

TAX RATES 2008/09

Income Tax

	2008/09	2007/08
Basic rate band	£36,000	£34,600
Non-savings tax rate (note 2)	20%	22%
Savings tax rate	20%	20%
UK dividend tax rate	10%	10%
Higher rate – income over	£36,000	£34,600
Non dividend tax rate	40%	40%
UK dividend tax rate	32.5%	32.5%
Allowances that reduce taxable income		
Personal allowance (PA) – under 65	£5,435	£5,225
– 65 to 74	£9,030	£7,550
– 75 and over	£9,180	£7,690
Allowances that reduce tax		
Married couple's allowance (MCA)		
Tax reduction – 65 to 74	£653.50	£628.50
– 75 and over	£662.50	£636.50
'Rent a Room' relief – annual exemption	£4,250	£4,250

1 A new starting rate of 10% on £2,320 of savings income is introduced for 2008/09

3 Ages are as at the **end** of the tax year. Ages for MCA relate to the elder spouse. MCA is available only to couples where at least one spouse was aged 65 or over on 5 April 2000.

4 The age-related allowances are progressively withdrawn if income exceeds £21,800 (2007/08 £20,900), reducing first PA and then MCA (for MCA the husband's income only is considered). PA cannot fall below £5,435 (2007/08 £5,225) and MCA tax reduction cannot fall below £254 (2007/08 £244).

National Insurance

Class 1 (not contracted out)	Employer	2007/08	Employee
Payable on weekly earnings of First £105	0%		0%
Next £105– £770	12.8%		11%
Over £770	12.8%		1%
Men 65+, women 60+	as above		Nil
Class 1A On relevant benefits	12.8%		Nil
Class 2 Self employed		£2.30 per week	
Limit of net earnings for exception		£4,825 p.a.	
Class 3 Voluntary		£8.10 per week	
Class 4* Self employed on profits			
£5,225 – £34,840		8%	
Over £34,840		1%	
*Exemption applies if state retirement age is reached by 6 April 2008.			

Company Taxation

Tax rates

Taxable profits	Financial year to	
	31 March 2009	31 March 2008
First £300,000 (note 1)	21%	20%
Next £1,200,000	29.75%	32.5%
Over £1,500,000 (note 2)	28%	30%

Main capital allowances

IBA and ABA	3%	Straight line based upon cost (note 2)
Plant & Machinery	20%	Reducing Balance (previously 25%)
Annual Investment Allowance (AIA note 3)	100%	On first £50,000 investment in plant and machinery
Long –life assets	10%	Previously 6%
Integral features	10%	Category introduced
Low emission cars	100%	New cars with emissions with less than 110g/km CO2
Energy Efficient Plant	100%	Details at www.eca.gov.uk
Research & Development	100%	Assets used solely for qualifying R&D

1 The small companies rate will increase to 22% in 2009/10

2 This will reduce by 1% pa and so will be abolished by 1 April 2011

3 Expenditure in excess of the AIA in a year will qualify for WDA at 20%

4 Subject to cap, first year tax credits available at 19% of the loss attributable to ECAs

Loans to and from individuals

Overdrawn current or loan accounts of participators – tax based upon 25% of loan balance at accounting period end, unless repaid within 9 months of accounts date.

Loans to companies from individuals – company must deduct income tax at 20% of gross interest and account to HM Revenue & Customs on quarterly basis using CT61 returns.

Enhanced tax relief

Research & Development: Enhanced deduction of up to 175% for SMEs and 130% for Large companies of qualifying costs incurred on qualifying R&D. The definition of SME has changed to:

Employees	500
Turnover	Euro 100m
Assets	Euro 86m

Contaminated Land Relief: 150% deduction for qualifying costs incurred on remediation of land and buildings is extended to derelict land and removal of Japanese Knotweed.

Benefits in Kind

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

Company car benefit

The charge is a percentage of the list price. The percentage depends on the level of carbon dioxide emissions. The minimum charge is 10%; the maximum charge is 35%. CO2 emission details are available at www.smmi.co.uk

Cars which on E85 fuel qualify for a 2% reduction in the appropriate percentage (except QUALECS, see below).

The lower threshold is reduced to 135g/km and is unaffected by the 10% band Mentioned below.

Cars with CO2 emissions up to and including 120g/km will be charged at 10% of the list price. These cars will be referred to as Qualifying Low Emission Cars (QUALECS). A 3% diesel charge will apply but the E85 fuel reduction will not.

The list price relates to the day before first registration and includes accessories. The price is subject to an upper limit of £80,000.

The list price is reduced by the employee's capital contribution when the car is first made available, subject to a maximum deduction of **£5,000**. Payments by employees for private use may reduce the above benefits.

Van benefit

From 6 April the company van benefit for all types of vans is £3,000 when used for significant private use. If free or subsidised fuel is provided for private use there is an additional chargeable fuel benefit of £500.

Car fuel benefit

The charge is calculated using the same CO2 emission basis as used for the car benefit. The appropriate percentage will be multiplied by £16,900 (2007/08 £14,400).

Advisory fuel rates – company cars

The tax-free limits per mile are as follows:

Engine size	Petrol	Diesel	LPG
1,400cc or less	11p	11p	7p
1,401cc – 2000cc	13p	11p	8p
Over 2,000cc	19p	14p	11p

Statutory mileage allowances – own cars

The tax-free limits per mile are as follows:

	First 10,000 miles in tax year	Miles over 10,000
Cars	40p	25p
Motorcycles	24p	24p
Cycles	20p	20p
Passengers	5p	5p

For car allowances, payments in excess of these limits are taxable. Where payment is less than authorised mileage rate employees can claim tax relief on the shortfall.

Investments

Capital Gains Tax

	2008/09	2007/08
Taxed (note 1)	18%	(savings rates)
Annual exemption		
– individual	£9,600	£9,200
– settlement	£4,800	£4,600

Transfers between husband and wife living together are exempt. A new CGT regime has been introduced with effect from 6 April 2008. The key changes are detailed below but please contact BishopKay if you have any queries.

Taper relief and indexation relief

Both are abolished from 5 April 2008.

1 Entrepreneur's relief gives a lifetime allowance of £1m on disposals of trading businesses and shares in trading businesses and shares in trading companies, giving an effective rate of tax of 10%. Gains in excess of this amount will suffer tax at 18%. There is a minimum qualifying period of ownership of 1 year.

ISA

The allowance for a cash ISA increases to £3,600 and a further £3,600 may be invested in stocks and shares. Total annual investment limit: £7,200.

Personal Pension Contributions

Under the pension regime introduced on 6 April 2006, the following rules apply:

- > A break between earnings and the ability to contribute to a pension scheme.
- > An annual contribution allowance of up to £235,000 with any excess contributions being subject to an income tax charge through the self assessment system. There will be certain exemptions in the year when all benefits are taken from an arrangement.
- > Individuals have a single, lifetime allowance of £1.65 million on the amount of pension rights which will enjoy favourable tax treatment.
- > A 'recovery' charge of 55% will arise on an individual's total pension rights in excess of £1.65m.
- > The annual contribution and lifetime allowance increase until 2010/11 and will then be reviewed.

Non-domicile and remittance basis

Significant changes will take effect from 6 April 2008.

- > De minimis limit for foreign income before remittance basis election applies: £2,000
- > Tax charge on unremitted income for non-domicile who elect for remittance basis: £30,000. Applies only if resident for 7 out of 10 years.
- > Remittance basis tax payers are not entitled to UK personal or gains allowances unless foreign Income falls within de minimis of £2,000.