

Budget Tax Facts

201: 

COOPER • PARRY

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INCOME TAX RATES

| Personal Bands £ | | Rate % | Tax on Band £ |
|---------------------|--------------|-----------|------------------|
| 2010/11 | | | |
| 0 – 37,400* | (basic) | 20 | 7,480 |
| 37,401 - 150,000 | (higher) | 40 | 45,040 |
| Over 150,000 | (additional) | 50 | |
| 2009/10 | | | |
| 0 – 37,400 | (basic) | 20 | 7,480 |
| Over 37,400 | (higher) | 40 | |

* Savings income up to £2,440 (2009/10 - £2,440) is subject to a 10% rate of taxation. Where non savings income exceeds £2,440 the 10% rate is not available. The rates applicable to dividends are 10% for income up to the basic rate limit, 32.5% in the higher rate band and an additional rate of 42.5%

| Trusts | 2010/11 | 2009/10 |
|-------------------------------|---------|---------|
| Interest-in-possession trusts | 20% | 20% |
| Discretionary trusts* | 50% | 40% |

* Dividend income of discretionary trusts is taxed at 42.5% (2009/10 – 32.5%).

ALLOWANCES & RELIEFS

| | 2010/11 £ | 2009/10 £ |
|--|--------------|--------------|
| Given at taxpayer's marginal rate | | |
| • Single person's allowance | 6,475 | 6,475 |
| • Age allowance | | |
| Single person (65-74) | 9,490 | 9,490 |
| (75 and over) | 9,640 | 9,640 |
| • Blind person | 1,890 | 1,890 |
| Income limit for personal allowance | 100,000 | N/A |
| Credited at 10% | | |
| • Married couple's age allowance born before 6.4.1935 and aged: (less than 75) | N/A | N/A |
| (75 and over) | 6,965 | 6,965 |
| Minimum | 2,670 | 2,670 |
| Personal allowances reduced by half of income over | 100,000 | N/A |
| Age allowances reduced by half of income over | 22,900 | 22,900 |

PENSIONS

| Contributions | 2010/11 £ | 2009/10 £ |
|--------------------|--------------|--------------|
| Annual allowance | 255,000 | 245,000 |
| Lifetime allowance | 1,800,000 | 1,750,000 |

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

With effect from 22 April 2009, individuals earning £150,000 or over (£130,000 or over with effect from 9 December 2009) who either alter their normal pattern of regular pension contributions or the normal way in which their pension benefits are accrued, will obtain only basic rate tax relief on the excess of total pension contributions over the higher of their regular annual pension contributions and £20,000 (£30,000 if pension contributions paid annually).

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 | 15% - 40% of deemed chargeable payment |
| De-registration charge | 40% of fund value |

INHERITANCE TAX

| Transfers made on or after 6.4.2009 | Rate |
|-------------------------------------|--------------|
| Individuals | |
| £1 - £325,000 | nil |
| Over £325,000 | 40% on death |
| Married couples and civil partners | |
| £1 - £650,000 | nil |
| Over £650,000 | 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 | } 50% or 100% |

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 2010/11 the scale benefit starts at 15% for 130 CO₂ emissions (2009/10: 135 CO₂) increases 1% for every 5 CO₂ emissions up to a maximum of 35% for 235 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 HM Revenue & Customs websites www.smmmt.co.uk and www.vcacarfueldata.org.uk

There is a supplement for diesel (excluding Euro IV diesel cars) 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

2010/11

The car fuel benefit is a set figure of £18,000 (2009/10: £16,900) multiplied by the applicable CO₂ emissions percentage

VANS

For the 2010/11 and 2009/10 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 **£550** (2009/10: £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 2010/11 and 2009/10 financial years 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 9 December 2009:

| Cylinder capacity | Petrol | Diesel |
|-------------------|--------|--------|
| Up to 1,400cc | 11p | 11p |
| 1,401 – 2,000cc | 14p | 11p |
| Over 2,000cc | 20p | 14p |

These rates are to be revised every 6 months.

CAPITAL ALLOWANCES

2010/11

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.
- available on cars with up to and including 160 CO₂ emissions purchased after 1 April 2009 for companies or 6 April 2009 for unincorporated businesses.

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.
- available on cars with over 160 CO₂ emissions purchased after 1 April 2009 for companies or 6 April 2009 for unincorporated businesses.

£100,000 annual investment allowance

- available to all businesses to give 100% allowances on expenditure of up to £100,000 (2009/10: £50,000) on any items of plant and machinery other than cars.
- groups of companies and businesses under common control carrying out similar activities or operating from shared premises are entitled to a single £100,000 allowance only.

100% first year allowances

- investments in designated energy-saving plant and machinery.
- cars with 110 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, cavity, floor and hot water system 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.

NATIONAL INSURANCE CONTRIBUTIONS

2010/11

Class 1 employed: £pw earnings

| Employee | Contracted in | Contracted out |
|-------------------|---------------|----------------|
| Up to £96.99 | nil | nil |
| £97.00 - £110.00 | nil | rebate 1.6% |
| £110.01 - £770.00 | 11.0% | 9.4% |
| £770.01 - £844.00 | 11.0% | 11.0% |
| Over £844.00 | 1.0% | 1.0% |

| Employer | Contracted in | Contracted out | |
|-------------------|---------------|----------------|----------------|
| | | Salary Related | Money Purchase |
| Up to £96.99 | nil | nil | nil |
| £97.00 - £110.00 | nil | nil* | nil* |
| £110.01 - £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 £97 and £110.

| | |
|-------------------------------|---|
| 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 £2.40 Small earnings exception £5,075 p.a. |
| Class 3 Voluntary: | Weekly rate £12.05 |
| Class 4 Self-employed: | 8% on annual profits £5,715 - £43,875 1% on annual profits above £43,875 |

VALUE ADDED TAX

| Standard rate | Rate % | Fraction |
|---------------------|--------|----------|
| Post 1 January 2010 | 17.5% | 7/47 |

From 1 April 2010

Turnover registration limit £70,000 a year.

Future turnover deregistration limit £68,000 a year.

Car fuel scale charge

New fuel scale charges to be used for returns that commence on or after 1 May 2010.

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 & STAMP DUTY LAND TAX

STAMP DUTY LAND TAX (SDLT)

On transfers of residential land and buildings

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

First time buyers can claim relief from SDLT on transfers of residential land and buildings of up to £250,000 between 25 March 2010 and 25 March 2012.

From 1 April 2011 a 5% charge will apply for transfers over £1,000,000.

On transfers of non-residential land and buildings

| | |
|---------------------|-----|
| 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

- For non-residential leases a 1% charge arises on the excess of Net Present Value (NPV) over £150,000.
- For residential leases entered into between 3 September 2008 and 31 December 2009 a 1% charge arises on the excess of NPV over £125,000.

STAMP DUTY

| | |
|--------------------|------|
| On share transfers | 0.5% |
| On gifts | nil |

CAPITAL GAINS TAX

| | 2010/11 | 2009/10 |
|-------------------------|---------------|----------|
| Annual exemption | £ | £ |
| • individuals | 10,100 | 10,100 |
| • most settlements | 5,050 | 5,050 |

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 an effective rate of 10% on the first £2,000,000 of gains arising on such disposals during their life time. Prior to 6 April 2010 the relief was restricted to the first £1,000,000 of such gains.

CORPORATION TAX

| Financial year | 2010/11 | 2009/10 |
|------------------------------|---------------|--------------|
| | (to 31.3.11) | (to 31.3.10) |
| Small companies' rate | 21% | 21% |
| Profits up to £300,000 | | |
| Marginal rate | 29.75% | 29.75% |
| £300,001 - £1,500,000 | | |
| Full rate | 28% | 28% |
| 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.
- 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 £10,200 per tax year, with effect from 6 April 2010 (6 October 2009 for individuals over 50).
- Maximum cash investment £5,100 per tax year, with effect from 6 April 2010 (6 October 2009 for individuals over 50).
- Income tax and capital gains tax exemption on income and gains within the ISA.



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