the CO2 emissions rating of the car. A different charge will apply for each 5g/km increase between 130g/km and 230 g/km (max). Currently for a 3 month period:

120 or less	£120.00 net	£21.00 VAT
121-134	180.43 net	31.57 VAT
rising by per 5g/km approx*	12.06 net	2.11 VAT
230 or above	422.13 net	73.87 VAT

*exact figures must be obtained from full table.

National Insurance Contributions

Class 1 (employees)

	Contracted In	Contracted Out Salary Related	Money Purchase
Employee contributions			
– on earnings £110.01 - £770pw	11.0%	9.4%	9.4%
– on earnings £770 - £844pw	11.0%	11.0%	11.0%
– on earnings above £844pw	1.0%	1.0%	1.0%
Employer contributions			
– on earnings £110.01 - £770pw	12.8%	9.1%	11.4%
– on earnings above £770pw	12.8%	12.8%	12.8%

Employer contributions (at 12.8%) are also due on most benefits in kind and on tax paid on an employee's behalf under a PAYE settlement agreement.

Class 2 (Self-employed)

Flat rate per week	£2.40
Small earnings exception: profits per annum	£5,075

Class 3 (Voluntary)

Flat rate per week	£12.05
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Class 4 (Self-employed)

On profits £5,715 - £43,875	8.0%
On profits over £43,875	1.0%

From September 2010, there will be a “holiday” from employer’s NIC for new businesses employing up to 10 new employees in their first year. The maximum benefit is £5,000 per employee. Businesses in certain areas, such as London and the SE are excluded.

Pension Contributions

Maximum annual tax-efficient gross contributions to age 75

- individuals £3,600 or 100% of earnings to £255,000
- employers £255,000 less employee contributions

Maximum tax efficient fund on taking benefits in 2010/11: £1.8m

Only current earnings count for the 100% limit. Most personal pension contributions are paid net of basic rate tax.

Extra Contributions over £20,000 by those with income over £130,000 may suffer a clawback of relief.

DISCLAIMER

These notes are for guidance only and professional advice should be obtained before acting on any information contained in them. No responsibility can be accepted for loss occasioned to any person as a result of action taken or refrained from as a result of reading these notes.