

INCOME TAX

Rates: individuals	Taxable income	Dividend income	Other savings	Other
	£	%	%	%
2010/11				
Starting rate band for savings	0-2,440	10	10	N/A
Basic rate band	0-37,400	10	20	20
Higher rate band	37,400-150,000	32.5	40	40
Additional rate band	Excess	42.5	50	50

2009/10				
Starting rate band for savings	0-2,440	10	10	N/A
Basic rate band	0-37,400	10	20	20
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.

If the remittance basis of taxation is claimed, foreign dividend income is taxed at the rate applicable to other income.

Allowances: individuals	2010/11	2009/10		
	£	%	£	%
Under 65				
Personal	6,475	100	6,475	100
Between 65 and 75				
Personal	9,490	100*	9,490	100*
Over 75				
Personal	9,640	100*	9,640	100*
Married Couple	6,965	10*	6,965	10*
Other				
Blind Person's Allowance	1,890	100	1,890	100

* The additional age related allowances are reduced by 50% of the excess of the total income above £22,900. The minimum Married Couple's allowance after such reduction, if applicable, is £2,670. The Married Couple's allowance is only available where either spouse was born on or before 6 April 1935.

From 6 April 2010, personal allowances for those with taxable income in excess of £100,000 will be reduced by £1 for every £2 of taxable income in excess of £100,000.

Rates: UK trusts	Dividend income	Other savings income	Other income
	%	%	%
Life interest and estates in administration	10	20	20
Discretionary, subject to a standard rate band of £1,000	42.5	50	50

For 2009/10, the trust rate, which applies to discretionary trusts, is 40% (32.5% for dividend income).

CAPITAL GAINS TAX

Rates	2010/11	2009/10
	%	%
Gains of individuals (see notes below)	18	18
Gains in UK trusts and estates in administration	18	18
Gains in self settlements and certain offshore trusts	18	18

"Capital payments" from certain offshore trusts are chargeable at the rates applicable to individuals plus a maximum supplementary charge of 60% of the tax.

Annual Exemption	2010/11	2009/10
	£	£
Individuals	10,100	10,100
Trustees	5,050	5,050

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 £2million, of which up to £1million can be claimed for gains arising before 6 April 2010.
- The taxable gain is reduced by 1/3ths 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 (OR RESIDENT BUT NOT ORDINARILY RESIDENT 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")	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 (EIS only)

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.

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

Individual Savings Accounts (ISAs)

From 6 April 2010, the limit is £10,200 (2009/10 – £7,200), up to £5,100 (2009/10 – £3,600) of which can be invested in cash.

For individuals aged 50 or over the limit for 2009/10 increased from 6 October 2009 to £10,200, up to £5,100 of which can be invested in cash.

The limits will rise in line with inflation.

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-£325,000	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 exit charges. 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 exit charges, 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)	%
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 2010	30 April 2011
Between 1 October 2010 and 5 April 2011	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	2010/11	2009/10
	Weekly earnings	Weekly earnings
	£	£
Not contracted out of SERPS	%	%
Primary contributions, mainly for employees	0-110 Nil 110-844 11.0 Over 844 1.0	0-110 Nil 110-844 11.0 Over 844 1.0
Secondary contributions, mainly for employers	Over 110 12.8	Over 110 12.8
Contracted out of SERPS		
Primary contributions, mainly for employees	0-110 Nil 110-844 9.4 Over 844 1.0	0-110 Nil 110-844 9.4 Over 844 1.0
Secondary contributions, mainly for employers	110-844 9.1-11.4* Over 844 12.8	110-844 9.1-11.4* Over 844 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 98 £2.40	Over 98 £2.40
Class 3 (voluntary)	£12.05	£12.05
	Annual profit	Annual profit
	%	%
Class 4 (self-employed)	£5,715-£43,875 8.0 Over £43,875 1.0	£5,715-£43,875 8.0 Over £43,875 1.0

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

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.

From 6 April 2011, the rates for Class 1 primary contributions will be 12% and 2%, Class 2 secondary contributions and Class 1A/1B contributions will be 13.8% and Class 4 contributions will be 9% and 2%. The primary threshold will be increased by £570 to compensate low earners.

PENSIONS

Annual contributions of up to 100% of earnings are allowed, subject to a cap of £255,000 which will remain in force to 2015/16 (£245,000 – 2009/10).

A lifetime allowance applies. For 2010/11 to 2015/16 this will be £1.8million (£1.75million 2009/10). 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 the contributions made.

A tax charge will arise if these limits are exceeded.

Pensions – restricted tax relief for the higher paid

From April 2011, pension relief for the higher paid will be restricted. The restriction will start where total income is £150,000 or more. Tax relief will then taper so that for those with income of £180,000 or more tax relief will only be available at 20%. Individuals with income of less than £130,000 should not be affected.

Pensions anti-forestalling legislation applies for 2009/10 and 2010/11 to prevent individuals obtaining higher rate relief on pension contributions over and above their normal regular pattern or above the limit set of between £20,000 and £30,000. The limit applicable to an individual will depend on their history of contributions in the 3 previous fiscal years. These rules will apply to those earning in excess of £130,000.

Any contributions over the limits will have relief restricted to basic rate tax by virtue of a tax charge.

Minimum retirement age increases from 50 to 55 from 6 April 2010 for those with a private pension.

Inheritance tax and pensions

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	
	2010	2009
	%	%
Small companies rate	21	21
Main rate	28	28
Marginal relief fractions for profits between marginal limits are: £300,001 – £1,500,000	7/400	7/400
Effective rates of tax on such profits are: £300,001 – £1,500,000	29.75	29.75

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	2010/11	2009/10
	%	%
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 conversion of vacant business properties in disadvantaged areas	100	100
Designated energy saving plant and machinery	100	100
Plant and machinery: – Annual Investment Allowance (“AIA”) (up to £100,000 (2009/10 – £50,000) of expenditure)	100	100
– First year allowance (expenditure above AIA)	N/A	40
New low emission cars (CO ₂ < 110g/km)	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	10
Other plant and machinery	20	20
Motor cars – CO ₂ < 160g/km – CO ₂ > 160g/km	20	20
Patents and know-how	25	25
Integral features of a building	10	10

	% of original cost	
Industrial and agricultural buildings, hotels and dwelling houses let under assured tenancies	1	2

No allowances on industrial or agricultural buildings will be available after 2010/11.

Motor cars purchased before April 2009 continue to have writing down allowances of 20% limited to a maximum of £3,000 per annum.

Loss making companies investing in qualifying environmentally beneficial and energy saving technologies can 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 CO₂ emission. The lower threshold is 135g/km for 2009/10 and 130g/km for 2010/11. For emissions less than the 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 (cap to be removed from 2011/12).
- 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 £18,000 (fixed £550 for vans) for 2010/11 and £16,900 (fixed £500 for vans) for 2009/10. 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 (from 1 January 2010)	17.5	
Reduced	5.0	

Thresholds	From 1 April 2010	1 May 2009
	£	£
Registration threshold (for supplies in previous 12 months or next 30 days)	70,000	68,000
Deregistration threshold	68,000	66,000
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	%
Instruments executed after 12 March 2008 where stamp duty would be £5 are exempt.	0.5

STAMP DUTY LAND TAX

Land and buildings Consideration (incl VAT where applicable)	On whole of the consideration	
	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

Between 25 March 2010 and 25 March 2012 first time buyers can claim relief from SDLT on residential transactions up to £250,000.

There will be a new higher rate of SDLT of 5% for purchases of residential property from 6 April 2011 where the consideration exceeds £1 million.

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 22 April 2009 relief from SDLT will be available for all leaseholders who are exercising the statutory right to enfranchise their leases.

Until 30 September 2012, 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 £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	By 31 October 2010	
2009/10 paper return		By 31 January 2011
2009/10 online return		
Tax payments	2010/11	2009/10
First interim income tax payment	31 January 2011	31 January 2010
Second interim income tax payment	31 July 2011	31 July 2010
Final balancing income tax payment	31 January 2012	31 January 2011
Capital gains tax payment	31 January 2012	31 January 2011

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