

## Income Tax Rates and Bands

(2010/11 figures in brackets)	Dividends	Interest	Other
The first £2,560 (£2,440)	10%* (10%)	10%* (10%)	20% (20%)
£2,561 - £35,000 (£2,441 - £37,400)	10% (10%)	20% (20%)	20% (20%)
£35,001 - £150,000 (£37,401 - £150,000)	32.5% (32.5%)	40% (40%)	40% (40%)
Over £150,000 (Over £150,000)	42.5% (42.5%)	50% (50%)	50% (50%)

\* 10% applies to interest and dividends only. Dividends are treated as the top slice of total income, interest next. If non-savings income is in excess of £2,560 the 10% rate band does not apply.

**Discretionary and Accumulation & Maintenance Trusts:** 42.5% on dividends (42.5%), otherwise 50% (50%), save that the first £1,000 (£1,000) income is taxed at 10% or 20% according to its nature, and trusts for the most vulnerable may elect that the trust income is taxed as the beneficiary's. **Construction industry sub-contractors:** tax deduction on account 20%, or 30% if the sub-contractor is unregistered.

## Allowances

Relief at individual's top tax rate	2011/12 £	2010/11 £
<b>Personal</b>		
under 65*	7,475	6,475
aged 65-74*	9,940	9,490
75 or over*	10,090	9,640
<b>Blind person's allowance</b>	1,980	1,890
<b>Married Couple's Relief at 10%*</b> (only available to those born before 6 April 1935)	7,295	6,965

\* Reduced by £1 for every £2 of income in excess of £100,000 regardless of age. From 6 April 2012 this allowance will be £8,105. The basic rate upper limit will be reduced to £34,370.

\*\* The additional allowances for those aged over 64 are reduced by £1 for every £2 of income in excess of £24,000 (£22,900), to a minimum allowance of £7,475 (£6,475) for the personal allowance and £2,800 (£2,670) for the married couple's allowance.

## Pension contributions

**Income tax relief** is available on all pension contributions made by an individual under 75 up to a maximum of earnings or, if more £3,600. Employees are not taxable on their employer's contributions, or on benefits accrued under a defined benefit pension scheme as a benefit. But a tax charge will arise at an individual's top rate (but 40% in 2010/11) if total pension inputs (i.e. including their own contributions) in pension input periods ending in the tax year exceed the annual limit.

For 2011/12 the limit is £50,000 (2010/11 £235,000), with transitional relief for pension inputs before 14 October 2010; increased by any amounts by which pension inputs fell short of £50,000 in the 3 preceding years (if the individual was a member of a registered pension scheme in that year).

## Capital Gains Tax

Annual exemption	2011/12	2010/11
Individuals, personal representatives* and certain trusts**	£10,600	£10,100

\*For year of death & following 2 years. \*\*For persons mentally disabled or in receipt of attendance allowance or disability living allowance, divided by the number of such trusts created after 9 March 1981 by the same settlor, with a minimum of £1,060 (2010/11 £1,010)

Other trusts	2011/12	2010/11
	£5,300	£5,050

Shared between trusts created after 6 June 1978 by a settlor (minimum £1,060 (2010/11 £1,010))

## Rates of tax

Gains, not eligible for entrepreneurs' relief, realised before 23 June 2010 18%, otherwise 28% unless the individual's total taxable income and gains (net of capital losses in the whole tax year and the annual exemption) is less than the basic rate band, in which case gains are taxed at 18%.

## Entrepreneurs' Relief

Reduced 10% rate on gains up to the lifetime limit realised on qualifying disposals by an individual or by trustees. Lifetime limit: 6 April 2010 to 22 June 2010 - £2 million, 23 June 2010 to 5 April 2011 - £5 million, after 5 April 2011 - £10 million

## Qualifying disposals by an individual:

- a disposal of the whole or part of a business (defined as a trade, profession or vocation), including an interest as a partner, if the business is owned by the individual throughout the 12 months ending with the disposal;
- a disposal of assets in use for the purposes of the business if the individual owned the business throughout the 12 months ending when the business ceases to be carried on and if the disposal is within 3 years of that cessation; or
- a disposal of shares in a trading company or the holding company of a trading group if, either throughout the 12 months ending with the disposal, the individual holds at least 5% of the ordinary share capital and at least 5% of the voting rights as a result and is a director or employee of that company (or of a member company of that trading group) or those conditions were fulfilled for the 12 months ending when the company ceased to be a trading company or the holding company of a trading group and the disposal is within 3 years of that cessation.

## Qualifying disposals by trustees:

- a disposal of assets in use for the purposes of a business carried on by an individual with an interest in possession in those trust assets or
- a disposal of shares in a trading company or the holding company of a trading group if, throughout the 12 months ending not more than 3 years before the disposal, an individual with an interest in possession in those trust assets personally holds at least 5% of the ordinary share capital and at least 5% of the voting rights as a result and is a director or employee of that company (or of a member company of that trading group).

## Inheritance Tax

Rates at death	From 6 April 2011	From 6 April 2010
nil	Up to £325,000	Up to £325,000
40%	Over £325,000	Over £325,000

Lifetime chargeable transfers are charged at 20%.

Transfers between spouses are exempt except when transferor is UK domiciled and transferee is not, when the exemption is £55,000 "overall limit".

Business property relief is 100% for shares in most unquoted trading companies and for most unincorporated trading businesses.

Agricultural property relief is 100% for qualifying holdings of agricultural land.

Annual exemption for lifetime gifts is £3,000.

Small gifts annual exemption per donee is £250.

Regular gifts out of income are exempt provided that the donor can maintain his or her usual standard of living without resorting to capital.

## Reduced tax charge on transfers within seven years of death

Years between gift and death	0-3	3-4	4-5	5-6	6-7
% of tax chargeable on death	100%	80%	60%	40%	20%

## Stamp Duty and Stamp Duty Land Tax

### Interests in land and in certain partnerships (to the extent of their interest in land)

	Residential	Non-residential
£0 - £125,000	nil	nil
£125,001 - £150,000	1%*	nil
£150,001 - £250,000	1%*	1%
£250,001 - £500,000	3%	3%
£500,001 - £1 million	4%	4%
Over £1 million	5%	4%
Net present value of lease rentals**	1%	1%

### Transfer for consideration\*\*\*

Shares and marketable securities (not loan stocks)	0.5%
--	------

\* nil for first time buyers

\*\* to the extent it exceeds £150,000 (non-residential) or £125,000 (residential - £250,000 for first-time buyers)

\*\*\*and certain transfers of land to a connected company and in connection with partnerships, where market value is substituted if more than actual consideration

## Corporation Tax

Rates and bands	Year to 31.03.2012	Year to 31.03.2011
Main rate*	26%	28%
Small companies rate	20%	21%
Small companies limit**	£300,000	£300,000
Small companies marginal band**	£300,000 - £1.5m	£300,000 - £1.5m
Marginal rate	27.50%	29.75%

\* The main rate will drop a further 1% in each of the following 3 years to reach 23% in 2014/15

\*\*Shared between active associated companies. The small companies rate is not available to a 'close investment-holding company'.

For OEICs and authorised unit trusts the applicable corporation tax rate is 20%

## Value Added Tax (VAT)

	From 4 January 2011	From 1 April 2010
Standard Rate	20%	17.5%
	From 1 April 2011	From 1 April 2010
Registration level	£73,000	£70,000
De-registration level	£71,000	£68,000

## VAT on Private Fuel

VAT payable per three month period when fuel is provided for private motoring. For the first VAT accounting period starting after 30 April 2011 the amount of VAT is dependent on the CO<sub>2</sub> emissions band, and ranges from £157 per qr. if 120g/km or less to £551 if 225g/km or more

## Main Capital Allowances from April 2011

Plant and machinery generally	
Annual investment allowance (on up to £100,000*)	100%
Annual writing-down allowance (but 10% for integral features and cars with CO <sub>2</sub> emissions over 160 g/km)**	20%
Industrial buildings writing down allowance	1%

\* Expenditure on plant & machinery other than cars. The allowance is shared by companies in a group. (£100,000 - 2010/11). Reducing to £25,000 from April 2012.

\*\* Reducing to 18% from April 2012 (8% for integral features)

## Motor Car Benefits

The taxable benefit is a percentage of the car's list price (post 6 April 2011 - no cap; previously list price capped to £80,000 if less). If a car is at least 15 years old and worth £15,000 or more, market value is adopted for list price.

For cars registered after 1997 with approved CO2 emissions no higher than 125 g/km (2010/11 - 130 g/km) the benefit is 15% of list price (18% if diesel), increased by 1% for every 5 g/km over that level to a maximum of 35%. The taxable benefit for such cars with CO2 emissions not exceeding 120 g/km is 10% of list price (13% if diesel).

For cars registered before 1998, or after 1997 without approved CO2 emissions, the benefit is as follows

Engine Size	Registered after 1997	Registered before 1998
0 – 1400cc	15% (18% if diesel)	15%
1401cc – 2000cc	25% (28% if diesel)	22%
Over 2000cc	35%	32%
Electric cars	0%	0%
Others with no cylinder capacity	35%	32%

The annual benefit charge will be 5% of the list price of cars with a CO2 emissions no greater than 75g/km from 6 April 2010 to 5 April 2015, subject to the diesel charge where appropriate.

## Fuel benefits (cars & vans)

Where the employer also provides fuel for private motoring in a car provided to an employee, a further benefit is taxable. For 2011/12, it is the 'car benefit percentage' of £18,800 (2010/11 - £18,000). This figure is also subject to NIC for employers. Where fuel for private use of a van (not over 3,500kg) is provided, a benefit charge of £550 applies (2010/11 £550)

A 2% discount on the company car fuel multiplier for benefits in kind applies if the car is capable of being run on E85 fuel (unleaded petrol mixed with 85% bioethanol)

## Tax-free mileage allowances

First 10,000 miles 45p per mile (2010/11 - 40p per mile) Balance 25p per mile

## Advisory fuel rates

Advisory fuel rates for company cars (per mile) from 1 March 2011.			
	LPG	Diesel	Petrol
1400cc or less	10p	13p	14p
1401 – 2000cc	12p	13p	16p
over 2000cc	17p	16p	23p

## Motor Van Benefits

The annual benefit taxable for an employee's private use of a van (not over 3,500kg) is £3,000. This amount is reduced if the van is not used for the whole tax year or, if someone else also uses the van for private travel or if something is paid for using the van privately.

## National Insurance Contributions

	2011/12	2010/11
<b>Class 1 Employees' contributions (weekly)</b>		
On earnings up to £139 (2010/11 £110)	Nil	Nil
On earnings between £139 and £817 (2010/11 £110 and £844)	12%	11%
On earnings over £817 (2010/11 £844)	2%	1%
<b>Class 1 Married women's contracted-out rebate (weekly)</b>		
On earnings between £102 and £817 (2010/11 £97 and £844)	1.6%	1.6%
<b>Class 1 Married women's reduced rate (weekly)</b>		
On earnings between £139 and £817 (2010/11 £110 and £844)	5.85%	4.85%
On earnings over £817 (2010/11 £844)	2%	1%
<b>Class 1 Employers' contributions (weekly)</b>		
On earnings up to £136 (2010/11 £110)	Nil	Nil
On earnings over £136 (2010/11 £110)	13.8%	12.8%
<b>Class 1 Employers' contracted-out rebate (weekly)</b>		
On earnings between £102 and £817 (2010/11 £97 and £844)		
Salary-related schemes	3.7%	3.7%
Money purchase schemes	1.4%	1.4%
<b>Class 1A</b>		
Employers' contributions on taxable benefits in kind	13.8%	12.8%
<b>Class 2</b>		
Self-employed contributions (weekly)	£2.50	£2.40
Small earnings exception (annual)	£5,315	£5,075
<b>Class 3</b>		
Voluntary contributions (weekly)	£12.60	£12.05
<b>Class 4 Self-employed (annual profit related)</b>		
On profits between £7,225 and £42,475 (2010/11 £5,715 and £43,875)	9%	8%
On profits over £42,475 (2010/11 £43,875)	2%	1%

## For further information, please contact one of our four offices:

### LONDON

10 Orange Street  
Haymarket  
London  
WC2H 7DQ  
T +44 (0)20 7312 0000  
F +44 (0)20 7312 0022  
E advice@shipleys.com

### GODALMING

3 Godalming Business Centre  
Woolsack Way  
Godalming, Surrey  
GU7 1XW  
T +44 (0)1483 423607  
F +44 (0)1483 426079  
E godalming@shipleys.com

### BIRMINGHAM

2nd Floor  
3 Brindley Place  
Birmingham  
B1 2JB  
T +44 (0)121 698 8566  
F +44 (0)121 698 8500  
E birmingham@shipleys.com

### SAFFRON WALDEN

Market House  
10 Market Walk  
Saffron Walden, Essex  
CB10 1JZ  
T +44 (0)1799 521301  
F +44 (0)1799 523854  
E saffron@shipleys.com

## www.shipleys.com

Registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales.

© Shipleys 2011 4

# Tax Facts 2011/2012