



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*The age-related allowances are progressively withdrawn if income exceeds £22,900 (2008/09 £21,800)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

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 |