



Tax Rates 2009 – 2010

Income Tax

Tax Rates	Note	2009/10	2008/09
Starting rate limit*		£2,440	£2,230
Tax rate		10%	10%
Basic rate band		£37,400	£34,800
Basic rate		20%	20%
Savings rate		20%	20%
Dividend ordinary rate		10%	10%
Higher rate – taxable income over		£37,400	£34,800
Higher tax rate		40%	40%
Dividend upper rate		32.5%	32.5%

* Where taxable non-savings income does not fully occupy the starting rate limit, the remainder of the limit is available for savings income at the 10% starting rate.

Trusts

For interest in possession trusts on all income, and other trusts on the first £1,000 of income ("standard rate band"):

Dividend ordinary rate	4	10%	10%
Savings income	4	20%	20%
Other income	4	20%	20%

Income of other trusts above £1,000 is taxed at the special trust rates:

Rate applicable to trusts	40%	40%
Dividend trust rate	32.5%	32.5%

Allowances that reduce taxable income

Personal allowance (PA)

Under 65	1	£6,475	£6,035
65 to 74*	1,3	£9,490	£9,030
75 and over*	1,3	£9,640	£9,180
minimum		£6,475	£6,035
Blind person's allowance		£1,890	£1,800

Allowances that reduce tax

Married couple's allowance (MCA)

Tax reduction			
74*	1,2,3	n/a	£653.50
75 and over*	1,2,3	£696.50	£662.50
minimum		£267	£254

*The age-related allowances are progressively withdrawn if income exceeds £22,900 (2008/09 £21,800)

Tax Shelters

Enterprise Investment Scheme (EIS) up to	£500,00	£500,000
Venture Capital Trust (VCT) up to	£200,000	£200,000

Golden Handshake max. £30,000 £30,000

Rent a Room – exempt on gross annual rent up to £4,250 £4,250

Construction Industry Scheme deduction rate:

Standard (registered)	20%	20%
Higher (not registered)	30%	30%

Notes

- Ages are as the end of the tax year. Ages for the MCA relate to the elder of spouse or civil partner
- MCA is available only to those couples where at least one spouse or civil partner was born before 6 April 1935.
- The higher rates of personal allowances are reduced by £1 for each £2 of excess income over £22,900 (2008/09 £21,800) until the basic allowance is reached. Similar limits apply to the married couple's allowance: the loss of tax reduction is 10p for each £2 of excess income until the minimum of £267 (2008/09 £254) is reached. (For couples married before 5 December 2005, only the husband's income is taken into account. For those married on or after 5 December 2005 or in a civil partnership, only the higher earner's income is taken into account).
- Where there are several trusts created by the same settlor, the "standard rate band" is divided equally between them, subject to a minimum band of £200 for each trust.

National Insurance Contributions

Class 1 (not contracted out)	Employer	Employee
Payable on weekly earnings		
£95 (lower earnings limit) to £110	0%	0%
£110.01- £770 (upper accrual point)	12.8%	11%
£770 - £844 (upper earnings limit)	12.8%	11%
Over £844	12.8%	1%
Over state retirement age, the employee contribution is Nil		
Class 1A (on relevant benefits)	12.8%	Nil
Class 1B (on PAYE settlement arrangement)	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 to £43,875		8%
Excess over £43,875		1%

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

Note

For those earning between £95 per week and £770 per week, employers receive a rebate of 1.4% on contracted out money purchase schemes or 3.7% on contracted out final salary schemes, and employees, a rebate of 1.6% for either scheme.

Value Added Tax

From	1 Dec 2008	1 Jan 2010
Standard rate	15%	17.5%
VAT fraction	3/23	7/47
Reduced Rate	5%	5%

Taxable Turnover Limits from 1 May 2009

Registration – last 12 months or next 30 days over	£68,000
Deregistration – next 12 months under	£66,000
Cash accounting scheme – up to	£1,350,000
Optional flat rate scheme – up to	£150,000
Annual accounting scheme – up to	£1,350,000

Note – VAT on fuel for private use in cars

Where businesses wish to reclaim the input VAT on fuel which has some degree of private use, they must account for output VAT on a scale charge.

The table shows the VAT chargeable for quarters commencing on or after 1 May 2009. The last two columns take account of the change of the standard rate of VAT from 15% to 17.5% with effect from 1 January 2010.

Quarterly VAT

CO2 in g/km	Fuel scale charge £	VAT £ (15%)	on charge £ (17.5%)
120 or less	126	16.43	18.76
121 -139	189	24.65	28.14
140 -144	201	26.21	29.93
145 -149	214	27.91	31.87
150 -154	226	29.47	33.65
155 -159	239	31.17	35.59
160 -164	251	32.73	37.38
165 -169	264	34.43	39.31
170 -174	276	36.00	41.10
235 and over	441	57.52	65.68



Capital Gains Tax

Capital gains tax rates and bands are as follows:

	2009/10	2008/09
On chargeable gains	18%	18%
Annual exemption		
– individual	£10,100	£9,600
– settlement(s) (spread over total number)	£5,050	£4,800
Chattels exemption (proceeds per item or set)		
	£6,000	£6,000

Entrepreneurs' Relief

This relief will reduce the chargeable gain on qualifying assets by 4/9, resulting in an effective rate of 10%. An individual will be able to make claims for disposals on or after 6 April 2008. Claims may be made on more than one occasion, up to a "lifetime" total of £1 million of gains.

Notes

1. Transfers between husband and wife or civil partners living together are generally exempt.
2. Capital gains of all trusts for 2009/10 are taxed at the standard rate of 18%. Where there are several trusts created by the same settlor, the annual exemption is divided equally between them, subject to a minimum exemption of £1,010 (2008/09 £960) for each trust.

Corporation Tax

Corporation tax rates and bands are as follows:

Financial Year to	31 March 2010	31 March 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 not already qualifying for 100% first year allowance	100%*
Qualifying investments exceeding £50,000	
first year allowance	40%
Writing down allowance (WDA) on expenditure not qualifying for AIA:	
long-life assets, integral features of buildings, cars over 160h/km	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%

* Transitional rules may apply

Savings and Investments

ISAs and PEPs

Individual Savings Accounts (ISAs)

	Aged under 50	Aged 50 and over*
Overall investment limit	£7,200	£10,200
Including cash maximum of	£3,600	£5,100

* Available from 6 October 2009

Notes

1. Investments in ISAs are free of income tax and capital gains.
2. Those aged 16-17 can invest up to £3,600 only, in a cash ISA.
3. ISAs allow you to take your money out at any time without losing tax relief and furthermore you are not required to declare income and capital gains from ISA savings.



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
Rate of tax on balance:		
Chargeable lifetime transfers	20%	20%
Transfers on, or within 7 years of, death	40%	40%

All lifetime transfers not covered by exemptions and made within seven years of death will be added back into the estate for the purpose of calculating the tax payable. Tax attributable to such transfers is then reduced:

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

Main Reliefs

Business property	
- business or interest therein	100%
- qualifying shareholdings in unquoted* companies	100%
- land, buildings, machinery, or plant used by transferor's controlled company or partnership	50%
Agricultural property	50% or 100%

* Unquoted companies include those listed on AIM

Main Exemptions

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

Pensions Premiums

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	£1,750,000*
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.

Charitable Giving

Gift Aid

1. Individuals are able to claim higher rate relief on cash gifts and payments to charities under gift aid. Basic rate tax is treated as having been deducted, so you must pay enough tax for the year to cover the tax withheld from your Gift Aid payment.
2. Special tax reliefs apply to gifts to charities of certain types of shares and securities, or land and buildings.
3. Self-assessment now allows individuals to divert some or all of any tax repayment due to them for the year to a charity of their choosing, and to opt for this to be treated as a Gift Aid payment, both via entries on the tax return.
4. Individuals also now have the option to make a claim for a charitable donation made in one tax year to be treated as if it had been made in the previous tax year, so long as the claim is made by inclusion on the Tax Return for the later year. Provided the later year's Return is filed in time, this would mean that a payment could rank for higher rate tax relief for the earlier year, even if the donor is liable at basic rate, only, in the tax year in which the payment is made.

Give As You Earn

1. Employees may authorise participating employers to deduct donations from their gross salary for forwarding to their nominated charities.
2. Employees receive tax relief in full on their donations.

Stamp Taxes

The rate of stamp duty / stamp duty reserve tax on the transfer of shares and securities is generally payable at 0.5 per cent.

Stamp Duty Land Tax

Transfers of property are subject to stamp duty land tax at the following rates:

Value up to £125,000*	Nil
Over £125,000* to £250,000	1%
Over £250,000 to £500,000	3%
Over £500,000	4%

* £150,000 for non-residential property and residential property in disadvantaged areas. The threshold is £175,000 for residential property (including disadvantaged areas) for transactions with an effective date on/after 3 September 2008 and before 1 January 2010. Special rules apply for new zero-carbon homes.

New Leases

Duty is charged according to the net present value of all the rental payments over the term of the lease (NPV), with a single rate of 1% on residential NPV's over £125,000 and on non-residential NPV's over £150,000.

VAT is excluded from treatment as consideration provided the landlord has not opted to charge VAT by the time the lease is granted.

Lease Premiums

Duty on premiums is the same as for transfers of land (except that the zero rate does not apply where rent of over £600 annually is also payable).



Vehicle Benefits

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

- Car Benefit
- Car Fuel Benefits
- Company Vans

Car Benefit

The taxable benefit is calculated as a percentage of the list price of the car, on the day before it was first registered, plus certain accessories. This percentage depends upon the rate at which the car emits carbon dioxide (CO₂), and the fuel type.

You can find your taxable percentage for 2009/10 using the following table:

CO2 emissions (g/km)	Appropriate percentage	
	Petrol %	Diesel %
120 and below	10%	13%
121 to 139	15%	18%
140 to 144	16%	19%
145 to 149	17%	20%
150 to 154	18%	21%
155 to 159	19%	22%
160 to 164	20%	23%
165 to 169	21%	24%
170 to 174	22%	25%
175 to 179	23%	26%
180 to 184	24%	27%
185 to 189	25%	28%
190 to 194	26%	29%
195 to 199	27%	30%
200 to 204	28%	31%
205 to 209	29%	32%
210 to 214	30%	33%
215 to 219	31%	34%
220 to 224	32%	35%
225 to 229	33%	35%
230 to 234	34%	35%
235 and over	35%	35%

How to find out how much CO₂ your company car emits – see:

- the car's V5 registration document
- your dealer
- the data pages of car magazines (current models)
- the Vehicle Certification Agency – www.vca.gov.uk
- the website of the Society of Motor Manufacturers and Traders
www.smmmt.co.uk/co2/co2search.cfm

Reliable emissions data is not widely available for cars registered before 1 January 1998. For them, the following taxable percentages apply, regardless of fuel type:

Engine capacity	Taxable %
Up to 1400cc	15%
1401 – 2000cc	22%
Over 2000cc	32%

Fuel-Only Mileage Rates

If the employee pays for the full cost of all fuel for private journeys (usually including home to work) there will be no car fuel benefit. In all other cases the full tax charge will be due.

The taxable car fuel benefit, for 2009/10, is calculated by multiplying £16,900 by the same percentage as applies (or would apply) for the car benefit.

Example: A company car driver has a car which, on the day before it was first registered, had a list price of £18,000. It runs on petrol, and emits 177 g/km of CO₂.

If we assume the driver pays tax at 40%, the annual tax bill on the car is: £18,000 x 23% x 40% = £1,656

If the employer provides any fuel used for private journeys and is not re-imbursed for the cost, the 2009/10 tax bill for the fuel is: £16,900 x 23% x 40% = £1,554.80.

Company vans

The taxable benefit for the unrestricted use of company vans is £3,000 (with no reduction for older vans) plus a further £500 of taxable benefit if fuel is provided by the employer for private travel.

Van and fuel charge	Van	Fuel	Total
Tax (20% taxpayer)	£600	£100	£700
Tax (40% taxpayer)	£1,200	£200	£1,400
Employer's class 1A NICs	£384	£64	£448

Van drivers can avoid a benefit charge if they agree not to use the van for personal journeys. Driving to and from work is acceptable so long as there is a reasonable amount of business use.

Mileage Allowances

For Employees Using Their Own Transport

The approved maximum tax and national insurance free mileage allowances for employees using their own transport for business are as follows:

Flat Rate	First 10,000 Miles	Thereafter
Car / Van	40p	25p
Motorcycle	24p	24p
Bicycle	20p	20p

Income Tax and NICs are due when allowances exceed these rates. Employees can claim tax relief on any shortfall.

Rates of up to 5p per mile, per passenger, are also tax and NIC free when paid for the carriage of fellow employees on the same business trip.

Fuel-Only Mileage Rates

HMRC advisory mileage rates at the time of the Budget for employee private mileage reimbursement or employer reimbursement of business mileage are:

	Petrol	Diesel	LPG
Up to 1400cc	10p	11p	7p
1401cc – 2000cc	12p	11p	9p
Over 2000cc	17p	14p	12p



Some Useful Rates

	Weekly Benefit	
	2009/10	2008/09
Basic Retirement Pension		
Single person	£95.25	£90.70
Couple	£152.30	£145.05
Child Benefit		
First eligible child	£20.00	£18.10
Each subsequent child	£13.20	£12.55
Statutory Sick Pay (SSP)		
Average weekly earnings £90 or over (2007/08 £87)	£79.15	£75.40
Statutory Maternity Pay (SMP)		
90% of average weekly pay	First 6 weeks	First 6 weeks
Maximum £123.06 (2008/09 £117.18)		
Minimum 90% average weekly pay	Next 33 weeks	Next 33 weeks
Minimum rate	£85.50	£81
Adoption Pay (SAP)	39 weeks	39 weeks
Paternity Pay (SPP)	2 weeks	2 weeks
Both SAP and SPP		
90% of average weekly pay	Max £123.06 Min £85.50	Max £117.18 Min £81
Example rates: Jobseekers Allowance		
Single person	£64.30	£60.50
Couple	£100.95	£94.95
National Minimum Wage		
	From 1 Oct 2008	From 1 Oct 2008
Over 21	TBA	£5.52 p.h.
18 – 21	TBA	£4.77 p.h.
16 and 17	TBA	£3.53 p.h.

Key Dates and Deadlines

Payment Dates

Income Tax (including Class 4 NIC)

31 July 2009	2008/09 second payment on account
31 January 2010	2008/09 balancing payment, and 2009/10 first payment on account
31 July 2010	2009/10 second payment on account
31 January 2011	2009/10 balancing payment, and 2010/11 first payment on account

Class 1A NICs

19 July 2009	2008/09 payment due
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Capital Gains Tax

31 January 2010	2008/09 Capital Gains Tax
31 January 2011	2009/10 Capital Gains Tax

Corporation Tax

9 months and one day after the end of the accounting period

Inheritance Tax

6 months after the end of the month of death or chargeable transfer.
For chargeable lifetime transfers between 6 April and 30 September, due date is 30 April in the following year.

For chargeable lifetime transfers between 1 October and 5 April, due date is six months after the end of the month in which the transfer was made.

Latest Filing/Issuing Deadlines – 2008/09 PAYE Returns

19 May 2009	P14, P35, P38, and P38A
31 May 2009	Issue P60s to employees
6 July 2009	P9D, P11D and P11Db – also issue copies to employees Form 42 (reporting of employment-related securities)

2009 Self Assessment Tax Return (SATR)

31 October 2009	Last filing date – paper returns (SATR Paper Version)
31 December 2009	Last filing date – online returns (SATR Online)
30 January 2010	SATR Online if outstanding tax (less than £2,000) to be included in 2010/11 PAYE code