

INCOME TAX

Main personal reliefs

Income Tax allowances	2009/10	2010/11
Personal Allowance ¹	£6,475	£6,475
Income limit for Personal Allowance	Not applicable	£100,000
Personal Allowance for people aged 65-74 ^{1,2}	£9,490	£9,490
Personal Allowance for people aged 75 and over ^{1,2}	£9,640	£9,640
Married Couple's Allowance – aged 75 and over ^{2,3}	£6,965	£6,965
Income limit for age-related allowances	£22,900	£22,900
Minimum amount of Married Couple's Allowance	£2,670	£2,670
Blind person's allowance	£1,890	£1,890

¹ From 2010-11 the Personal Allowance reduces where the income is above £100,000 – by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of age. Once income reaches £112,950 the Personal Allowance is reduced to nil.

² These allowances reduce where the income is above the income limit – by £1 for every £2 of income above the limit. Previously, it was never less than the basic Personal Allowance or minimum amount of Married Couple's Allowance. However, from 2010-11, the Personal Allowance for people aged 65 and over will be reduced below the basic Personal Allowance where the income is above £100,000.

³ Tax relief for the Married Couple's Allowance is given at 10% to those aged 75 and over only.

Tax rates and taxable bands

Rate	2009/10	2010/11
Starting rate for savings: 10%*	£0-£2,440	£0-£2,440
Basic rate: 20%	£0-£37,400	£0-£37,400
Higher rate: 40%	Over £37,400	£37,401-£150,000
Additional rate: 50%	Not applicable	Over £150,000

* From 2008-09 there is a 10% starting rate for savings income only. If non-savings income is above this limit then the 10% starting rate for savings will not apply.

The rates applicable to dividends for the 2009-10 tax year are the 10% ordinary rate and the 32.5% dividend upper rate. For the 2010-11 tax year, there is also a new dividend additional rate of 42.5%.

CAPITAL GAINS TAX

Annual exemption

	2009/10	2010/11
Individuals	£10,100	£10,100
Trusts	£5,050 [†]	£5,050[†]

[†] Divided by the number of trusts settled by same settlor up to a maximum of 10. Trusts for the disabled have the full individual exemption.

Rate of tax

	2009/10	From 6 April 2010	From 23 June 2010
Standard rate	18%	18%	18%
Higher rate	n/a	n/a	28%
Entrepreneurs' relief rate	10%*	10%	10%
Entrepreneurs' relief lifetime limit of gains	£1,000,000	£2,000,000	£5,000,000

* Effective rate for higher rate tax payers.

VEHICLE BENEFITS

Company cars

% of car's list price taxed	Electric cars	CO ₂ emissions in grams per kilometre						
		75	120	130	135	220	225	230
2008/09 to 2009/10 [†]	9%	10%	10% ¹	15% ¹	15% ^{1*}	32% ^{1*}	33% ^{2*}	34% ³
2010/11 onwards[†]	0%	5%	10%¹	15%^{1*}	16%^{1*}	33%^{2*}	34%^{3*}	35%

* For each 5 grams per kilometre above 120 grams per kilometre increase % by 1 percentage point. Supplement if car runs solely on diesel ¹Add 3%. ²Add 2%. ³Add 1%.

Until 2011/12, no supplement applies for Euro IV compliant diesel cars first registered before 1 January 2006. [†] For cars emitting over 120 grams per kilometre. There is currently a 3% reduction for petrol/electric hybrids and 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)

	2009/10	2010/11
The company car percentage is multiplied by	£16,900	£18,000

VAT on fuel benefits

Amounts treated as additional output tax per quarter

CO ₂ emissions in grams per km*	From 1 May 2009	From 1 Jan 2010	1 May 2010
120 or below	£16.43	£18.77	£21.00
230	£55.83	£63.74	£73.87

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

Company vans – 2010/11 onwards

Restricted to commuting and occasional incidental use
Unrestricted use
Provision of private fuel

Nil
£3,000*
£550

* Reduced to nil for electric vans.

Statutory mileage rates

(employees' own cars)

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

NATIONAL INSURANCE CONTRIBUTIONS

Class 1

2010/11

Contracted-out Monthly rate of pay	Employee*	COSR Employer**	COMP Employer**
up to £421	Nil	Nil	Nil
£421.01 – £476	-1.6%	-3.7%	-1.4%
£476.01 – £3,337	9.4%	9.1%	11.4%
£3,337.01 – £3,656	11%	12.8%	12.8%
over £3,656	1%	12.8%	12.8%

Not contracted-out Monthly rate of pay

Monthly rate of pay	Employee*	Employer**
up to £476	Nil	Nil
£476.01 – £3,656	11%	12.8%
over £3,656	1%	12.8%

COSR – Contracted-out salary related. COMP – Contracted-out money purchase. *Contributions payable only on earnings above £476pm. **Contributions payable on all earnings above £476 pm. Rebate of 3.7% (COSR) or 1.4% (COMP) due on earnings between £421 and £476 pm.

Class 2 – Self-employed £2.40 pw on earnings of £5,075 pa and over.

Class 3 – Voluntary £12.05 pw.

Class 4 – Self-employed 8% of profits between £5,715 and £43,875 pa and 1% thereafter.

PENSION CONTRIBUTIONS

Maximum annual contribution	2009/10 ⁵	2010/11 ⁵
Individual – 100% of relevant earnings up to a maximum of	£245,000	£255,000
Employer – Unlimited, but trigger benefit in kind on individual if 'total pension inputs' ^{1,2} exceed	£245,000	£255,000
Individual's lifetime allowance ^{2,3} Special annual allowance charge (SAAC)	£1,750,000 £130,000 ⁴	£1,800,000 £130,000

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 £150,000 between 22 April 2009 and 9 December 2009.

⁵ Further rules will restrict tax relief from April 2011 although these have not been finalised. Anti-forestalling rules were introduced from 22 April 2009 (for 2009/10 and 2010/11 only) to prevent individuals making annual contributions in excess of £20,000 from benefiting from artificially increasing their annual pension savings before April 2011. For these years, higher rate relief will only be given on the higher of their 'normal pattern of contributions' or £20,000 (or £30,000 in some circumstances).

INHERITANCE TAX

Table of rates on death

Rate of tax	Gross transfers	2010/11
Nil	2009/10	£325,000
40%	£325,000 Excess	Excess

For married couples and civil partners, the proportion of the nil-rate band unused on the first death is available for use, at the rate then prevailing, on the death of the second spouse or civil partner on or after 9 October 2007. It is proposed that the nil rate band will remain at the current level until at least 2014/15.

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 and 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.

CORPORATION TAX

	From 1 April 2008	From 1 April 2011
Small companies' rate (SCR)	21%	20%
SCR limit	£300,000	£300,000
SCR marginal rate limit	£1,500,000	£1,500,000
Fraction in SCR marginal rate band	7/400	7/400
Marginal rate	29.75%	28.75%
Full rate	28%	27%

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CAPITAL ALLOWANCES

Allowance	From April 2010
Annual investment allowance (AIA) – available to all businesses for general plant and machinery, long-life assets and IFs (but not cars)	100% on first £100,000 of expenditure (reduced to £25,000 from April 2012)
General plant and machinery ⁵	20% (reduced to 18% from April 2012)
Long-life assets ^{2,6}	10% (reduced to 8% from April 2012)
Integral features (IFs) ² – includes: lifts; escalators; central heating; air conditioning; electrical lighting; power and water systems; external solar screening.	10% (reduced to 8% from April 2012)
Energy and water-efficient plant and machinery ³	100% ⁴
Cars with low CO ₂ emissions ¹ and Electric Vans	100% ³

¹ Cars emitting no more than 110g/km.

² Long-life assets and IFs are combined in one pool.

³ These take precedence over AIA and do not use up the £100,000 limit.

⁴ Repayable tax credits available to companies only on surrender of losses.

⁵ Including expenditure incurred on cars with CO₂ emissions of 160g/km or less.

⁶ Including expenditure incurred on cars with CO₂ emissions exceeding 160g/km.

VALUE ADDED TAX

Standard Rate	1/12/08 – 31/12/09	From 1/1/10	From 4/1/11
	15%	17.5%	20%
Thresholds		From 1/5/09	From 1/4/10
Registration level – annual turnover		£68,000	£70,000
Deregistration level – annual turnover		£66,000	£68,000

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STAMP DUTY LAND TAX

Rates for freehold land and buildings

Wholly residential	Other
£125,000 ¹ or less	NIL
£125,001 – £250,000 ¹	1%
£250,001 – £500,000	3%
over £500,000	4%
over £1m ²	5%

£150,000 or less	NIL
£150,001 – £250,000	1%
£250,001 – £500,000	3%
over £500,000	4%
over £1m ²	5%

¹ First time buyers will not pay SDLT on residential property transactions up to £250,000 between 25 March 2010 and 25 March 2012.

² For purchases of residential property where the consideration exceeds £1m from 6 April 2011.

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)		(based on NPV)	
up to £125,000*	NIL	up to £150,000	NIL
excess over £125,000*	1%	excess over £150,000	1%

* Between 3 September 2008 and 31 December 2009 the starting threshold for SDLT for most transactions was £175,000. The threshold was reduced back to £125,000 from 1 January 2010.

Disadvantaged areas relief

Disadvantaged areas relief currently only applies to the residential element of 'mixed use' (business and residential) property transactions – for example a shop with a flat above bought together. Use is apportioned on a 'fair and reasonable' basis and if the amount apportioned to the residential element does not exceed £150,000, a separate £150,000 threshold applies to the non-residential element.

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