

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Personal Allowances for 2010/11 are withdrawn at £1 for every £2 by which the income exceeds £100,000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 £500 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 2010/11 & 2009/10 | 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 1.12.2009 | | | |
| Up to 1400cc | 11p | 11p | 7p |
| 1401 - 2000cc | 14p | 11p | 8p |
| Over 2000cc | 20p | 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%.

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 £2m lifetime allowance - £1m before 06.04.10) is reduced to 5/9, to give an effective rate of CGT of 10%. Gains above the allowance are taxed at 18%.

Corporation Tax

Corporation tax on profits - £ per year (unless stated)

| Rate | 2010-11 | 2009-10 |
|----------------------------------|----------------|----------------|
| Main Rate | 28% | 28% |
| Profits above | £1.5 m | £1.5 m |
| Small Companies rate | 21% | 21% |
| Profits up to | £300,000 | £300,000 |
| Small/Large marginal band | £300K - £1.5m | £300K - £1.5m |
| Fraction (effective rate) | 7/400 (29.75%) | 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 |
| – first year allowance for qualifying expenditure in 2009/10 | 40 |
| – 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 |

Inheritance tax

| Inheritance Tax | | |
|-----------------|----------------|----------------|
| Rate | 2010-11 | 2009-10 |
| NIL | 0-£325,000 | 0-£325,000 |
| 40% | Above £325,000 | Above £325,000 |

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 |

Scale charges

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). 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 |
|--------------------|--------|

Class 4 (Self-employed)

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

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
(staying the same until 2015/16).

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

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