

BUDGET

08

TAX FACTS

COOPER ■ PARRY

Personal contributions are also limited to 100% of earnings in the tax year, or £3,600 if greater. Employer contributions may be made in respect of any shortfall between personal contributions and the annual allowance. There is no annual contribution limit in the year of retirement.

Tax charges

Tax charges apply when the annual allowance or lifetime allowance is breached, when the pension scheme makes an unauthorised payment, or if the pension scheme is no longer deemed to be a qualifying registered scheme:

Annual allowance charge	40% of excess over annual allowance
Lifetime allowance charge	55% when excess drawn as a lump sum, or 25% when drawn as retirement income
Unauthorised payments	
• individual charge	40% of deemed unauthorised payment
• individual surcharge	15% of deemed unauthorised payment
• scheme sanction charge	40% of deemed chargeable payment
De-registration charge	40% of fund value

INHERITANCE TAX

Transfers made on or after 6.4.2008	Rate
Individuals	
£1 - £312,000	nil
Over £312,000	40% on death

Gifts

- between individuals Exempt if donor survives 7 years
- lifetime gifts to trusts 20%

Main exemptions

	£
Annual gifts per donor*	3,000
Small gifts per donee	250
Gifts on marriage	
Parent	5,000
Grandparent and other ancestor	2,500
Other	1,000

* Can be carried forward for 1 year.

Main reliefs

Agricultural property relief	} according to circumstances
Business property relief	

CAR SCALE BENEFIT

The car benefit is a percentage of the car's original list price when it was first registered, (which includes VAT, car tax, delivery charges and accessories), according to the level of the car's carbon dioxide emissions measured in grams per kilometre and rounded down to the nearest 5 g/km.

For 2008/09 the scale benefit starts at 15% for 135 CO₂ emissions and increases 1% for every 5 CO₂ emissions up to a maximum of 35% for 235 CO₂ emissions and above. (2007/08 the scale benefit starts at 15% for 140 CO₂ emissions and increases 1% for every 5 CO₂ emissions up to a maximum of 35% for 240 CO₂ emissions and above).

From 6 April 2008 cars with exactly 120 CO₂ emissions or less are subject to a benefit rate of 10%.

The CO₂ emissions on the car can be found on the vehicle registration document or via the approved Inland Revenue websites

www.smmt.co.uk and www.vcacarfueldata.org.uk

There is a supplement for diesel of 3%, subject to the maximum percentage of 35%.

Hybrid electric cars are entitled to a reduction of 3%.

Cars capable of running on E85 fuel are entitled to a reduction of 2%.

Maximum price **£80,000**

Price reduced by employee capital contributions up to **£5,000**

CAR FUEL BENEFIT

2008/09

The car fuel benefit is a set figure of £16,900 multiplied by the applicable CO₂ emissions percentage.

VANS

For the 2008/09 and 2007/08 financial years the benefit for vans used for private journeys is **£3,000** irrespective of the age of the van. The fuel benefit (if applicable) is **£500**.

There is no benefit charge for employees who have to take their van home, but are not allowed any other private use of it.

AUTHORISED MILEAGE RATES

Authorised rates for 2008/09 (and 2007/08) for employees using their own cars for business purposes.

Vehicle type	First 10,000 miles	Excess
Cars and Vans	40p	25p
Motorcycles	24p	24p
Bicycles	20p	20p

FUEL RATES FOR COMPANY CARS

Authorised fuel rates for company cars where fuel is not provided by the employer for all journeys on or after 1 January 2008.

Cylinder capacity	Petrol	Diesel
Up to 1,400cc	11p	11p
1,401 – 2,000cc	13p	11p
Over 2,000cc	19p	14p

CAPITAL ALLOWANCES

2008/09

20% writing down allowances

- generally available on machinery and plant, other than 'long life' plant and machinery and plant and machinery which is integral to a building. Allowances for cars costing more than £12,000 are restricted to £3,000.
- where accounting periods fall partly within the 2008/09 financial year and partly within the 2007/08 financial year a 'hybrid' writing down allowance is available. The 'hybrid rate' will be between 20% and 25% and will depend upon the extent to which the accounting period falls before and after the commencement of the 2008/09 financial year.

10% writing down allowances for long life assets and integral plant and machinery

- available for items of plant and machinery which have an expected useful economic life of 25 years or more and certain items of plant and machinery which are integral to a building.

£50,000 annual investment allowance

- available to all to give 100% allowances on expenditure of up to £50,000 on any items of plant and machinery other than cars.
- groups of companies and businesses under common control carrying out similar activities are entitled to a single £50,000 allowance only

100% first year allowances

- investments in designated energy-saving plant and machinery.
- cars with 110 CO₂ emissions or less (2007/08: 120 CO₂ emissions or less).
- investments on designated plant and machinery to reduce water use and improve water quality.
- up to £1,500 for energy saving installation of loft and cavity insulation in rented accommodation by individual private landlords.
- expenditure on renovating or converting property for business use that is in a designated disadvantaged area and that has been vacant for more than a year.
- expenditure on converting space above certain shops and other commercial properties into qualifying residential flats.
- expenditure incurred for carrying out research and development or providing facilities for research and development.

2007/08

The capital allowance regime differed for expenditure incurred in 2007/08. The main differences are as below:

25% writing down allowances

- generally available on machinery and plant, with special limits for cars.

40% first year allowances

- available to small and medium sized businesses on machinery and plant (other than cars and certain other assets).

50% first year allowances

- available to small sized businesses on machinery and plant (other than cars and certain other assets).

NATIONAL INSURANCE CONTRIBUTIONS

2008/09

Class 1 employed: £pw earnings (2008/09)

Employee	Contracted in	Contracted out
Up to £89.99	nil	nil
£90.00 - £105.00	nil	rebate 1.6%
£105.01 - £770.00	11.0%	9.4%
Over £770.00	1.0%	1.0%

Employer	Contracted in	Contracted out	
		Salary Related	Money Purchase
Up to £89.99	nil	nil	nil
£90.00 - £105.00	nil	nil*	nil*
£105.01 - £770.00	12.8%	9.1%	11.4%
Over £770.00	12.8%	12.8%	12.8%

* Employer rebate of 3.7% for Salary Related and 1.4% for Money Purchase on earnings between £90 and £105.

Class 1A Employers:	12.8% on taxable benefits in kind
Class 1B Employers:	12.8% on PAYE Settlement Agreements
Class 2 Self-employed:	Weekly rate £2.30 Small earnings exception £4,825 p.a.
Class 3 Voluntary:	Weekly rate £8.10
Class 4 Self-employed:	8% on annual profits £5,435 - £40,040 1% on annual profits above £40,040

VALUE ADDED TAX

	Rate %	Fraction
Standard rate	17.5	7/47

From 1 April 2008

Turnover registration limit £67,000 a year.

Future turnover deregistration limit £65,000 a year.

Car fuel scale

From 1 May 2008 new fuel scale charges to be used.

Cash Accounting Scheme

Threshold for joining the Cash Accounting Scheme is £1,350,000 and for remaining in the scheme is £1,600,000.

STAMP DUTY LAND TAX & STAMP DUTY

STAMP DUTY LAND TAX (SDLT)

On transfers of residential land and buildings outside disadvantaged areas

Up to £125,000	nil
£125,001 - £250,000	1%
£250,001 - £500,000	3%
Over £500,000	4%

On transfers of non-residential land and buildings and residential land and buildings in disadvantaged areas

Up to £150,000	nil
£150,001 - £250,000	1%
£250,001 - £500,000	3%
Over £500,000	4%

Gifts of land and buildings **nil***

** SDLT will normally be nil on the gift of mortgage free property. If a property is transferred still subject to a mortgage then the amount of the mortgage will be treated as proceeds received and SDLT will be payable on that amount.*

Leases

- 1% charge on Net Present Value of rent (NPV), where NPV over £150,000 for non-residential leases and residential leases in disadvantaged areas and NPV over £125,000 for other residential leases.

STAMP DUTY

On share transfers **0.5%**
On gifts **nil**

CAPITAL GAINS TAX

	2008/09	2007/08
	£	£
Annual exemption		
• individuals	9,600	9,200
• most settlements	4,800	4,600

CGT rates

Individuals and Settlements **18%**

Entrepreneurs' relief

In certain circumstances, individuals disposing of all or part of a trading business, or qualifying business assets and shareholdings are taxed at 10% on the first £1,000,000 of gains arising on such disposals during their life time.

CORPORATION TAX

Financial year	2008	2007
	(to 31.3.09)	(to 31.3.08)
Small companies' rate	21%	20%
Profits up to £300,000		
Marginal rate	29.75%	32.5%
£300,001 - £1,500,000		
Full rate	28%	30.0%
Above £1,500,000		

Company capital gains are included in taxable profits, they benefit from indexation allowance but not entrepreneurs' relief.

INVESTMENTS WITH SPECIAL TAX SAVINGS

Enterprise Investment Scheme (EIS)

- Up to £500,000 can qualify each tax year for income tax relief at 20% for shares issued on or after 6 April 2008 (subject to EU Commission approval).
- CGT deferral relief also available without cash ceiling.
- On disposal of EIS investment which qualified for income tax relief, gain exempt from CGT, other EIS gains and all deferred gains are taxed.

Venture Capital Trusts (VCT)

- Up to £200,000 of new investment qualifies each tax year from 6 April 2006.

- Income tax relief at 30% on investments made after 6 April 2006.
- Income tax exemption for dividends paid by VCT.
- CGT deferral relief is not available against shares issued on or after 6 April 2004.
- On disposal, VCT gain exempt, any deferred gain (from before 6 April 2004) is taxed.

Individual Savings Account (ISA)

- Maximum investment of £7,200 per tax year.
- Maximum cash investment of £3,600 per tax year.
- Income tax and capital tax gains exemption on income and gains within the ISA.

*The details in this leaflet are based on the latest available information.
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