

INCOME TAX

Main personal reliefs

	2007/08	2008/09
Personal allowance	£	£
Basic	5,225	6,035 ²
Age 65-74	7,550	9,030
Age 75 or over	7,690	9,180
Married couple's allowances		
In addition to personal allowance above		
Age under 75†	6,285†	6,535†
Age 75 or over	6,365*	6,625*
Age income limit	20,900	21,800
Blind person's allowance	1,730	1,800

* Relief restricted to 10%

† Available where either spouse born before 6 April 1935

Tax rates

Rate	2007/08			2008/09	
	10%	22%	40%	20% ¹	40%
Taxable income	£ 2,230	£ 2,231-34,600	Excess	£0-34,800 ³	Excess
Tax on band	£223	£7,121	-	£6,960	-

¹ There will be a new 10% starting rate for savings income only, with a limit of £2,320. If an individual's taxable non-savings income is above this limit then the 10% savings rate will not be applicable.

There are no changes to the 10% dividend ordinary rate or the 32.5% dividend upper rate.

² Personal allowance applied through PAYE will be £5,435 until September 2008.

³ Basic rate band applied through PAYE will be £36,000 until September 2008.

VEHICLE BENEFITS

Company cars

	Electric cars	CO ₂ emissions in grams per kilometre						
		120	135	170	220	225	230	235
2008/09 [†]								
2005/06 to 2007/08*								
% of car's list price taxed	9%	10%	15% ¹	22% ¹	32% ¹	33% ²	34% ³	35% ⁴

* For each 5 grams per kilometre, increase % by 1 percentage point.

Supplement if car runs solely on diesel ¹ Add 3%. ² Add 2%. ³ Add 1%. ⁴ Maximum charge, so no diesel supplement.

[†] There is a 2% reduction for cars run on E85 fuel (85% bio-ethanol and 15% unleaded petrol.)

Provision of fuel for company cars

(If any private fuel is provided)

	2007/08	2008/09
The company car percentage is multiplied by	£14,400	£16,900

VAT on fuel benefits

Amounts treated as additional output tax per quarter

From 1 May 2007 CO ₂ emissions in grams per km*			From 1 May 2008 CO ₂ emissions in grams per km*		
140 or below	200	240 or above	120 or below	200	235 or above
£27.11	£49.00	£63.45	£20.55	£57.49	£71.94

* Rates vary, increasing for each 5 grams per kilometre.

Company vans – 2007/08 onwards

Restricted to commuting and occasional incidental use	Nil
Unrestricted use	£3,000
Provision of private fuel	£500

Statutory mileage rates

	from 2002/03	from 2002/03
	up to 10,000 miles	over
Cars and vans	40p	25p
Motorcycles	24p	24p
Bicycles	20p	20p
Each passenger-same trip	5p	5p

NATIONAL INSURANCE CONTRIBUTIONS

Class 1

Contracted out Monthly rate of pay	Employee*	2008/09	
		Employer**	Employer**
up to £390	Nil	Nil	Nil
£390.01 – £453	-1.6%	-3.7%	-1.4%
£453.01 – £3,337	9.4%	9.1%	11.4%
over £3,337	1%	12.8%	12.8%

COSR – Contracted-out salary related. COMP – Contracted-out money purchase.

* Contributions payable only on earnings above £453pm.

** Contributions payable on all earnings above £453 pm. Rebate of 3.7% (COSR) or 1.4% (COMP) due on earnings between £390 and £453 pm.

Not contracted out Monthly rate of pay	2008/09 Employee*	Employer**
up to £453	Nil	Nil
£453.01 – £3,337	11%	12.8%
over £3,337	1%	12.8%

Class 2 – Self-employed £2.30 pw on earnings of £4,825 pa and over.

Class 3 – Voluntary £8.10 pw.

Class 4 – Self-employed 8% of profits between £5,435 and £40,040 pa and 1% thereafter.

CAPITAL GAINS TAX

Annual exemption

	2007/08	2008/09
Individuals	£9,200	£9,600
Trusts	£4,600	£4,800

Trusts for the disabled have the full individual exemption.

Rate of tax

2008/09 18% flat rate 10% entrepreneurs' rate*
*Entrepreneurs' relief will be available on certain disposals of businesses after 5 April 2008 and will effectively reduce the tax charge to 10% on the first £1m of qualifying gains. The £1m is a lifetime limit.

2007/08 and earlier

Gains over the annual exempt amount made by individuals paying tax below the starting rate limit are charged at 10%. For those paying tax between the starting and basic rate limits gains are charged at 20%. Other taxpayers are charged at 40%.

Capital Gains taper relief (2007/08 and earlier)

% of gain chargeable			
Business assets 2002/03 to 2007/08		Other assets* 1998/99 to 2007/08	
1 year – 50%	6 years – 25%	1 year – 100%	6 years – 80%
2 years – 25%	7 years – 25%	2 years – 100%	7 years – 75%
3 years – 25%	8 years – 25%	3 years – 95%	8 years – 70%
4 years – 25%	9 years – 25%	4 years – 90%	9 years – 65%
5 years – 25%	10 years – 25%	5 years – 85%	10 years – 60%

Years means complete years of ownership post 5 April 1998.

* Other assets – add bonus year if held on 17 March 1998.

INHERITANCE TAX

Table of rates on death

Rate of tax	Gross transfers		
	2007/08	2008/09	2009/10
Nil	£300,000	£312,000	£325,000
40%	Excess	Excess	Excess

For married couples and civil partners, the proportion of the nil-rate band unused on the first death is carried forward to the death of the second spouse or civil partner on or after 9 October 2007.

Lifetime transfers

Gifts to individuals and certain trusts are potentially exempt transfers. If the donor survives seven years the transfers are completely exempt. All other lifetime transfers are chargeable at 20%. Where tax is charged at death on any gift made within seven years of death, taper relief may apply as follows:

Years before death	0-3	3-4	4-5	5-6	6-7
Death rate tax percentage	100	80	60	40	20

Reliefs and main lifetime exemptions

Reduction in value transferred

Whole or part of business	100%
Quoted shares giving control	50%
Unquoted shares*	100%
Agricultural relief – working farmer & property let on tenancies starting after 31 August 1995	100%
Agricultural relief – other let property	50%

Annual exemption	£3,000
Small gifts (per donee)	£250
Gifts out of income	any amount

* Shares quoted on AIM and PLUS are treated as unquoted.

PENSION CONTRIBUTIONS

	2007/08	2008/09	2009/10
Maximum annual contribution	£	£	£
Individual – 100% of relevant earnings up to a maximum of	225,000	235,000	245,000
Employer – Unlimited, but trigger benefit in kind on individual if "total pension inputs" ^{1 2} are over	225,000	235,000	245,000
Individual's lifetime allowance ^{2 3 4}	1,600,000	1,650,000	1,750,000

¹ Total pension inputs include both individual's contributions and employer's contributions.

² Statutory formulae are used to calculate deemed pension inputs and fund value for individuals who are members of occupational schemes.

³ If an individual's fund exceeds the lifetime allowance at the time benefits are drawn, the excess will be subject to a tax charge at an effective rate of up to 55%.

⁴ Transitional provisions allow individuals with larger funds to protect their entitlements at 6 April 2006.

4

CAPITAL ALLOWANCES

Allowance	2007/08 and earlier	2008/09 onwards ⁽³⁾	Transitional rules
Annual investment allowance (AIA) – available to all businesses for general plant and machinery and IFAs (not cars)	N/A	100% on first £50,000 of expenditure	£50,000 limit is pro-rated for periods straddling April 2008 and for periods other than 12 months. Expenditure over £50,000 relieved under rules referred to below.
First year allowance			
Medium-sized businesses ⁽¹⁾	40%	Abolished	
Small businesses ^{(1) (2)}	50%	Abolished	
General plant and machinery ⁽⁴⁾	25%	20%	Apportioned for accounting periods straddling April 2008 (giving hybrid rates between 20 and 25%).
Long-life assets ⁽⁵⁾	6%	10%	Hybrid rate for existing pool for accounting periods straddling April 2008. Full 10% relief for all purchases from April 2008.
Integral fixed assets (IFAs) ⁽⁵⁾ – fixtures expected to include: lifts; escalators; central heating; air conditioning; electrical lighting; power and water systems; external solar screening; active facades.	N/A, 4%, 25% or 50%	10%	Only purchases from April 2008 onwards qualify for IFA allowance.
Energy and water-efficient plant and machinery ⁽⁶⁾	100%	100% ⁽⁷⁾	
Cars with low CO ₂ emissions ⁽⁶⁾	100%	100%	Cars emitting no more than 120g/km of CO ₂ up to 31 March 2008 and no more than 110g/km from 1 April 2008 onwards.

¹ As defined by the Companies Act.

² Where expenditure incurred in period April 2006 to April 2008.

³ New allowances effective from 1 April 2008 for companies and 6 April 2008 for other businesses.

⁴ For cars, maximum allowance is £3,000 per annum.

⁵ Long-life assets and IFAs purchased from April 2008 to be combined in one pool.

⁶ These take precedence over AIA and do not use up the £50,000 limit.

⁷ Repayable tax credits available to companies only on surrender of losses on post April 2008 expenditure.

5

CORPORATION TAX

	1 April 2007 to 31 March 2008	1 April 2008 to 31 March 2009
Small companies' rate (SCR)*	20%	21%
SCR limit	£300,000	£300,000
SCR marginal rate limit	£1,500,000	£1,500,000
Fraction in SCR marginal rate band	1/40	7/400
Marginal rate	32.5%	29.75%
Full rate	30%	28%

* 22% from 1 April 2009

VALUE ADDED TAX

Standard rate	17.5%	17.5%
Registration level from	1 April 2007	1 April 2008
Annual turnover	£64,000	£67,000

STAMP DUTY LAND TAX

Rates for freehold land and buildings

Wholly residential		Other
£125,000*† or less	NIL	£150,000 or less
£125,001* – £250,000	1%	£150,001 – £250,000
£250,001 – £500,000	3%	£250,001 – £500,000
over £500,000	4%	over £500,000

*£150,000 if in a designated disadvantaged area. † Effective from 23 March 2006.

Zero-carbon homes – from 1 October 2007 – 30 September 2012

New homes – purchase price up to £500,000 – exempt from SDLT
Purchase price more than £500,000 – SDLT liability reduced by £15,000

Leases

The SDLT charge on leases is calculated as 1% of the "net present value" (NPV) of the rent due in respect of the lease, less an exemption. The NPV of a lease is calculated by taking the total rent payable over the life of the lease and discounting it by 3.5% a year.

Residential leases	Rate	Commercial leases	Rate
(based on NPV) up to £125,000	NIL	(based on NPV) up to £150,000	NIL
excess over £125,000	1%	excess over £150,000	1%

Exemption for leases of wholly residential property in disadvantaged areas

Where NPV of total rent of £150,000 or less, or annual rental does not exceed £1,000† and any premium is £150,000 or less. For qualifying areas see <http://www.hmrc.gov.uk/so/disadvantaged.htm#1> for a list of areas.

†£600 prior to 12 March 2008.

6

This document has been prepared as a general guide. It is not a substitute for professional advice. Neither PKF (UK) LLP nor its partners or employees accept any responsibility for loss or damage incurred as a result of acting or refraining from acting upon anything contained in or omitted from this document.

PKF (UK) LLP is a limited liability partnership registered in England and Wales with registered number OC310487. A list of members is available for inspection at Farringdon Place, 20 Farringdon Road, London, EC1M 3AP, the registered office. Certain of the services described in this document may be provided through PKF Financial Planning Limited. Both PKF (UK) LLP and PKF Financial Planning Limited are authorised and regulated by the Financial Services Authority for investment business and insurance mediation activities.

The PKF International Association is an association of legally independent firms.

PKF (UK) LLP operates a code of conduct to ensure that all types of data are managed in a way which complies with the Data Protection Act 1998. If you do not wish to be informed about the services we offer and forthcoming events, please contact your local office.

© PKF (UK) LLP 2008. All rights reserved.