

# NEWSLETTER MARCH 2011

## MAIN TAX RATES, ALLOWANCES AND RELIEFS 2011/2012

### Income Tax

	2011/2012	2010/2011
<b>Taxable bands</b>		
Starting rate for savings - 10% *	£0 - £2,560	£0 - £2,440
Basic rate - 20% *	£0 - £35,000	£0 - £37,400
Higher rate - 40% *	£35,001 - £150,000	£37,401 - £150,000
Additional rate - 50% *	Over £150,000	Over £150,000

\* The 10% starting rate is for savings income only. If non-savings taxable income is above this limit then the 10% starting rate for savings will not apply.

### Dividends

10% for income within the basic rate band, 32.5% within the higher rate band and 42.5% for income liable to the additional rate.

### Rate applicable to trusts:

• Dividends	42.5%	42.5%
• Other income	50%	50%

### Main allowances and reliefs

#### Personal

Age under 65 (1)	£7,475	£6,475
Age 65 – 74 (1)(2)	£9,940	£9,490
Age 75 and over (1)(2)	£10,090	£9,640
Income limit for personal allowance	£100,000	£100,000

#### Married Couple's

Age 75 and over (2)	£7,295 *	£6,965 *
Minimum allowance	£2,800 *	£2,670 *

Income limit - age allowances	£24,000	£22,900
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Blind Person	£1,980	£1,890
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Payment on loss of office	£30,000	£30,000
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Enterprise Investment Scheme	£500,000 ***	£500,000 **
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Venture Capital Trusts	£200,000 ***	£200,000 ***
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Maintenance payments (3)	£2,800 *	£2,670*
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\* Relief up to 10% \*\* Relief up to 20% \*\*\* Relief up to 30%

(1) The personal allowance reduces where income is above £100,000 by £1 for every £2 of income above the £100,000 limit.

(2) Reduced by £1 for every £2 of income in excess of the age-related limit. Except where income is above £100,000, the allowance will never be less than the basic personal allowance or minimum amount of married couple's allowance.

(3) Only applies where either party born before 6/4/35

### National Insurance Contributions 2011/12

Lower earnings limit, primary Class 1	£102 per week
Upper earnings limit, primary Class 1	£817 per week
Upper accruals point	£770 per week
Primary threshold	£139 per week
Secondary threshold	£136 per week
Employees' primary Class 1 rate	12% between £139 and £ 817 per week
	2% above £817
Employees' contracted-out rebate	1.6%
Married women's reduced rate	5.85% between £139 and £817 per week
	2% above £817
Employers' secondary Class 1 rate	13.8% above £136 per week
Employers' contracted-out rebate, salary-related schemes	3.7%
Employers' contracted-out rebate, money-purchase schemes	1.4%
Class 2 rate	£2.50 per week
Class 2 small earnings exception	£5,315 per year
Special Class 2 rate for share fishermen	£3.15 per week
Special Class 2 rate for volunteer development workers	£5.10 per week
Class 3 rate	£12.60 per week
Class 4 lower profits limit	£7,225 per year
Class 4 upper profits limit	£42,475 per year
Class 4 rate	9% between £7,225 and £42,475 per year 2% above £42,275

### Company car benefits

#### Car benefit charges - 2011/2012

Tax is charged on a percentage of the value of the car and this percentage varies according to the level of the car's carbon dioxide (CO<sub>2</sub>) emissions measured in grams per kilometre (g/km). The value of the car will normally be the list price, together with any accessories. The percentage ranges from 5% to 35% for petrol cars. There is a 3% supplement for diesel cars, subject to a maximum charge of 35% of the list price.

#### Provision of fuel - 2011/2012

Flat rate benefit of £18,800 x CO<sub>2</sub> emission percentage.

No fuel benefit if the employee is required to pay for (and actually pays) all private fuel or if fuel is only provided for business journeys.

#### VAT on fuel benefits - 2011/2012

Rates vary according to CO<sub>2</sub> emissions in grams per kilometre. The CO<sub>2</sub> bands correspond to those for the income tax car benefit charges.

### Corporation Tax rates and fractions

	Year to 31/3/2012	Year to 31/3/2011
Small profits rate: 20% (21%)	£0 - £300,000	£0 - £300,000
Marginal rate: 27.5% (29.75%)	£300,001 - £1,500,000	£300,001 - £1,500,000
Main rate: 26% (28%)	£1,500,001 or more	£1,500,001 or more
Marginal rate fraction	3/200	7/400

### Statutory mileage rates – 2011/2012

	Up to 10,000 miles	Excess
Cars and vans	45p	25p
Motor cycles	24p	24p
Bicycles	20p	20p
Each passenger on same trip	5p	5p

<b>Value Added Tax</b>		
	<b>From 4/1/2011</b>	To 3/1/2011
Rates:		
Standard	<b>20%</b>	17.5%
Reduced	<b>5%</b>	5%
Zero	<b>0%</b>	0%
VAT fraction	<b>1/6</b>	7/47
	<b>From</b>	From
	<b>1/4/2011</b>	1/4/2010
Registration limit	<b>£73,000</b>	£70,000
Deregistration limit	<b>£71,000</b>	£68,000
Cash accounting scheme - max turnover	<b>£1,350,000</b>	£1,350,000
Annual accounting scheme - max turnover	<b>£1,350,000</b>	£1,350,000
Flat rate scheme - max turnover	<b>£150,000</b>	£150,000

<b>Pensions and Annuities</b>		
	<b>2011/2012</b>	2010/2011
Annual allowance	<b>£50,000</b>	£255,000
Lifetime allowance	<b>£1,800,000</b>	£1,800,000

<b>Main capital allowances</b>		
	<b>2011/2012</b>	2010/2011
Plant and machinery		
• Annual Investment Allowance - expenditure up to	<b>£100,000</b>	£100,000
• Writing down allowance		
- General plant	<b>20%</b>	20%
- Long life assets	<b>10%</b>	10%
- Integral features	<b>10%</b>	10%
Motor cars pre April 2009 (max £3,000 per car)	<b>20%</b>	20%
Motor cars on or after April 2009:		
• CO2 not exceeding 110g/km	<b>100%</b>	100%
• CO2 between 111g/km and 160g/km	<b>20%</b>	20%
• CO2 exceeding 160g/km	<b>10%</b>	10%
Research and development	<b>100%</b>	100%
Industrial buildings, hotels and agricultural buildings	<b>N/A</b>	1%
Enterprise zone commercial and industrial buildings	<b>N/A</b>	100%

<b>Inheritance Tax</b>		
	<b>2011/2012</b>	2010/2011
Nil rate band	<b>£325,000</b>	£325,000
Tax on excess	<b>40%</b>	40%
Annual exemption - donor	<b>£3,000</b>	£3,000
Small gifts to any one person	<b>£250</b>	£250
Gifts made in consideration of marriage:		
• Parent	<b>£5,000</b>	£5,000
• Grandparent	<b>£2,500</b>	£2,500
• Between the parties to the marriage	<b>£2,500</b>	£2,500
• Other	<b>£1,000</b>	£1,000
Relief on gifts made within 7 years of death:		
Years before death	0 - 3	3 - 4
Death charge percentage	100%	80%
	4 - 5	5 - 6
	60%	40%
	6 - 7	20%

<b>Capital Gains Tax</b>			
<b>Rates</b>		<b>2011/2012</b>	<b>2010/2011</b>
			From 23/6/10 Until 22/6/10
<b>Individuals:</b>			
Basic rate taxpayers		<b>18%</b>	18%
Higher and additional rate taxpayers		<b>28%</b>	28%
<b>Companies:</b>			
Gains charged to corporation tax			
<b>Rates</b>		<b>2011/2012</b>	2010/2011
<b>Annual exemption</b>	• Individuals	<b>£10,600</b>	£10,100
	• Most trusts	<b>£5,300</b>	£5,050
<b>Chattels exemption</b>		<b>£6,000</b>	£6,000
<b>Entrepreneur's relief</b>			
• Lifetime allowance		<b>£10,000,000</b>	£5,000,000
• Rate of tax		<b>10%</b>	10%

<b>Stamp Duty and Stamp Duty Land Tax</b>			
Shares	Up to £1,000 exempt	Over £1,000	0.5%
<b>Land and buildings</b>			
<b>Rate</b>	<b>Residential in disadvantaged areas</b>	<b>Residential outside disadvantaged areas</b>	<b>Non-residential or mixed</b>
NIL	£0 - £150K	£0 - £125K	£0 - £150K
1%	£150,001 - £250K *	£125,001 - £250K *	£150,001 - £250K
3%	£250,001 - £500K	£250,001 - £500K	£250,001 - £500K
4%	£500,001 - £1M	£500,001 - £1M	More than £500K
5%	More than £1M	More than £1M	N/A
* First time buyers can claim relief from Stamp Duty Land Tax on residential transactions up to £250,000 between 25/03/2010 and 25/3/2012.			

## BUDGET 2011 – A SUMMARY OF THE TAXATION PROVISIONS

Set out below is a summary of the main contents of the Chancellor's Budget statement presented to the House of Commons on Wednesday 23<sup>rd</sup> March 2011. We have concentrated on the taxation aspects of the Budget that are most likely to affect individuals and smaller businesses. Should you have any queries relating to the contents of this summary or require advice concerning any aspect of the Budget, please do not hesitate to contact us.

### **Introduction**

In this, his second Budget statement, the Chancellor of the Exchequer, George Osborne, stated that the country was "able now to set off on the route from rescue to reform, and reform to recovery".

In a Budget that was intent on being fiscally neutral, the Chancellor attempted to balance the amounts given away with the amounts taken away.

The Chancellor reported that the Office of Budget Responsibility (OPR) had revised down its forecast for economic growth from its November 2010 forecast of 2.1% to 1.7%. However, the medium term forecasts have been revised upwards from 2.8% to 2.9% in 2014 and 2015.

Net borrowings for the public sector for 2010/11 have been revised downwards from £149 billion to £146 billion and upwards in 2014/15 from £35 billion to £46 billion.

Inflation is expected to remain at between 4% and 5% for 2011. In 2012 it is forecast to reduce to 2.5%, with a target rate of 2% in 2013.

The main headline announcements were the immediate cut in the price of petrol by 1p per litre, the putting off of any future rises linked to inflation and the scrapping of the fuel escalator. In addition, the Chancellor announced a £48 cut in income tax for some 25 million earners by the raising of the threshold before tax is paid to £8,105 in 2012.

### **Individuals**

#### ***Tax reliefs***

The government is to abolish 43 tax reliefs in an effort to simplify the tax system.

#### ***Integration of tax and national insurance***

The government intends to integrate the tax and national insurance systems so as to make the UK tax system "fit for the modern age". This process is estimated to take some years to complete.

#### ***Indexation of taxation***

From April 2012 direct tax will be indexed to the Consumer Price Index.

#### ***Income tax rates***

The main rates for income tax for 2011/12 will remain at 20% for basic rate taxpayers and 40% for higher rate taxpayers. An additional rate of tax of 50% is applied to incomes over £150,000. A 10% starting rate applies for savings income only. If non-savings taxable income is above the savings rate limit then the starting rate for savings will not apply.

As announced last year, the starting rate threshold for 40% income tax is reduced from £37,401 to £35,000 which will mean that more people will pay tax at the higher rate.

#### ***Personal allowances***

Personal allowances have increased in line with inflation with the exception of the personal allowance for those aged under 65 which has been increased from £6,475 to £7,475.

#### ***National Insurance Contributions (NICs)***

National Insurance contributions have been increased in line with inflation. The NICs Upper Earnings and Profits limits are reduced by £2,400 so that they remain aligned with the income tax higher rate threshold.

#### ***Indexation of benefits***

The indexation of all benefits, tax credits and public service pensions is to be uprated in line with the consumer price index rather than the retail price index.

#### ***Working and Child Tax Credits, Child Benefit and Guardians Allowance***

The Emergency Budget in June 2010 announced the rates and thresholds for tax credits for 2011/12 and the remaining amounts were confirmed in December 2010. No further changes were made to tax credits in the 2011 Budget. Full details of the various credits and allowances can be found on the HMRC website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

#### ***Residence and domicile***

There will be an increase in the remittance basis charge from £30,000 to £50,000 for individuals who are longer-term residents (ie 12 years or more) but who are non-domiciled. However, the government has announced that there will be no other material changes in relation to non-domiciles for the remainder of this Parliament.

#### ***Entrepreneurs' relief***

The Chancellor announced that the entrepreneurs' relief lifetime allowance is to be raised from £5 million to £10 million. This relief reduces the rate of capital gains tax on qualifying disposals from the maximum rate of 28% to 10%.

### **Stamp Duty Land Tax**

No Stamp Duty Land Tax is payable for first time buyers who purchase residential properties up to £250,000 between 25 March 2010 and 25 March 2012.

As announced in the 2010 Budget, a Stamp Duty Land Tax rate of 5% on residential property sales over £1 million comes into effect from April 2011.

There are no other changes to Stamp Duty and Stamp Duty Land Tax.

### **Capital gains tax**

The rate for capital gains tax remains at 18% and for higher and additional rate taxpayers at 28%.

An individual's annual exemption threshold for capital gains tax is increased by £500 to £10,600. The exemption for most trusts is increased by £250 to £5,300.

The entrepreneurs' lifetime allowance on gains is increased from £5,000,000 to £10,000,000 from 6 April 2011. The rate of tax remains at 10%.

### **Inheritance tax**

As stated in the June Budget 2010, the inheritance tax nil rate band will remain frozen until 2014/15.

From April 2012, a reduced rate of 36% will be introduced where 10% or more of a net estate is left to charity.

### **State Pension**

The Chancellor announced that consultation will commence on the simplification of the State Pension and that a new single-tier pension would be introduced which would be worth around £140 per week. However, this will take some years to implement and will not apply to existing pensioners.

### **Individual Savings Accounts (ISAs)**

For all individuals, irrespective of age, the maximum annual ISA investment in 2011/12 is £10,680, up to £5,340 of which can be saved in cash.

### **Vehicle excise duty**

The Chancellor stated that rises in vehicle excise duty will increase by inflation only. The rates for Heavy Goods Vehicles will be frozen to help hauliers. The rates for cars are as follows:

#### **Vehicle Excise Duty for cars registered on or after 1 March 2001**

<i>VED band</i>	<i>CO2 emissions (g/km)</i>	<i>Standard rate 2010-11*</i>	<i>Standard rate 2011-12*</i>	<i>First year rate</i>
				<i>2011-12*</i>
A	Up to 100	£0	£0	£0
B	101-110	£20	£20	£0
C	111-120	£30	£30	£0
D	121-130	£90	£95	£0
E	131-140	£110	£115	£115
F	141-150	£125	£130	£130
G	151-165	£155	£165	£165
H	166-175	£180	£190	£265
I	176-185	£200	£210	£315
J	186-200	£235	£245	£445
K**	201-225	£245	£260	£580
L	226-255	£425	£445	£790
M	Over 255	£435	£460	£1000

\*Alternative fuel discount: 2010-11 onwards £10 for all cars

\*\* Includes cars emitting over 225g/km registered before 23 March 2006

### **Fuel duty rates**

In one of the headline Budget announcements, the Chancellor stated that there would be an immediate cut in the price of petrol by 1p per litre. In addition, the linking of future rises to inflation was to be put off and the fuel escalator was to be scrapped and replaced by a Fair Fuel Stabiliser.

### **Approved Mileage Allowance Payment**

The Approved Mileage Allowance Payment has not increased since 2002. The Chancellor announced that the rate for cars and vans will increase from 40 pence to 45 pence a mile. Rates on motor cycles, bicycles and additional passengers will not increase.

### **Alcohol and tobacco**

Alcohol duty rates on beer, wine and spirits will increase by 2% above inflation. These changes come into force at midnight on 28 March 2011.

From October 2011, changes to the beer duty regime will come into force, as follows:

- A new additional duty on high-strength beers (above 7.5% abv) to be 25% of the general beer duty rate; and
- A reduced rate of duty on lower strength beers (at or below 2.8% abv and above 1.2% abv) to be 50% of the general beer duty rate.

From midnight on 23 March duty on tobacco increased by 2% above inflation.

#### ***Air passenger duty***

The Chancellor announced that an increase in Air Passenger Duty (APR) rates by the Retail Price Index will be deferred until April 2012. APR will now apply to private jets. APR is as follows:

From 1 November 2010

#### ***Air passenger duty***

Band A (0-2000m) reduced rate	£12
Band A (0-2000m) standard rate	£24
Band B (2001-4000m) reduced rate	£60
Band B (2001-4000m) standard rate	£120
Band C (4001-6000m) reduced rate	£75
Band C (4001-6000m) standard rate	£150
Band D (>6,000m) reduced rate	£85
Band D (>6,000m) standard rate	£170

#### ***Gift Aid***

The gift aid benefit limit will increase from £500 to £2,500.

#### ***Bingo duty***

The rate of bingo duty remains at 20%.

#### ***Business***

##### ***Corporation tax***

In a surprise announcement, the Chancellor stated that the main rate of corporation tax will be reduced from 28% to 26%. The small profits rate is reduced from 21% to 20%. No change is made to the marginal rate.

##### ***Capital allowances***

No material changes were made to capital allowances although allowances on industrial buildings, hotels and agricultural buildings have now been phased out.

##### ***Company cars***

##### ***Car benefit charges***

No changes have been made to the method of calculating car benefit charges.

##### ***Provision of fuel***

No changes have been made to the method of calculating the provision of fuel charges, although the flat rate benefit figure used in calculating the benefit is increased from £18,000 to £18,800.

##### ***Value added tax***

The standard rate for VAT remains at 20%. The registration threshold is increased from £70,000 to £73,000 and the de-registration threshold from £68,000 to £71,000. There have been no changes to the thresholds for the flat rate, annual accounting and cash accounting schemes.

##### ***Enterprise zones***

The Chancellor announced that the government will fund 21 new Enterprise Zones. He listed 11 new Zones in his statement with a further 10 Zones to be announced in the summer.

Enterprise Zones enjoy up to 100% discount on rates, new superfast broadband and the potential to use enhanced capital allowances.

##### ***Business rates***

To assist smaller businesses, the business rate relief holiday will be extended until October 2012.

##### ***Bank levy***

The rate of the Bank Levy will increase to 0.078 from January 2012. This increase is to offset the cut in the corporation tax rate, which will benefit banks.

***If you would like to discuss the contents of the Budget in more detail, or have any queries relating to your personal or business taxation, please do not hesitate to contact us.***

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