PENSIONS

Annual contributions of up to 100% of earnings are allowed, subject to a cap of £235,000 (£225,000 – 2007/08). The cap will increase by £10,000 per year until 2010/11.

A lifetime allowance applies. For 2008/09 this will be £1.65 million (£1.6 million – 2007/08), and will increase up to £1.8 million by 2010/11. The lifetime allowance is the aggregate value of the existing pension fund and the deemed value of pension entitlements (whether contributed to by employee or employer) and of contributions being made.

A tax charge will arise if these limits are exceeded.

An election for Enhanced Protection will exempt the individual from the Lifetime Allowance charge provided no contributions or accruals of benefits take place after 5 April 2006. This election has to be made by 5 April 2009.

An election for Primary Protection can be made by individuals with pension pots greater than £1.5 million on 5 April 2006. This protection means that the value of the pension pot will not suffer additional tax charges unless the rate of growth in the value of their fund is greater than the rate of growth in the Lifetime Allowance with any excess growth suffering additional tax charges. This election has to be made by 5 April 2009.

Inheritance tax may be payable on any sum remaining in the pension scheme on death after 75 which is not then available to a spouse or dependent beneficiary.

CORPORATION TAX

Rates

	Year from 1 April 2008 %	2007 %
Small companies rate	21	*20*
Main rate	28	*30*
Marginal relief fractions for profits between marginal limits are: £300,001 – £1,500,000	7/400	*1/40*
Effective rates of tax on such profits are: £300,001 – £1,500,000	29.75	*32.50*

The main rate of corporation tax for the year from 1 April 2009 will be 28%. The small companies rate of corporation tax for the year from 1 April 2009 will be 22%.

Limits

	£	£
Small companies rate limit	300,000	*300,000*
Upper marginal relief limit	1,500,000	*1,500,000*

Marginal relief limits are divided equally between associated companies.

Tax payments

Quarterly payments on account – for large companies (including members of large groups)	Period from start of accounting period
First	6 months and 14 days
Second	9 months and 14 days
Third	12 months and 14 days
Fourth	15 months and 14 days
Small and medium companies	**Period from end of accounting period**
Due date	9 months and 1 day

Growing companies do not have to pay by instalments in the period in which they become large if their profits are less than £10 million.

Tax returns

The filing date is twelve months after the end of the accounting period. Special rules apply for periods of account of greater than twelve months.

CAPITAL ALLOWANCES

First year / Initial allowances

	2008/09 %	2007/08 %
Enterprise zone buildings (to 1 April 2011)/Research and development	100	*100*
Expenditure on renovation or conversion of unused space above certain commercial premises to provide flats to rent	100	*100*
Expenditure on renovation or conversation of vacant business properties in disadvantaged areas (from 11 April 2007)	100	*100*
Designated energy saving plant and machinery	100	*100*
Plant and machinery:		
– annual investment allowance (up to £50,000 of expenditure)	100	*N/A*
– small businesses	-	*50*
– medium businesses	-	*40*
New low emission cars	100	*100*
Equipment for re-fuelling vehicles with natural gas or hydrogen fuel	100	*100*
Environmentally beneficial plant and machinery (excluding long life assets)	100	*100*

Annual writing down allowances

	% of reducing balance	
Long life assets (total cost over £100,000 per annum and life of more than 25 years)	10	*6*
Other plant and machinery	20	*25*
Motor cars (max. £3,000 allowance per car)	20	*25*
Patents and know-how	20	*25*
Integral features of a building	10	*N/A*
	% of original cost	
Industrial and agricultural buildings, hotels and dwelling houses let under assured tenancies	3	*4*

Writing down allowances on industrial and agricultural buildings will be 2% in 2009/10 and 1% in 2010/11. No allowances will be available after 2010/11.

From 1 April 2008, loss making companies investing in qualifying environmentally beneficial and energy saving technologies will be able to surrender losses from qualifying expenditure for a cash payment of 19% of the expenditure, subject to a cap of the higher of £250,000 and the company's PAYE/NIC liability.

CAR & FUEL BENEFITS

Company car benefits

The benefit is calculated using a percentage of list price when new. This percentage is determined by the rate of CO^2 emission. For emissions less than 135g/km (lower threshold) the percentage is 15% (18% if diesel). For each 5g/km by which emissions exceed the lower threshold the percentage is increased by 1%, up to a maximum of 35% (for emissions of 235g/km or more). For emissions less than 120g/km there is a special 10% rate (13% if diesel).

Notes:

1 Manufacturer's list price when new is subject to a maximum of £80,000.
2 Special rules apply for alternative fuel cars and employee capital contributions.
3 For vehicles that meet the definition of company van the benefit is £3,000.

Fuel benefit scale rates

The benefit is calculated by applying the percentage as determined for car benefits to the fixed amount of £16,900 (fixed £500 for vans) a year. The fuel benefit scale charge is reduced to nil if the employee is required to, and does, make good the cost of all fuel provided for private use.

Authorised annual mileage rates

Tax free mileage allowances are 40p per mile on the first 10,000 miles, and 25p thereafter.

VALUE ADDED TAX

Rates

	%
Standard	17.5
Reduced	5.0

Thresholds

	From 1 April 2008 £	2007 £
Registration threshold (for supplies in previous 12 months or next 30 days)	67,000	*64,000*
Deregistration threshold	65,000	*62,000*
Cash accounting scheme	1,350,000	*1,350,000*
Annual accounting scheme	1,350,000	*1,350,000*
Flat rate scheme	150,000	*150,000*
De minimis limits for partial exemption (provided exempt input tax is less than 50% of total input tax)	625 pcm	*625 pcm*

Partially exempt businesses with residual input tax are required to apply an annual adjustment.

STAMP DUTY

	%
Shares and marketable securities	0.5

Instruments executed after 12 March 2008 where stamp duty would be £5 are exempt.

STAMP DUTY LAND TAX

Land and building	**On whole of the consideration**	
Consideration (incl VAT where applicable)	**Residential %**	**Commercial %**
£0 – £125,000	Nil	Nil
£125,001 – £150,000	1	Nil
£150,001 – £250,000	1	1
£250,001 – £500,000	3	3
More than £500,000	4	4

Transfers of residential property in designated disadvantaged areas are exempt up to a value of £150,000. Gifts, testamentary dispositions and certain other transactions are exempt.

From 1 October 2007 for 5 years, buyers of new zero carbon homes and flats will have no SDLT liability on the property's first sale where the home costs up to £500,000. For homes costing more than £500,000 the SDLT will be reduced by £15,000.

Lease rentals and premiums

On leases the charge is 1% of the discounted rental value under the lease on the excess over the £125,000 (£150,000 for commercial).

Returns and payments

Land transaction returns must be filed within 30 days of the effective transaction.
Duty is payable within 30 days of the effective transaction.

TAX DATES: RETURNS & PAYMENTS

Personal and trust tax returns	
2008 paper return	By 31 October 2008
2008 online return	By 31 January 2009

Tax payments	**2008/09**	**2007/08**
First interim income tax payment	31 January 2009	*31 January 2008*
Second interim income tax payment	31 July 2009	*31 July 2008*
Final balancing income tax payment	31 January 2010	*31 January 2009*
Capital gains tax payment	31 January 2010	*31 January 2009*

Professional advice should be sought before taking any action based on this budget summary.

DIXON WILSON
CHARTERED ACCOUNTANTS

TAX DATA 2008/2009

BUDGET EDITION
12 MARCH 2008

ROTHERWICK HOUSE
3 THOMAS MORE STREET
LONDON E1W 1YX

TELEPHONE 020 7680 8100
FAX 020 7680 8101
E-MAIL dw@dixonwilson.co.uk

19 AVENUE DE L'OPERA
75001 PARIS

TELEPHONE +33 1 47 03 12 90
FAX +33 1 47 03 12 85
E-MAIL dw@dixonwilson.fr

www.dixonwilson.com

INCOME TAX

Rates: individuals

	Taxable income £	Dividend income %	Other savings %	Other %
2008/09				
Starting rate band for savings	0-2,320	10	10	N/A
Basic rate band	0-36,000	10	20	20
Higher rate band	Excess	32.5	40	40
2007/08				
Starting rate band	*0-2,230*	*10*	*10*	*10*
Basic rate band	*2,231-34,600*	*10*	*20*	*22*
Higher rate band	*Excess*	*32.5*	*40*	*40*

Dividends are deemed to be the top slice of income in computing the tax liability, followed by other savings income.

From 6 April 2008, foreign dividend income is taxed at 40% if the remittance basis of taxation is claimed.

Allowances: individuals

	2008/09 £	2008/09 %	2007/08 £	2007/08 %
Under 65				
Personal	5,435	100	*5,225*	*100*
Between 65 and 75				
Personal	9,030	100*	*7,550*	*100**
Married Couple	6,535	10*	*6,285*	*10**
Over 75				
Personal	9,180	100*	*7,690*	*100**
Married Couple	6,625	10*	*6,365*	*10**
Other				
Blind Person's Allowance	1,800	100	*1,730*	*100*

* The additional age related allowances are reduced by 50% of the excess of the total income above £21,800 (£20,900 – 2007/08). The minimum Married Couple's allowance after such reduction, if applicable, is £2,540 (£2,440 – 2007/08). The Married Couple's allowance is only available where either spouse was born on or before 6 April 1935.

Rates: UK trusts

	Dividend income %	Other savings income %	Other income %
Life interest and estates in administration	10	20	20
Discretionary/accumulation and maintenance, subject to a standard rate band of £1,000	32.5	40	40

The tax rates for UK Trusts are the same as for 2007/08, except for other income which was taxed at 22% for life interest and estates in administration.

CAPITAL GAINS TAX

Rates

		2008/09 £	2008/09 %	2007/08 £	2007/08 %
On gains of individuals (see notes below)	Any amount		18	*0-2,230* *2,231-34,600* *Excess*	*10* *20* *40*
On gains in UK trusts and estates in administration			18		*40*
On gains in self settlements and certain offshore trusts			18	*On settlor at rates applicable to individuals*	
On "capital payments" from certain offshore trusts	At rates applicable to individuals plus a maximum supplementary charge of 60% of the tax				

Note: For 2007/08 gains of individuals are added to income to determine the rate of tax applicable.

Annual Exemption

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

The annual exemption available to trusts is normally divided equally between all those UK resident trusts made by the same settlor after 6 June 1978. The minimum exemption per trust is one tenth of the full annual exemption for individuals.

Indexation Allowance

Companies receive Indexation Allowance on capital gains as a percentage of base cost, calculated with reference to increases in the Retail Price Index since 31 March 1982 or, if later, the date of acquisition.

Entrepreneurs' Relief

From 6 April 2008 gains made by individuals and by trustees (where a life interest beneficiary has a qualifying interest in the business) on the disposal of the whole or part of a business or relevant shareholding, will qualify for this Relief. Relief will be provided as follows:
– Claims may be made on more than one occasion up to a lifetime limit of £1million.
– The taxable gain is reduced by 4/9ths and tax is charged at 18%, resulting in an effective rate of tax of 10%.
– The asset must have been a qualifying asset for at least one year, and be disposed of within 3 years of ceasing to qualify.

Assets which qualify for Entrepreneurs' Relief include:
– Trading businesses or part of a trading business undertaken personally or in partnership. Property letting and certain other activities are not trading businesses for these purposes.
– Assets used in a trading business carried on by an individual or by a partnership in which the tax payer has an interest.
– Certain other assets disposed of at the same time as selling a business, or part of a business.
– Shareholdings in trading companies or holding companies of a trading group where the individual is a director or employee and holds 5% or more of the share capital.

RESIDENT NON-UK DOMICILIARIES

From 6 April 2008, the remittance basis will only be available to individuals:
– Who have been resident in the UK for less than 7 out of the previous 9 tax years; or
– Who have unremitted annual foreign income and gains of £2,000 or less; or
– Who elect to pay an annual tax charge of £30,000; or
– Who are under the age of 18; or
– Who are dual resident and protected by a double taxation agreement.

In most cases remittance basis users will not be entitled to the annual income tax allowances and capital gains tax annual exempt amount.

When the remittance basis is not claimed, resident non-domiciliaries will be subject to UK taxation on their worldwide income and gains (including deemed income and gains).

INVESTMENTS AND SAVINGS

Enterprise Investment Scheme and Venture Capital Trusts

Income tax relief and maximum qualifying investment per year

	%	£
Enterprise Investment Scheme ("EIS") (subject to EU State Aid approval)	20	500,000
Venture Capital Trust ("VCT")	30	200,000

The minimum period of ownership necessary to avoid withdrawal of income tax relief is three years for EIS and five years for VCT.

Capital gains tax relief
Any investment in an EIS company on which income tax relief has been given will be exempt from capital gains tax on a subsequent disposal after three years, subject to certain conditions. All gains on the disposal of shares in VCTs are exempt.

Capital gains tax deferral
Deferral is available on the value of qualifying shares acquired. Provided the company qualifies, the amount of the investment is not restricted for the purpose of deferring capital gains. Deferral is not available for shares in VCTs acquired after 5 April 2004.

Qualifying activities under both schemes exclude investment activities, farming, forestry, property development, hotels, care homes, shipbuilding, coal and steel production.

Individual Savings Accounts (ISAs)

Maximum limit for 2008/09 is £7,200, up to £3,600 of which can be invested in cash.

The account is free of all income tax and capital gains tax. Eligible holdings are cash, National Savings products, life insurance products, and stocks and shares. Withdrawals may be made from the account at any time without loss of tax relief.

INHERITANCE TAX

Rates

	Transfers on death %	Lifetime transfers %
Gross cumulative chargeable transfers		
£0-£312,000 (*£0-£300,000 – 2007/08*)	Nil	Nil
Excess	40	20

Subject to certain provisions, any unused proportion of the nil-rate band is carried forward to the second death for married couples and civil partners.

Potentially exempt transfers
Inheritance tax does not generally arise on lifetime transfers between individuals.

Reduced tax charge on gifts within seven years of death:

Years before death	0 – 3	3 – 4	4 – 5	5 – 6	6 – 7
% of full tax charge at death	100	80	60	40	20

Credit is given for tax paid on lifetime transfers within seven years of death.

If the value of the lifetime transfer falls within the Nil Rate Band, the above relief may have no effect.

Trusts
Transfers to trusts (other than charitable trusts and trusts for the disabled) are taxed as lifetime transfers.

Discretionary trusts and most trusts created after 22 March 2006 are subject to a 6% IHT charge every 10 years, and an exit charge. From 6 April 2008 existing A&M trusts which do not provide that assets will pass to a beneficiary absolutely at 18 will be subject to 10 yearly IHT charges, subject to special rules for trusts that provide for assets to go to a beneficiary absolutely by age 25.

Interest in possession trusts in existence on 22 March 2006 will be subject to 10 yearly IHT charges, and an exit charge, where changes to beneficiaries' entitlements are made after 5 October 2008, and in certain situations following the death of the life tenant. Charges may arise in other circumstances.

Exemptions and reliefs

	£
Normal expenditure out of income	Exempt
Annual exemption	3,000
Small gifts to same person – per year	250
Spouses and civil partners both with UK domicile	Exempt
Spouses and civil partners where donee is not UK domiciled	55,000
Marriage gifts made by:	
– parent	5,000
– grandparent	2,500
– other person	1,000
Gifts to charities and qualifying political parties	Exempt
Transfers of qualifying heritage assets (subject to various undertakings)	Exempt
Agricultural property relief	**%**
Transfers with vacant possession (or right to obtain within 12 months)	100
Land let under a tenancy for more than 12 months made on or after 1 September 1995	100
Most other cases	50
Business property relief (subject to exclusions)	
Unincorporated businesses	100
Unquoted shares	100
Quoted shares (controlling holding)	50
Land, buildings, machinery or plant used by qualifying businesses	50

Tax payments on chargeable lifetime transfers:

Between 6 April and 30 September 2008	30 April 2009
Between 1 October 2008 and 5 April 2009 and transfers becoming chargeable on death	Six months after end of month of transfer/death

Pre-owned assets

A charge to income tax may arise on benefits received by individuals from having free or low cost enjoyment of assets they formerly owned or funded, subject to some exemptions, including a de minimis of £5,000 a year of the taxable value of the benefit.

For land and buildings the taxable benefit is the open market rent. For chattels and intangible property, the taxable benefit is determined by applying a rate of interest to the capital value of the asset. The interest rate is set at 5%. Most assets are to be revalued every 5 years.

NATIONAL INSURANCE CONTRIBUTIONS

Class 1	2008/09 Weekly earnings £	2008/09 %	2007/08 Weekly earnings £	2007/08 %
Not contracted out of SERPS				
Primary contributions, mainly for employees	0-105 105-770 Over 770	Nil 11.0 1.0	*0-100* *100-670* *Over 670*	*Nil* *11.0* *1.0*
Secondary contributions, mainly for employers	Over 105	12.8	*Over 100*	*12.8*
Contracted out of SERPS				
Primary contributions, mainly for employees	0-105 105-770 Over 770	Nil 9.4 1.0	*0-100* *100-670* *Over 670*	*Nil* *9.4* *1.0*
Secondary contributions, mainly for employers	105-770 Over 770	9.1-11.4* 12.8	*100-670* *Over 670*	*9.1-11.4** *12.8*
Class 1A /1B (employers) on benefits in kind	No limit	12.8	*No limit*	*12.8*
		Weekly charge		Weekly charge
Class 2 (self-employed)	Over 93	£2.30	*Over 89*	*£2.20*
Class 3 (voluntary)		£8.10		*£7.80*
	Annual profit	%	Annual profit	%
Class 4 (self-employed)	£5,435-£40,040 Over £40,040	8.0 1.0	*£5,225-34,840* *Over £34,840*	*8.0* *1.0*

*The applicable rate depends on the type of pension scheme.

From 6 April 2009 the upper earnings limit for National Insurance will be aligned with the higher rate threshold for income tax.

Notification of commencement of self-employment and liability to Class 2 must be made to the Inland Revenue within 3 months of commencement of trade.

CHILD TAX CREDIT

Child tax credits consist of a basic element and a childcare addition.

Individuals and their partner must work sixteen hours a week to qualify for the childcare addition. It is necessary to use an approved childcare provider (one who is registered with a local authority or OFSTED).

The level of tax credit available depends on the joint income of the individual and their partner, if any. The maximum tax credit for 2008/09 is £13,480 for one child (£20,765 for two children) with a gradual reduction to £nil for annual income above £58,171 (£106,504 for two children).