

Capital Gains Tax

Annual exempt amount 2009/10: individuals £10,100, most trustees £5,050.

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 £1m lifetime allowance) is reduced to 1/3, to give an effective rate of CGT of 10%. Gains above the allowance are taxed at 18%.

Corporation Tax

Year to 31.3.2010 and 31.3.2009

Main rate	28%
Profits above £1.5m	21%
Small companies rate	21%
Profits up to £300K	19%
Small/large marginal band	£300K – £1.5m
Fraction (effective rate)	1/3 (29.75%)

Main capital allowances

Allowance %

Plant and machinery	
– annual investment allowance: £50,000	100
– certain energy efficient plant, including low emission cars	100
– first year allowance for qualifying expenditure in 2009/10	40
– writing down allowance: general	20
– writing down allowance: long life assets	10
– WDA: features integral to a building	10
– cars with CO ₂ rating up to 160g/km*	20
– cars with CO ₂ rating over 160g/km*	10

* these rules apply to cars purchased on/after 1 April/6 April 2009.

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

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 £175,000 for residential property and £150,000 for commercial property. From 1.1.10 the residential threshold is due to fall to £125,000 (general) or £150,000 ("disadvantaged areas").

Earliest due dates for payment of tax

Income Tax

Employment	Most tax paid under PAYE
Interest, dividends	Lower/basic rate liability usually settled before receipt
Untaxed sources, plus balance on employment and higher rates on investment income (self assessment)	Payments on account for 2009/10 on 31.1.10 and 31.7.10 based on 2008/09 tax; balance due 31.1.11 with first instalment for 2010/11.

Capital Gains Tax

31 January following the tax year.

Inheritance Tax

Normally 6 months after month of death.

Corporation Tax

Large companies pay by instalments starting 6½ months through the accounting period; small/medium companies pay 9 months and 1 day after end of period.

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TAX RATES 2009 – 2010

Main Income Tax reliefs

	2009/10	2008/09
Allowed at top rate of tax		
Personal Allowance	£6,475	£6,035
Personal Allowance (65 - 74)*	9,490	9,030
Personal Allowance (75 and over)*	9,640	9,180
Blind Person's Allowance	1,890	1,800

Allowed only at 10%

Married Couple's Allowance (up to 74)*†	N/A	6,535
Married Couple's Allowance (75 and over)*†	6,965	6,625

Income limit for age-related allowances 22,900 21,800

† only available if born before 6th April 1935.

*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. MCA is reduced to a minimum of £2,670 (2008/09: £2,540).

Important annual limits

	2009/10	2008/09
Individual Savings Account investment	**£7,200	£7,200
Rent a room exemption	4,250	4,250
Enterprise Investment Scheme investment	*500,000	*500,000
Venture Capital Trust investment	†200,000	†200,000

*Relief at 20% †Relief at 30% **£10,200 for those aged 50+(6.10.09).

Income Tax rates and bands

	2009/10	2008/09
Starting rate band * (see note)	2,440	2,320
Basic rate band	37,400	34,800
Higher rate on taxable income over	37,400	34,800

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

Tax rates Rates differ for General/Savings/Dividends

2009/10 and 2008/09

	G	S	D
Starting rate	N/A	10%	10%
Basic rate	20%	20%	10%
Higher rate	40%	40%	32.5%

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

Car benefit assessment 2009/10

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. Lower rates may apply to electric or biofuel-adapted cars.

Ratings	Petrol	Diesel
0-120g/km	10%	13%
121-135g/km	15%	18%
over 135g/km	+ 1% for each extra 5g/km (140,145 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.

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 £16,900. The taxable amount is therefore between £1,690 (min.) and £5,915 (max.).

Tax free mileage allowances

	Higher Rate	Lower Rate
	2009/10 & 2008/09	
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 1.1.2009			
Up to 1400cc	10p	11p	7p
1401 - 2000cc	12p	11p	9p
Over 2000cc	17p	14p	12p

These figures may change more often than once a year.

National Insurance Contributions

Class 1 (employees)

	Contracted In	Contracted Out Salary Related	Contracted Out 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%

Pension Contributions

Maximum annual tax-efficient gross contributions to age 75

– individuals	£3,600 or 100% of earnings to £245,000
– employers	£245,000 less employee contributions

Maximum tax efficient fund on taking benefits in 2009/10: £1.75m (rising to £1.8m in 2010/11 then staying the same until 2015/16).

Only current earnings count for the 100% limit. It is no longer possible to use prior year earnings or to carry back contributions to earlier years.

Most personal pension contributions are paid net of basic rate tax.

Inheritance Tax

Charges on or after 6th April 2009	Rates %	Charges between 6th April 2008 and 5th April 2009
0 - £325,000	NIL	0 - £12,000
Above £325,000	40%	Above £312,000

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
0 - 3	100%
3 - 4	80%
4 - 5	60%
5 - 6	40%
6 - 7	20%
Over 7	NIL

Value Added Tax

Standard rate (2/3 of VAT-inclusive price)	15%
Registration level from 1.5.09	£68,000 per annum
Deregistration level from 1.5.09	£66,000 per annum
Standard rate rises to 17.5% on 1.1.10.	

Scale charges (from 1.5.09)

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 135g/km and 235 g/km (max). For a 3 month period:

120 or less	£109.57 net	£16.43 VAT
121-135	164.35 net	24.65 VAT
rising by per 5g/km approx*	11.00 net	1.65 VAT
235 or above	383.48 net	57.52 VAT

*exact figures must be obtained from full table. Rates will rise on 1.1.10 when the standard rate reverts to 17.5%.