



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