



2009/10 Tax Rates and Allowances

Income Tax

| Tax bands and rates | 2009/10 | 2008/09 |
|---|---------|---------|
| Basic rate band | £37,400 | £34,800 |
| Tax rate | 20% | 20% |
| Starting savings rate | 10% | 10% |
| Dividend ordinary rate | 10% | 10% |
| Higher rate – taxable income over basic rate band | 40% | 40% |
| Dividend upper rate | 32.5% | 32.5% |

Allowances that reduce taxable income

| | | | |
|-------------------------|-------------|--------|--------|
| Personal allowances | under 65 | £6,475 | £6,035 |
| | 65 to 74 | £9,490 | £9,030 |
| | 75 and over | £9,640 | £9,180 |
| Blind persons allowance | | £1,890 | £1,800 |

Allowances that reduce tax

| | | | |
|----------------------------------|-------------|---------|---------|
| Married couple's allowance (MCA) | | | |
| Tax reduction | 74 | nil | £653.50 |
| | 75 and over | £696.50 | £662.50 |

Ages are as at the end of the tax year, for MCA the age is of the elder spouse or civil partner.

Age related allowances are reduced by £1 for each £2 of excess income over £22,900 (2008/09 £21,800); the loss of tax reduction is 10p for each £2 of excess income until the minimum of £267 (2008/09 £254) is reached.

Inheritance Tax

| | 2009/10 | 2008/09 |
|---|----------|----------|
| Standard threshold | £325,000 | £312,000 |
| Combined threshold maximum for married couples and civil partners | £650,000 | £624,000 |

Rates of tax on balance

| | | |
|---|-----|-----|
| Chargeable lifetime transfers | 20% | 20% |
| Transfers on or within seven years of death | 40% | 40% |

All lifetime transfers not covered by exemptions and made within 7 years of death will be added back into the estate for the purposes of calculating the tax payable. This may then be reduced:

| | | | | | |
|--------------------|-----|-----|-----|-----|-----|
| Years before death | 0-3 | 3-4 | 4-5 | 5-6 | 6-7 |
| Tax reduced by | 0% | 20% | 40% | 60% | 80% |

Main exemptions

- Most transfers between spouses and between civil partners.
- First £3,000 of lifetime transfers in any tax year plus any unused from the previous year.
- Gifts up to £250 p.a. to any number of persons.
- Gifts made out of income that form part of normal expenditure and do not reduce the standard of living.
- Gifts in consideration of marriage/civil partnership up to £5,000 by a parent, £2,500 by grandparents, or £1,000 by any other.
- Gifts to charities, whether made during lifetime or on death.

National Insurance

| | Employer | Employee |
|---|----------|------------------|
| Class 1 (not contracted out) | | |
| Lower earnings limit | | £95 |
| Payable on weekly earnings of £110.01 to £844 | 12.8% | 11% |
| Over £844 | 12.8% | 1% |
| Over state retirement age | 12.8% | nil |
| Class 1A | | |
| On relevant benefits | 12.8% | nil |
| Class 2 | | |
| Self employed | | £2.40 per week |
| Limit of net earnings for exception | | £5,075 per annum |
| Class 3 | | |
| Voluntary | | £12.05 per week |
| Class 4* | | |
| Self employed on profits £5,715 – £43,875 | | 8% |
| Excess over £43,875 | | 1% |

*Exemption applies if state retirement age was reached by 6 April 2009

Capital Gains Tax

| | 2009/10 | 2008/09 |
|------------------|---------|---------|
| Tax rate | 18% | 18% |
| Annual exemption | | |
| Individual | £10,100 | £9,600 |
| Settlement(s) | £5,050 | £4,800 |

Entrepreneurs' relief

The first £1,000,000 of lifetime gains from certain assets (mainly unincorporated trading businesses, personally owned assets used in the business, and shares in trading limited companies where at least 5% is held) is taxed at a reduced rate of 10%.

Pension contributions

There is no limit on the amount that may be contributed to a registered pension scheme. The maximum amount on which an individual can claim tax relief in any tax year is the greater of the individual's UK relevant earnings or £3,600.

If total pension input exceeds the annual allowance of £245,000 there is a tax charge at 40% on the excess. This limit does not apply in the year that full pension benefits are taken.

| | |
|---|-------------|
| Maximum age for tax relief | 74 |
| Minimum age for taking benefits | 50 |
| Lifetime allowance charge – lump sum paid | 55% |
| – monies retained | 25% |
| on cumulative benefits exceeding | £1,800,000* |
| Maximum tax-free lump sum | 25%* |

*Subject to transitional protection for excess amount

Note – Total pension input is the increase in value of the aggregate of all the individual's pension savings. The pension input period is usually the year to the anniversary date which falls within the relevant tax year.

Corporation Tax

| | Financial Year to | 31.3.2010 | 31.3.2009 |
|------------------------|-------------------|-----------|-----------|
| Taxable profits | First £300,000 | 21% | 21% |
| | Next £1,200,000 | 29.75% | 29.75% |
| | Over £1,500,000 | 28% | 28% |

Main Capital Allowances

Plant and machinery

Energy saving and environmentally beneficial equipment, electric and low CO₂ emission (up to 110 g/km) cars, natural gas/hydrogen refuelling equipment: first year allowance 100%

Annual investment allowance (AIA) – on first £50,000 of investment (excludes cars and expenditure already qualifying for 100% first year allowance) 100%

First year allowance 40%

Writing down allowance (WDA) on expenditure not qualifying for AIA: Long-life assets, integral features of buildings 10%

Other plant and machinery 20%

Buildings

Industrial and agricultural buildings and hotels WDA (on building cost) 2%

Enterprise Zone Allowance, conversion of parts of business premises into flats, business premises renovation: max. initial allowance 100%

Industrial Buildings Allowance (2010/11 – 1%; thereafter nil) 2%

Due Dates for Tax Payments and Filing Deadlines

| Income Tax and Class 4 NIC | | 2009/10 | 2008/09 |
|-----------------------------------|------------|---------|---------|
| 1st payment on account | 31 January | 2010 | 2009 |
| 2nd payment on account | 31 July | 2010 | 2009 |
| Balancing payment | 31 January | 2011 | 2010 |

| Capital Gains Tax | | 2011 | 2010 |
|--------------------------|------------|------|------|
| | 31 January | 2011 | 2010 |

Inheritance Tax – Normally six months after the end of the month in which death occurs.

Corporation Tax

| | |
|----------------------------|---|
| Small and medium companies | Nine months and one day after the end of accounting period |
| Large companies | Four quarterly instalments commencing 6.5 months into the accounting period |

2008/09 Returns filing and issuing deadlines

| | |
|--|-----------------|
| P14, P35, P38 and P38A | 19 May 2009 |
| Issue P60s to employees | 31 May 2009 |
| P9D, P11D and P11D(b) – and copies to employees as appropriate | 6 July 2009 |
| Self assessment tax return: paper | 31 October 2009 |
| online | 31 January 2010 |

| | |
|--|--------------|
| 2008/09 Class 1A NICs on relevant benefits – Payment due | 19 July 2009 |
|--|--------------|

Tax Free Mileage Allowances

| | Higher rate | Lower rate |
|---------------------|-------------|------------|
| All cars | 40p | 25p |
| Motorcycles | 24p | 24p |
| Bicycles | 20p | 20p |
| Business passengers | 5p | 5p |

The higher rate is applicable for up to 10,000 business miles.

Fuel only allowance for company cars

| From 1 January 2009 | Petrol | Diesel | LPG |
|---------------------|--------|--------|-----|
| Up to 1400cc | 10p | 11p | 7p |
| 1401 – 2000cc | 12p | 11p | 9p |
| Over 2000cc | 17p | 14p | 12p |

These rates may change within the tax year.

Car Benefits

The taxable benefit is calculated as a percentage of the car's UK list price. The percentage depends on the car's CO₂ emissions in grams per kilometre.

| Rating | Petrol | Diesel |
|--------------------------|------------------------|--------|
| 0 – 120g/km | 10% | 13% |
| 121 – 139 g/km | 15% | 18% |
| Over 139g/km | add 1% for every 5g/km | |
| Maximum 235g/km and over | 35% | 35% |

Lower rates may apply to alternative fuel cars

Chargeable on employees earning £8,500 or over (including benefits) and directors.

The list price is on the day before first registration, including accessories and is reduced by any employee's capital contribution (max £5,000) when the car is first made available. The price is subject to an upper limit of £80,000.

Special rules apply to cars at least 15 years old worth £15,000 or more.

Vans where private use is more than home to work travel £3,000 and £500 for private fuel.

Payments by employees for private use may reduce these benefits.

Value Added Tax

| From | 1.1.2010 | 1.5.2009 | 1.12.2008 |
|---------------|----------|----------|-----------|
| Standard Rate | 17.5% | 15% | 15% |
| VAT Fraction | 7/47 | 3/23 | 3/23 |

Taxable turnover limits

| | | |
|--|------------|------------|
| Registration – last 12 months or next 30 days over | £68,000 | £67,000 |
| De-registration – next year under | £66,000 | £65,000 |
| Annual Accounting Scheme | £1,350,000 | £1,350,000 |
| Cash Accounting Scheme | £1,350,000 | £1,350,000 |
| Flat Rate Scheme | £150,000 | £150,000 |

Stamp Taxes

Stamp duty is payable at a rate of 0.5% on transfers of shares and securities of £1,000 and over.

| | | |
|-----------------------------|---------------------|-----|
| On the transfer of property | £0 – £125,000* | nil |
| | £125,001 – £250,000 | 1% |
| | £250,001 – £500,000 | 3% |
| | £500,001 and over | 4% |

Thresholds:

| | |
|---|----------|
| *Residential property: From 3.9.08 to 2.9.09 | £175,000 |
| From 31.12.09 | £125,000 |
| Residential property in disadvantaged areas from 31.12.09 | £150,000 |
| Commercial property | £150,000 |