

Tax Facts

## Annual tax rates and allowances

2007/08

Grant Thornton 

Construction Industry Scheme

**Benefit in kind**

Capital allowances

**Income tax**

TAX CREDITS

**Inheritance tax**

CAPITAL GAINS TAX

Personal allowances

NATIONAL INSURANCE

**VAT**

Corporation tax

Stamp Duty Land Tax

**Tax reliefs**

PENSIONS

Grant Thornton produces **Tax Facts** every year after the Budget. This booklet summarises the taxation allowances and reliefs available for 2007/08.

In-depth analysis of the budget can be found on our website at **[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)**

The figures contained in this booklet are subject to amendment as the Finance Bill passes through Parliament.

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# Personal taxation

## Income tax rates

Taxable income		Rate	Cumulative tax	
2007/2008	2006/2007		2007/2008	2006/2007
£	£	%	£	£
<b>1 - 2,230*</b>	1 - 2,150*	10	<b>223.00</b>	215.00
<b>2,231 - 34,600†</b>	2,151 - 33,300†	22	<b>7,344.40</b>	7,068.00
<b>over 34,600</b>	over 33,300	40	<b>-</b>	-

- Savings income (excluding dividends) is taxed at 10% within the starting rate band and at 20% within the basic rate band.
- Rate applicable to discretionary and accumulation and maintenance trusts is 40% above standard rate band of £1,000; within this band tax rate is 10%, 20% or 22% depending on nature of income.
- See opposite re dividends.

\* Starting rate band

† Basic rate band

## Personal allowances

	2007/2008	2006/2007
	£	£
<b>Personal</b>		
Age under 65	<b>5,225</b>	5,035
Age 65 - 74	<b>7,550</b>	7,280
Age 75 and over	<b>7,690</b>	7,420
<b>Married couple's*†‡</b>		
Age less than 75 and born pre 6 April 1935	<b>6,285</b>	6,065
Age 75 and over	<b>6,365</b>	6,135
<b>Age allowance income limit for full relief§¶</b>	<b>20,900</b>	20,100
<b>Blind person'sΔ</b>	<b>1,730</b>	1,660

\* Relief is restricted to 10%.

† Part or the full amount of the allowance may be transferred to the spouse (wife for marriages pre 6 December 2005) or civil partner.

‡ Applies only where at least one spouse or civil partner was born pre 6 April 1935.

§ Personal allowance for age 65 and over reduced by £1 for every £2 income in excess of limit until basic personal allowance of £5,225 (£5,035 2006/2007) is reached.

¶ Married couple's allowance reduced by £1 for every £2 income in excess of limit until minimum allowance of £2,440 (£2,350 2006/2007) is reached.

Δ Any surplus can be transferred to the spouse or civil partner.

## **Taxation of dividends**

- On the gross amount\* at the rate of:
  - 10% for starting and basic rate taxpayers (liability covered by tax credit)
  - 32½% for higher rate taxpayers (equivalent to effective rate of 25% of dividend received)
  - 32½% for discretionary and accumulation and maintenance trusts (equivalent to effective rate of 25% of dividend received)†.
- Shareholders are not entitled to repayment of tax credits.
- From 1 January 2007 certain distributions from real estate investment trusts are treated as UK property income rather than dividend income (unless recipient resident in a country with a tax treaty with the UK).

\* Dividend received plus tax credit.

† Unless income does not exceed the trust standard rate band of £1,000.

## **Personal income tax reliefs**

### **Payments on loss of office**

- £30,000 exempt (subject to conditions).

### **Maintenance to ex-spouse/civil partner**

- Relief on maximum of £2,440 (£2,350 2006/2007) unless obligation existed on 15 March 1988.
- Relief restricted to 10%.
- Applies only where either party was born pre 6 April 1935.

### **Life assurance relief**

- Relief on pre 14 March 1984 policies 12½%.

### **Rent a room relief**

- Rent received on furnished accommodation in an individual's only or main residence is tax free up to a maximum of £4,250 per tax year.

## Benefits in kind

**For directors, and employees earning at the rate of £8,500 or more per tax year including expense payments and benefits.**

### Cars and fuel

- Benefit based on set percentage applied to list price (including accessories)\* for a car and £14,400 for fuel.
- Set percentage, in most cases between 15% and 35%, determined by carbon dioxide emissions for car in grams per kilometre (g/km).
- Emissions not exceeding 140g/km (135g/km 2008/2009 onwards) 15%
  - increase for each additional whole 5g/km 1%
  - supplement for cars running solely on diesel† 3%
  - maximum percentage 35%
- Special rules for alternative and mixed fuel cars, classic cars, automatic cars for disabled employees, cars without a carbon dioxide emissions figure and those registered pre 1 January 1998.
- Car benefit reduction available for capital (maximum £5,000) and private use contributions.
- Benefit reduced on a pro-rata basis if car or fuel not available for whole year subject to fuel anti-avoidance provisions.
- No fuel benefit if employee required to pay for and actually pays for all private fuel or if fuel is only provided for business journeys.

\* Maximum price £80,000 after deducting any allowable capital contributions.

† Excludes Euro IV diesels registered before 1 January 2006.

### Vans

	Under 4 years old*		4 years and over*	
	2007/2008	2006/2007	2007/2008	2006/2007
	£	£	£	£
Not over 3.5 tonnes	3,000†‡	500†	3,000†‡	350†
Over 3.5 tonnes	nil§	nil§	nil§	nil§
Fuel for private use	500¶	nil	500¶	nil

\* At the end of the tax year.

† Per van – reduced by private use contribution and where the van is unavailable or shared.

‡ Nil if private use restricted to home to work travel.

§ Unless used wholly or mainly for private purposes.

¶ No fuel benefit if employee required to pay for and actually pays for all private fuel or if fuel is only provided for business journeys.

## **Cheap loans**

- Benefit equivalent to excess of official rate\* over interest charged.
- Exempt if loans total no more than £5,000.

\* 5% for 2006/2007 but subject to confirmation for 2007/2008 (different rates may apply to foreign currency loans).

## **Key reliefs for all employees**

### **Childcare**

- No income tax liability for:
  - employer provided nurseries
  - up to £55 per week for childcare vouchers per week or directly contracted childcare.

### **Green transport**

- No income tax liability on:
  - works' buses or minibuses, or subsidies to public bus services
  - loan of cycles and cycling safety equipment used mainly for qualifying journeys including home to workplace travel.

### **Incidental costs of homeworking**

- No income tax liability for reasonable additional household expenses incurred in carrying out duties at home under homeworking arrangements.
- Claims over £2 per week require documentary evidence.

### **Incidental overnight expenses**

- Payments to employees on qualifying trips:
  - no income tax liability if employer pays up to £5 per night for UK trips or £10 per night for trips partly or wholly overseas
  - taxable in full if limit per trip exceeded.

### **Long service awards**

- No income tax liability for non-cash gifts (subject to exceptions):
  - to mark at least 20 years service with same employer
  - up to £50 per year of service in respect of which award is made.

### **Mobile phones**

- No liability to income tax for loan of mobile phones to employees subject to limit of one phone per employee.

### **Parking provision and expenses**

- No income tax liability for the provision of workplace parking:
  - includes space for car, van, motorcycle or cycle
  - within reasonable distance of workplace.

### **Relocation expenses**

- No income tax liability on removal benefits and payment or reimbursement of removal expenses up to £8,000 in connection with an employee's change of residence.\*

### **Annual staff parties**

- No income tax liability on cost of party if VAT inclusive amount, aggregated if more than one, does not exceed £150 per head per annum.

\*Detailed rules apply.

## **Advisory fuel rates for company cars**

From 1 February 2007\*

<b>Engine size</b>	<b>Petrol</b>	<b>Diesel</b>	<b>LPG</b>
1400cc or less	9p	9p	6p
1401 - 2000cc	11p	9p	7p
Over 2000cc	16p	12p	10p

- Can be used where employers:
  - reimburse employees for business travel in company cars
  - require employees to repay fuel costs for private travel.
- Employers can set alternative supported rates.
- Subject to periodic review.

\* Transitionally the previous rates could be used up to 28 February 2007.

## **Tax free approved mileage rates**

Statutory maximum amounts payable to employees for using their own transport for business purposes.

	Per mile
<b>Cars and vans (regardless of cylinder capacity)</b>	
1 - 10,000 miles in tax year	40p
Excess over 10,000 miles	25p
<b>Motorcycles</b>	24p
<b>Cycles</b>	20p
<b>Passengers*</b>	5p

\* Paid to driver for each fellow employee passenger carried on same business trip to encourage car sharing.

## **Enterprise Investment Scheme (EIS)\***

### **Income tax**

- Relief at 20% of subscription†.
- Relief on subscriptions of up to £400,000 per tax year.
- Minimum subscription £500 per scheme per tax year unless through an approved fund.
- One year carryback available for the lesser of £50,000 and 50% of amount invested in shares issued before 6 October in tax year.
- Holding period 3 years from later of issue date and commencement of relevant trade.

### **Capital gains tax**

- Where income tax relief has been obtained original investor exempt from capital gains tax on disposal after 3 years.
- Chargeable gains on any assets can be deferred by reinvestment into EIS shares.
- Losses on the first disposal of shares can be relieved against income or capital gains.
- No limit on amount of gains that may be reinvested.
- Reinvestment must occur from 1 year before to 3 years after date of gain.
- Taper relief period continues on serial EIS investments from 6 April 1999, provided first EIS shares acquired after 5 April 1998.

\* Qualification rules are complex, HM Revenue & Customs' approval required.

† Limited to tax liability for year of investment

## **Venture Capital Trusts (VCT)\***

- Income tax relief at 30% of subscription†.
- Relief on subscriptions of up to £200,000 per tax year.
- Shareholders exempt from tax on dividends.
- Disposals exempt from capital gains tax.
- Income tax relief holding period 5 years (3 years for shares issued prior to 6 April 2006).

\* Qualification rules are complex, HM Revenue & Customs' approval required.

† Limited to tax liability for year of investment

## **Approved employee share schemes**

### **Enterprise Management Incentive (EMI)**

- No formal approval required (advance assurance available).
- Maximum value of shares over which unexercised options exist not to exceed £3 million per company at any time, based on grant price.
- Available to qualifying trading companies with gross assets of no more than £30 million at time of grant.
- Maximum market value on grant of unexercised qualifying options in one company or group £100,000 per eligible employee (includes existing CSOP options).
- Option must be capable of exercise within 10 years from grant, tax charges can arise if exercised after this period.
- No tax or NIC payable at time of grant.
- No tax or NIC on exercise if exercise price is at least market value at date of grant subject to disqualifying event provisions.
- Sale of shares subject to capital gains tax.
- Shares qualify for taper relief from date options granted.

### **Share Incentive Plan (SIP)**

- Shares must be non-redeemable, fully paid, ordinary shares, but can be of a special class.
- Must be available to all employees satisfying eligibility requirements.
- Dividends can be reinvested tax free into further shares (dividend shares) to a maximum of £1,500 per person per tax year.
- Free, matching or partnership shares can be awarded.
- Income tax free award if qualifying conditions met.

### **Free shares**

- Maximum of £3,000 worth of shares per tax year can be given per employee.
- Minimum holding period must be at least 3 years but may be up to 5 years at the option of the company
- Must be held for 5 years to benefit from full income tax relief.
- Allocation may be conditional on achievement of performance targets.

### **Partnership shares**

- Deduction made from employees' salaries to purchase shares.
- Full tax relief on purchased shares.
- Maximum £1,500 per tax year subject to overall maximum of 10% of salary.
- Minimum specified salary deduction must not be greater than £10 per month.
- Company may specify the maximum number of shares in an award.
- Must be held for 5 years to benefit from full tax relief.

### **Matching shares**

- Employers can give up to 2 matching shares for each partnership share.
- Must be of same class and carry same rights as partnership shares.
- Subject to same minimum holding period and tax relief as free shares.

### **Dividend shares**

- Minimum holding period of 3 years.

### **Save As You Earn (SAYE) Option Scheme**

- Must be available to all eligible employees.
- Monthly contributions must not exceed £250.
- Savings contracts agreed term of either 3 or 5 years.
- May grant at up to 20% discount on market value.
- Gain or bonus on exercise at end of term is tax free.

### **Company Share Option Plans (CSOP)**

- Maximum value of shares under options £30,000 per employee at date of any grant.
- Exercise price must be not manifestly less than market value of shares at time of grant.
- No tax on grant or exercise if option exercised within 3 to 10 years after grant.
- Taper relief from date of exercise.

### **Corporation tax relief**

- Available for most employee share awards in the employer or parent.
- A deduction is typically available on the difference between the market value of shares at the time of exercise and the amount the employee actually pays.

## **Individual Savings Accounts (ISA)**

- Tax exemption for investments in shares and cash.
- Annual investment limit £7,000 with £3,000 maximum in cash.
- No lock-in of capital.
- No minimum subscription.
- Available to individuals aged 16 or over for cash only ISA, 18 or over for others.

## **Child trust fund**

- Long term savings and investment account set up by the Government.
- Applies to all children born after 31 August 2002 living in the UK for whom child benefit can be claimed.
- £250 voucher provided to child benefit claimant.
- Further £250 voucher to those claiming child tax credit.
- Additional payment by the Government of £250 when aged seven.
- Further £250 when aged seven to those claiming tax credit.
- Maximum contribution from parents, family and friends £1,200 per annum.
- Income and gains arising are tax free.
- No access to the fund until the child is aged 18 except on death or terminal illness.

## Registered pension schemes

<b>Tax year</b>	<b>Annual allowance*</b>	<b>Lifetime allowance</b>
	<b>£</b>	<b>£</b>
2006/2007	215,000	1,500,000
2007/2008	225,000	1,600,000
2008/2009	235,000	1,650,000
2009/2010	245,000	1,750,000
2010/2011	255,000	1,800,000

Thereafter reviewed every five years.

### Annual allowance

#### Personal contributions to all registered pension schemes

- Tax relief on the lower of 100% of annual earnings† or the annual allowance.

#### Employer contributions

- Unlimited.
- Contributions in excess of annual allowance charged to tax at 40% on the member.

#### Measurement

- Measured against pension contributions:
  - defined as total contributions to money purchase plans, plus annual increase in defined benefit rights
  - annual increase in defined benefit rights valued at £10 for every £1 pension
  - includes additional voluntary contributions to money purchase schemes
  - excludes contracted-out rebates
  - excludes additional voluntary contributions to buy added years.
- None in year all pension benefits are taken or in year of death.

\* Total of personal and employer contributions.

† If no earnings, £3,600 a year and for relief at source arrangements only.

## **Lifetime allowance**

- Based on value of benefits taken at crystallisation.
- Scheme funds in excess of the lifetime allowance subject to a charge when benefits paid out:
  - 55% if excess funds are taken as cash
  - 25%, plus income tax at marginal rates, if taken as income.
- Includes the value of contracted-out rights.
- Defined benefits rights valued at £20 for every £1 pension.
- Pensions in payment at 6 April 2006 valued at £25 for every £1 pension.
- Pension fund withdrawal in payment at 6 April 2006 based on maximum income available at last review date valued at £25 for every £1 pension.

## Capital gains tax

### Rates

- Individuals charged at 10%, 20% or 40% depending on their marginal rate of tax.
- Trusts charged at 40%.

### Annual exemptions

	2007/2008	2006/2007
	£	£
Individuals and personal representatives	9,200	8,800
Certain trusts for disabled persons	9,200	8,800
Other trusts*	4,600	4,400

\* Reduced pro-rata if more than one trust per settlor subject to minimum of 10% of full amount.

### Chattels exemption

	2007/2008	2006/2007
	£	£
Maximum proceeds	6,000	6,000

### Other main exemptions

- Principal private residence.
- Treasury stock and qualifying corporate bonds.
- Qualifying shares in enterprise investment scheme companies, venture capital trusts, personal equity plans, individual savings accounts and child trust funds.
- Passenger vehicles.
- Certain gifts of assets to charities.

### Indexation allowance

- Frozen after 5 April 1998 for individuals and trusts.
- Not available for assets acquired by individuals and trusts after 31 March 1998.

### Losses

Relief available against gains for:

- capital losses of the same tax year and those brought forward.
- trading losses of same and following tax year.

## Taper relief

### Gains on business assets\*

Number of complete years for which asset held	% of gain chargeable	Equivalent % rate for taxpayers at		
		higher rate	lower rate	starting rate
Less than 1	100	40	20	10
1	50	20	10	5
2 or more	25	10	5	2 <sup>1</sup> / <sub>2</sub>

### Gains on non-business assets

Number of complete years after 5 April 1998 for which asset held†	% of gain chargeable	Equivalent % rate for taxpayers at		
		higher rate	lower rate	starting rate
Less than 3	100	40	20	10
3	95	38	19	9 <sup>1</sup> / <sub>2</sub>
4	90	36	18	9
5	85	34	17	8 <sup>1</sup> / <sub>2</sub>
6	80	32	16	8
7	75	30	15	7 <sup>1</sup> / <sub>2</sub>
8	70	28	14	7
9	65	26	13	6 <sup>1</sup> / <sub>2</sub>
10 or more	60	24	12	6

\* The definition of business assets is complex and advice should be sought on asset classification.

† Assets held on 17 March 1998 are deemed to have been held for one year at 5 April 1998 for the purposes of this relief.

## Inheritance tax

### Cumulative transfers on death

After 5 April 2007	From 6 April 2006 - 5 April 2007	Rate
£	£	%
1 - 300,000	1 - 285,000	nil
over 300,000	over 285,000	40

### Transfers becoming chargeable due to death within seven years of gift

Years prior to death	% of charge at death
0 - 3	100
3 - 4	80
4 - 5	60
5 - 6	40
6 - 7	20

### Chargeable lifetime transfers

50% of death rate.

### Main exemptions and reliefs

	£
Annual gifts per donor*	3,000
Small gifts per donee per annum	250
Gifts in consideration of marriage/civil partnership	
– parent	5,000
– grandparent or other direct lineal ancestor	2,500
– between the parties to the marriage/civil partnership	2,500
– other	1,000
Transfers between spouses/civil partners	exempt†
Normal expenditure out of income	exempt†
Gifts to charities, political parties, for national purposes	exempt†
Business property relief	50% or 100%‡
Agricultural property relief	50% or 100%‡

\* May be carried forward 1 tax year and used only after subsequent year exemption applied.

† Restricted to £55,000 where the transferor but not the transferee is domiciled in the UK.

‡ Detailed conditions apply.

# Business taxation

## Corporation tax

Year to	31 March 2008	31 March 2007
<b>Small companies rate*</b>	<b>20%</b>	19%
Upper limit	<b>£300,000</b>	£300,000
<b>Marginal relief band</b>		
Lower limit	<b>£300,000</b>	£300,000
Upper limit	<b>£1,500,000</b>	£1,500,000
Marginal rate	<b>32<sup>1</sup>/<sub>2</sub>%</b>	32 <sup>3</sup> / <sub>4</sub> %
Marginal relief fraction	<b>1/40</b>	11/400
<b>Full rate</b>	<b>30%</b>	30%

Profit limits reduced pro-rata for a company in a group or with associated companies.

\* Not available to close investment holding companies.

## Corporate capital gains

- Included in profits and chargeable at applicable corporate tax rate.
- Companies cannot claim taper relief.
- Indexation allowance is available but cannot create or augment a loss.
- Gains by trading companies or groups on disposals out of “substantial shareholdings”<sup>\*</sup> in trading companies may qualify for exemption<sup>†</sup>.

\* An interest of 10% or more.

† Detailed conditions apply.

## **Corporate venturing scheme\***

- For shares issued after 31 March 2000 and before 1 April 2010.
- 20% corporation tax relief on amounts subscribed for new ordinary shares in companies with qualifying activities.
- Investment must not exceed 30% of ordinary share capital or voting power.
- At least 20% of ordinary shares must be held by individuals.
- Investee company's gross assets must not exceed £7 million pre investment or £8 million post investment.
- Minimum holding period 3 years from later of issue date and commencement of relevant trade.
- Tax deferral on gains on corporate venturing investments reinvested in other shares attracting corporate venturing relief.
- Relief against income for capital losses (net of investment relief) on share disposals.

\* Qualification rules are complex, HM Revenue & Customs' approval required.

## **Construction industry scheme**

### **From 6 April 2007**

- New verification process replaces registration cards and certificates.
- Rate of deduction 20% for registered contractors or 30% for unregistered contractors.

### **Pre 6 April 2007**

- Rate of deduction 18% if no gross payment certificate held.

<b>Capital allowances and reliefs</b>	%
<b>Plant and machinery with expected life less than 25 years</b>	
• Writing down allowance*	25
– restricted to £3,000 per annum for cars costing over £12,000, other than those with low emissions	
• First year allowances:	
– small enterprises	
– qualifying expenditure between 1 April 2006 and 31 March 2008 for enterprises subject to corporation tax	50
– qualifying expenditure between 6 April 2006 and 5 April 2008 for other enterprises	50
– small and medium sized enterprises†	40
– all enterprises†	
– designated energy saving plant and machinery	100
– expenditure pre 1 April 2008 on new electric cars and low carbon dioxide emission cars	100
– expenditure pre 1 April 2008 on refuelling equipment for vehicles using natural gas or hydrogen fuel	100
– environmentally beneficial plant and machinery	100
– plant used in oil extraction trade	100
<b>Plant and machinery with expected life 25 years or more</b>	
• Writing down allowances*	
– expenditure not over £100,000 per annum	25
– expenditure on assets in dwellings, shops, showrooms, hotels and offices	25
– expenditure over £100,000 per annum	6
• First year allowance	
– plant used in oil extraction trade	24
<b>Plant and machinery for overseas leasing</b>	
• Writing down allowance*	10
<b>Industrial and agricultural buildings, hotels, sports pavilions, dredging and highway concessions</b>	
• Writing down allowance	4
– to be phased out over four years	
– no balancing adjustments in respect of balancing events occurring post 20 March 2007	
<b>Enterprise zone buildings</b>	
• Initial allowance	100
• Writing down allowance	25

<b>Flat conversion allowances</b>	%
• Initial allowance	up to 100
• Writing down allowance*	25
– on renovation or conversion of space above commercial premises to provide flats to rent	
<b>Research and development</b>	100
<b>Patent rights and know how</b>	
• Writing down allowance*	25
– not applicable to acquisitions by companies	
<b>Mineral extraction allowances</b>	
• First year allowance oil extraction trade	100
• Writing down allowance mineral asset acquisition*	10
• Writing down allowance other qualifying expenditure*	25
<b>Business premises renovation allowances</b>	
• Initial allowance	100
• Writing down allowance*	25
• Expenditure post 10 April 2007	
<b>Enhanced company tax reliefs</b>	
<b>Research and development</b>	
• Small and medium sized enterprises (SME)	150
• Large companies	125
• Additional credits available for certain vaccines research expenditure	
• Loss making SMEs can surrender deduction for a payment of 16% of the amount surrendered (subject to conditions)	
<b>Remediation of contaminated land</b>	150
• Loss making companies can surrender deduction for a payment of 16% of the amount surrendered (subject to conditions)	
<b>Intangible assets (including intellectual property and goodwill)</b>	
• Relief for companies for expenditure on creation, acquisition and enhancement of intangible assets	
• Based on accounts amortisation or by election at a fixed rate of 4% per annum	

\* On reducing balance.

† Restrictions apply.

## Value added tax

### Rates

	%
• Standard	17½
• Reduced	5
• Zero	0

From 1 April 2006 -

**From 1 April 2007**

31 March 2007

### Annual registration and de-registration thresholds

Registration	<b>£64,000</b>	£61,000
De-registration	<b>£62,000</b>	£59,000

### Special schemes maximum annual taxable turnover

Cash accounting scheme	<b>£1,350,000</b>	£660,000
Annual accounting scheme	<b>£1,350,000</b>	£1,350,000
Flat rate schemes*	<b>£150,000</b>	£150,000

## Road fuel scale charges

- New scales for businesses funding road fuel used for private motoring.
- 21 bands with carbon dioxide emission increments of 5g/km ranging from 140g/km to 240g/km.
- VAT element of quarterly scale charges ranging from £27.11 to £63.45.
- Applicable from start of next VAT period beginning on or after 1 May 2007.

## Bad debts

- Output tax reclaimable and input tax repayable after 6 months.

## Penalties

% of the related tax

• Late registration†:	
– 9 months late or less	5
– over 9 and up to 18 months late	10
– over 18 months late	15
• Late payments‡	2-15
• Misdeclaration†	15
• Repeated misdeclaration†	15
• Civil fraud†	100
• Failure to disclose avoidance schemes:	
– designated scheme	15
– notifiable scheme (flat rate penalty)	£5,000

\* Separate scheme available for farmers (no turnover limit)

† Mitigation available

‡ Reliefs available for small businesses with annual turnover up to £150,000

# Miscellaneous

## National Insurance Contributions (NIC)

### Class 1 employed

#### From 6 April 2007

Earnings per week £	Not contracted out		Contracted out*	
	employer	employee	employer	employee
0 - 100.00	nil	nil	nil	nil
100.01 - 670.00	12.8%	11%	9.1%	9.4%
over 670.00	12.8%	1%	12.8%	1%

#### From 6 April 2006 to 5 April 2007

Earnings per week £	Not contracted out		Contracted out*	
	employer	employee	employer	employee
0 - 97.00	nil	nil	nil	nil
97.01 - 645.00	12.8%	11%	9.3%	9.4%
over 645.00	12.8%	1%	12.8%	1%

Employer's NIC of 12.8% applies to most income tax benefits.

Employee's rate for a married woman with a valid election 4.85% on earnings of £100.01 - £670.00 (£97.01 - £645 2006/2007) and 1% on earnings above £670 (£645 2006/2007).

\*Employer's contribution rate of 11.4% (11.8% 2006/2007) in respect of money purchase schemes.

### Class 2 self-employed

	2007/2008	2006/2007
Flat rate	<b>£2.20 pw</b>	£2.10 pw
Share fishermen	<b>£2.85 pw</b>	£2.75 pw
Volunteer development workers	<b>£4.35 pw</b>	£4.20 pw
Small earnings exception	<b>£4,635 pa</b>	£4,465 pa

### Class 3 voluntary

Flat rate	<b>£7.80 pw</b>	£7.55 pw
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### Class 4 self-employed

Main rate on profit	<b>8%</b>	8%
Annual lower limit	<b>£5,225</b>	£5,035
Annual upper limit	<b>£34,840</b>	£33,540
Rate above upper limit	<b>1%</b>	1%

## Tax credits

### Working Tax Credit (WTC)

	2007/08	2006/07
	£	£
<b>Annual</b>		
Basic element	<b>1,730</b>	1,665
Second adult or lone parent addition	<b>1,700</b>	1,640
30 hour element	<b>705</b>	680
Disability element	<b>2,310</b>	2,225
Severe disability element	<b>980</b>	945
Age 50+ element working 16 - 29 hours per week*	<b>1,185</b>	1,140
Age 50+ element working 30+ hours per week*	<b>1,770</b>	1,705
<b>Weekly</b>		
Childcare element		
– maximum eligible cost for 1 child†	<b>175</b>	175
– maximum eligible cost for 2 or more children†	<b>300</b>	300

Claimants can be eligible for each element.

Claim reduced by 37p for every £1 of annual income over £5,220.

\* Mutually exclusive.

† Reduced to 80% of eligible cost.

### Child Tax Credit (CTC)

	2007/08	2006/07
	£	£
<b>Annual</b>		
Family element (double in year of birth)*	<b>545</b>	545
Child element (per child)†		
– disabled child	<b>4,285</b>	4,115
– severely disabled child	<b>5,265</b>	5,060
– any other child	<b>1,845</b>	1,765

\* Claim reduced by £1 for every £15 of annual income over £50,000.

† Where only CTC available claim reduced by 37p for every £1 of annual income over £14,495 (£14,155 2006/2007); £5,220 where WTC also available.

## **Gifts to charities**

### **Gift aid\***

- Tax relief on cash gift against income or capital gains.
- Relief carry back to previous tax year.

\* Also available on gifts to certain amateur sports clubs.

### **Gift of assets**

- Relief for full value of gift of:
  - shares and securities listed on a recognised stock exchange including AIM
  - units in authorised unit trusts
  - shares in open ended investment companies
  - an interest in certain off-shore funds
  - UK freehold or leasehold property which the charity agrees to accept.
- Relief given against income or profits of donor.
- No capital gains tax on disposal of asset gifted.

### **Payroll giving**

- Tax relief through the payroll on full gift but NIC still applies.

### **Tax repayments**

- Nominated charity can receive all or part of a tax repayment.

## Landfill tax

- £2 per tonne for inactive waste.
- £24 (£21 pre 1 April 2007) per tonne for all other waste.

## Insurance premium tax

- 5% of taxable premium.
- 17½% of taxable premiums related to travel insurance and certain insurance supplied with motor cars or domestic appliances.

## Aggregates levy

- £1.60 per tonne.
- Some reliefs available.

## Climate change levy\*

Paid by commercial users, collected by utility companies:

	<b>From 1 April 2007</b>	Pre 1 April 2007
Electricity	<b>0.441p per kwh</b>	0.43p per kwh
Gas	<b>0.154p per kwh</b>	0.15p per kwh
LPG or similar	<b>0.985p per kilogram</b>	0.96p per kilogram
Other taxable commodities (eg coal)	<b>1.201p per kilogram</b>	1.17p per kilogram

\* Discounts, exemptions and reliefs available.

## Stamp duty

### Shares/marketable securities

- |               | <b>Rate</b> |
|---------------|-------------|
| • On sale     | 0.5%*       |
| • Not on sale | max £5      |

\*Rounded up to nearest £5

### Stamp duty reserve tax

- |  | <b>Rate</b> |
|--|-------------|
| • Agreements for sale of chargeable securities                   | 0.5%        |
| – in most cases the tax is franked by the payment of stamp duty. |             |

## Stamp duty land tax

From 17 March 2005

### Chargeable consideration\* other than rent

Residential	Non-residential/mixed	Rate†
£1 - £125,000	£1 - £150,000	exempt‡
£125,001 - £250,000	£150,001 - £250,000	1%
£250,001 - £500,000	£250,001 - £500,000	3%
Over £500,000	Over £500,000	4%

### Land and buildings in disadvantaged areas

- |  |         |
|--|---------|
| • Residential property up to £150,000  | exempt‡ |
| • New zero carbon homes up to £500,000 | exempt§ |

### Net present value of rent

Residential	Non-residential/mixed	Rate
£1 - £125,000	£1 - £150,000	0%
On excess over £125,000	On excess over £150,000	1%

### Disadvantaged areas

- |  |        |
|--|--------|
| • Residential property with net present value up to £150,000 | exempt |
|--|--------|

\* Or market value in certain circumstances.

† On whole consideration (VAT inclusive).

‡ If annual rent greater than £600 exemption not available on lease premium and 1% rate applies.

§ Expected to take effect from 1 October 2007 until 30 September 2012. For purchase prices in excess of £500,000 the liability is reduced by £15,000.

## Dates for payment of tax

### Income tax and capital gains tax

Payment due	Year of assessment	Tax liability
31 July 2007	2006/2007	Second interim payment on account
31 January 2008	2006/2007	Balance of income tax
	2006/2007	Capital gains tax
	2007/2008	First interim payment on account

Interim payments will normally each equal 50% of the preceding year's total net income tax liability.

### Inheritance tax

- On transfers 1 October - 5 April or on death:
  - 6 months after end of month in which transfer or death occurs.
- On transfers 6 April - 30 September:
  - 30 April after end of tax year in which transfer occurs.

### Corporation tax

- Small and medium-sized companies:
  - 9 months and one day after end of accounting period.
- Large companies:
  - payments on account due on a quarterly basis, commencing 6 months and 13 days from start of accounting period.

### Value added tax

- 1 month\* after end of return period, or 2 months for annual returns.

### Stamp duty

- 30 days from execution of document.

### Stamp duty land tax

- 30 days from effective date of land transaction.

### Employment taxes

- Outstanding PAYE and class 1 NICs for the tax year:
  - 19 April following end of tax year†.
- Monthly PAYE and NIC payroll deductions:
  - 19 of month following end of payroll month†.
- Class 1A NICs year:
  - 19 July following end of tax year†.
- PAYE settlement agreement:
  - 19 October following end of tax year†.

\* 7 day extension may apply for payments made by electronic means.

† 22 of month for payments made by electronic means.

## Key filing dates

### Income tax and capital gains tax

- Self assessment tax return:
  - 31 January following end of year of assessment\*.

### Inheritance tax

- Chargeable lifetime transfer:
  - later of 12 months after end of month of transfer and 3 months after person becomes liable to tax.
- Transfers on death:
  - later of 12 months after end of month of death or 3 months after personal representatives first act or believe an account is required.
- Potentially exempt transfers that have become chargeable:
  - 12 months after end of month of death of transferor.

### Corporation tax

- All companies:
  - 12 months after end of accounting period.

### Value added tax

- 1 month† after end of return period, or 2 months for annual returns.

### Stamp duty land tax

- 30 days from effective date of land transaction.

### Employment taxes

- Forms P35 and P14 to HM Revenue & Customs§:
  - 19 May following end of tax year§.
- Forms P60 to employees:
  - 30 May following end of tax year‡.
- Forms P9D/P11D to HM Revenue & Customs and copies to employees:
  - 6 July following end of tax year.
- Return of class 1A NICs:
  - 6 July following end of tax year§.
- Employment related securities form 42:
  - 6 July following end of tax year.

\* Assumes request for return issued pre 31 October after year of assessment – date advances to 30 September if taxpayer wants underpayment of less than £2,000 to be coded-out in following tax year, 31 December if filing electronically.

† 7 day extension may apply where payments made by electronic means.

‡ For employees in that employment at 5 April in tax year.

§ Penalties apply automatically.



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