



Grant Thornton

Tax Facts

Annual tax rates and allowances
2008/09



Grant Thornton produces Tax Facts every year after the Budget. This booklet summarises the taxation allowances and reliefs available for 2008/09.

In-depth analysis of the Budget can be found on our website at www.grant-thornton.co.uk

The figures contained in this booklet represent our understanding as of Royal Assent on 21 July 2008.

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Personal taxation

Income tax rates

Rate	2008/2009	2007/2008
%	£	£
10	1-2,320*†	1-2,230‡
20	1-34,800§¶	–
22	–	2,231-34,600§
40	over 34,800	over 34,600

- Savings income (excluding dividends) is taxed at 10% within the savings rate band (starting rate band 2007/2008).
- Rate applicable to discretionary and accumulation and maintenance trusts is 40% for income above £1,000; below this figure tax rate is 10% or 20% (or 22% 2007/2008) depending on the nature of income.
- See page 4 for taxation of dividends.

* Savings rate band.

† Only available to extent taxable non-savings income is less than savings rate band.

‡ Starting rate band.

§ Basic rate band.

¶ Basic rate band reduced by amount of savings rate band used.

Personal allowances

	2008/2009	2007/2008
	£	£
Personal		
Age under 65	6,035	5,225
Age 65-74	9,030	7,550
Age 75 and over	9,180	7,690
Married couple's*†‡		
Age less than 75 and born pre 6 April 1935	6,535	6,285
Age 75 and over	6,625	6,365
Age allowance income limit for full relief§¶	21,800	20,900
Blind person'sΔ	1,800	1,730

* 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 £6,035 (£5,225 2007/2008) is reached.

¶ Married couple's allowance reduced by £1 for every £2 income in excess of limit until minimum allowance of £2,540 (£2,440 2007/2008) 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 savings rate (starting rate 2007/2008) and basic rate taxpayers such that liability covered by tax credit
 - 32½% for higher rate taxpayers giving an effective rate of 25% of dividend received
 - 32½% for discretionary and accumulation and maintenance trusts (giving an effective rate of 25% of dividend received)†.
- Shareholders are not entitled to repayment of tax credits.
- Availability of 10% tax credit on dividends from overseas companies depends on level of shareholding.
- 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 £1,000.

Enterprise investment scheme (EIS)*

Income tax

- Relief at 20% of subscription‡.
- Relief on subscriptions of up to £500,000 (£400,000 2007/2008) 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.

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

† Limited to tax liability for year of investment.

‡ Subject to approval by European Commission.

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.

Individual savings accounts (ISA)

- Tax exemption for investments in shares and cash.
- Annual investment limit £7,200 (£7,000 pre 6 April 2008) with £3,600 (£3,000 pre 6 April 2008) maximum in cash.
- No lock-in of capital.
- No minimum subscription.

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 7.
- Further £250 when aged 7 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

Tax Year	Annual allowance*	Lifetime allowance
	£	£
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.

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.

* Total of personal and employer contributions.

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

Other personal income tax reliefs

Payments on loss of office

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

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.

Gifts to charities

Gift aid*

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

Gift of assets

- Relief for full value of gift of:
 - shares/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 National Insurance Contributions (NIC) still apply.

Tax repayments

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

* Also available on gifts to exempt bodies including certain amateur sports clubs.

Capital gains tax

Rates

- From 6 April 2008 flat rate of 18% for individuals and trusts.
- Pre 6 April 2008 individuals charged at 10%, 20% or 40% depending on their marginal rate of tax, trusts charged at 40%.

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.

Annual exemptions	2008/2009	2007/2008
	£	£
Individuals and personal representatives	9,600	9,200
Certain trusts for disabled persons	9,600	9,200
Other trusts*	4,800	4,600

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

Chattel exemptions	2008/2009	2007/2008
	£	£
Maximum proceeds	6,000	6,000

Other main exemptions

- Principal private residence.
- Treasury stock and qualifying corporate bonds.
- Qualifying shares in EIS companies, VCT's, personal equity plans, individual savings accounts and child trust funds.
- Passenger vehicles.
- Certain gifts of assets to charities.

Entrepreneurs' relief

- Available for disposals made after 5 April 2008.
- Effective 10% rate on gains within lifetime limit of £1 million.
- Applies to disposals of trading businesses and certain disposals of shares in trading companies.
- Trustees can benefit from relief in certain circumstances.
- No minimum age.
- Qualifying conditions must be met for 12 months immediately prior to disposal.

Rollover relief

- Capital gains tax deferral on sale of qualifying assets provided:
 - proceeds reinvested in replacement qualifying assets
 - replacement assets purchased between 1 year before and 3 years after sale*.

* Time limit may be extended at the discretion of HM Revenue & Customs.

Holdover relief

- Capital gains tax deferral on gifts of qualifying assets including:
 - business assets (including shares in unquoted trading companies)
 - gifts with an immediate charge to inheritance tax
 - heritage properties and maintenance funds.
- Restrictions apply to transfers into settlor interested settlements.

Small part disposals

- Relief for part disposals of land may be available where proceeds:
 - do not exceed 20% of the current market value of the holding before disposal; and
 - do not exceed £20,000 in the tax year.

Indexation allowance

- Withdrawn for disposals after 5 April 2008.
- Amount of allowance frozen at April 1998 for individuals and trusts.

Taper relief

Withdrawn for disposals after 5 April 2008.

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	2½

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	9½
4	90	36	18	9
5	85	34	17	8½
6	80	32	16	8
7	75	30	15	7½
8	70	28	14	7
9	65	26	13	6½
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.

Remittance basis for non-UK domiciled individuals

- Applies from 6 April 2008.
 - Remittance basis continues to apply to non-UK domiciled individuals who have not been resident in the UK for 7 out of the last 10 tax years*†.
 - Individuals resident for 7 out of last 10 tax years are subject to an annual charge of £30,000 to continue with remittance basis‡§.
 - * If unremitted income and gains exceed £2,000 in a tax year, individual not entitled to personal allowance (and certain other income tax allowances) and capital gains tax annual exemption.
- † Option to be taxed on an arising basis available.
- ‡ Not applicable to minors or individuals where unremitted income and gains in a tax year are less than £2,000.
- § Results in loss of entitlement to personal allowance (and certain other income tax allowances) and capital gains tax annual exemption.

Pre owned assets charge

- Annual income tax charge where individual continues to enjoy gifted property.
- Applies to:
 - land
 - chattels
 - intangible assets held by the trustees of settlor interested trusts.
- Calculation of charge complex with valuations required.
- Possible to elect out of charge in certain circumstances.

Inheritance tax

Cumulative transfers on death

After 5 April 2008	During 2007/2008	Rate
£	£	%
1-312,000*	1-300,000*	nil
over 312,000	over 300,000	40

Transfers within seven years of death	% of charge at death
Years	
0-3	100
3-4	80
4-5	60
5-6	40
6-7	20

Other 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§

* On death of surviving spouse or civil partner post 8 October 2007, may be increased by the additional percentage of nil-rate band unused on earlier death of spouse or civil partner. Special rules apply where the deceased has more than one former spouse or civil partner.

† 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 property relief*

- Relief available in respect of transfers during lifetime and on death†.
- 100% relief available in respect of the gifting of:
 - unquoted shares in a trading company
 - securities in an unquoted trading company controlled by the transferor
 - quoted shares or securities in a trading company controlled by the transferor
 - a business or an interest therein.
- 50% relief available in respect of land, buildings, plant or machinery used by the transferor's trading company or a trading partnership in which he is a partner.
- Two year minimum holding period required‡

Agricultural property relief*

- Relief available in respect of transfers during lifetime and on death†.
- 100% relief available in respect of the gifting of agricultural land with vacant possession or subject to an agricultural tenancy taken out after 1 September 1995.
- 50% relief available in respect of other interests in land.
- To qualify for relief land must be occupied for at least 2 years or owned for at least 7 years‡.

* Complex rules apply.

† Asset (or replacement asset if certain conditions are met) must still be held on death of donor, if within 7 years of a lifetime gift, for relief to be available.

‡ Replacement asset rules may apply.

Employment taxes

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 £16,900 (£14,400 2007/2008) for fuel.
- Set percentage determined by carbon dioxide emissions for car in grams per kilometre (g/km).
- Emissions not exceeding 120g/km and car not electrically propelled 2008/2009 onwards 10%
- Emissions not exceeding 135g/km (140g/km 2007/2008) 15%
 - increase for each 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

	£
• Not over 3.5 tonnes	3,000*†
• Over 3.5 tonnes	nil‡
• Fuel for private use	500

* 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.

* 6¼% (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 qualifying week for childcare vouchers 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 £3 (£2 2007/2008) 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 1 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.*

* Detailed rules apply.

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.

Advisory fuel rates for company cars

From 1 January 2008

Engine size	Petrol	Diesel	LPG
1400cc or less	11p	11p	7p
1401 – 2000cc	13p	11p	8p
Over 2000cc	19p	14p	11p

- 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.
- Petrol hybrid cars treated as petrol cars.
- Subject to review twice a year with changes to take effect from 1 January and 1 July.
- Rate change considered where fuel prices fluctuate by 5% in each 6 month period.

Tax free approved mileage rates

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

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

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

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 not more than £30 million at time of grant.
- Company must have fewer than 250 employees.
- Maximum market value on grant of unexercised qualifying options in one company or group £120,000 (£100,000 2007/2008) per eligible employee (includes existing company share option plan (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 for disposals pre 6 April 2008.

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).
- 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

- Maximum of £1,500 per person per tax year.
- Amounts not reinvested can be carried forward for up to 3 years.
- 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.
- Minimum specified contribution must not be greater than £10 per month.
- Savings contracts of either 3, 5 or 7 years term.
- May grant at up to 20% discount on market value.
- Gain and/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 for disposals pre 6 April 2008.

Corporation tax relief

- Available for most employee share awards in the employer or parent company.
- 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.

National insurance contributions (NIC)

Class 1 employed

From 6 April 2008				
Earnings per week £	Not contracted out		Contracted out*	
	employer	employee	employer	employee
0-105.00	nil	nil	nil	nil
105.01-770.00	12.8%	11%	9.1%	9.4%
over 770.00	12.8%	1%	12.8%	1%

From 6 April 2007 to 5 April 2008				
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%

- 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 £105.01 - £770.00 (£100.01 - £670 2007/2008) and 1% on earnings above £770 (£670 2007/2008).

* Employer's contribution rate of 11.4% in respect of money purchase schemes.

Class 2 self-employed

	2008/2009	2007/2008
Flat rate	£2.30 pw	£2.20 pw
Share fishermen	£2.95 pw	£2.85 pw
Volunteer development workers	£4.50 pw	£4.35 pw
Small earnings exception	£4,825 pa	£4,635 pa

Class 3 voluntary

	2008/2009	2007/2008
Flat rate	£8.10 pw	£7.80 pw

Class 4 self-employed

	2008/2009	2007/2008
Main rate on profit	8%	8%
Annual lower limit	£5,435	£5,225
Annual upper limit	£40,040	£34,840
Rate above upper limit	1%	1%

Business taxation

Corporation tax

Year to	31 March 2009	31 March 2008
Small companies rate*	21%	20%
Upper limit†	£300,000	£300,000
Marginal relief band		
Lower limit†	£300,000	£300,000
Upper limit†	£1,500,000	£1,500,000
Marginal rate	29¾%	32½%
Marginal relief fraction	7/400	1/40
Full Rate	28%	30%

* Not available to close investment holding companies.

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

Capital allowances and reliefs

	2008/2009	2007/2008
	%	%
Plant and machinery		
Annual investment allowance		
– on first £50,000 of qualifying expenditure (excluding cars)	100	–
Writing down allowance*	20	25
– restricted to £3,000 per annum for cars costing over £12,000, other than those with low emissions		
Features integral to a building and thermal insulation		
– Writing down allowance	10	–
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
Medium sized enterprises†	–	40

Capital allowances and reliefs

	2008/2009	2007/2008
	%	%
All enterprises†		
– designated energy saving plant and machinery‡	100	100
– expenditure on new low carbon dioxide emission cars	100	100
– expenditure on refuelling equipment for vehicles using natural gas, biogas or hydrogen fuel	100	100
– environmentally beneficial plant and machinery‡	100	100
– plant used in oil extraction trade	100	100
Plant and machinery with expected life 25 years or more		
Writing down allowance *	10	6
– expenditure not over £100,000 per annum	20	25
– expenditure on assets in dwellings, shops, showrooms, hotels and offices	20	25
– expenditure over £100,000 per annum	10	6
First year allowances		
– plant used in oil extraction trade	24	24
Plant and machinery for overseas leasing		
– writing down allowance *	10	10
Industrial and agricultural buildings, hotels, sports pavilions, dredging and highway concessions		
Writing down allowance	3§	4
– being reduced by 1% per annum		
– no balancing adjustments in respect of balancing events occurring post 20 March 2007		
Enterprise zone buildings		
– Initial allowance	100	100
– Writing down allowance	25	25
Flat conversion allowance		
– Initial allowance	100	100
Writing down allowance *	25	25
– on renovation or conversion of space above commercial premises to provide flats to rent		
Research and development	100	100

Capital allowances and reliefs

	2008/2009	2007/2008
	%	%
Patent rights and know how		
Writing down allowance *	25	25
– not applicable to acquisitions by companies		
Mineral extraction allowances		
– First year allowance oil extraction trade	100	100
– Writing down allowance mineral asset acquisition *	10	10
– Writing down allowance other qualifying expenditure *	25	25
Business premises renovation allowances		
– Initial allowance	100	100
– Writing down allowance *	25	25
– Expenditure post 10 April 2007		
Enhanced company tax reliefs		
Research and development		
– Small and medium sized enterprises (SME)¶	175	150
– Large companies	130	125
– Additional credits available for certain vaccines research expenditure		
– Loss making SMEs can surrender deduction for a payment of 14% (16% 2007/2008) of the amount surrendered (subject to conditions)		
Remediation of contaminated land	150	150
– Loss making companies can surrender deduction for a payment of 16% of the amount surrendered (subject to conditions)		
Intangible assets (including intellectual property and goodwill)		
– 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.

‡ For 2008/2009 loss making companies can surrender deduction for a payment of 19% of the amount surrendered. Refund greater of £250,000 or total PAYE+NI liability.

§ Or 75% of amount previously claimed if different.

¶ With effect from 1 August 2008 and subject to a cap on relief of €7.5 million per project.

Corporate capital gains

- Included in profits and chargeable at applicable corporation tax rate.
- Indexation allowance is available but cannot create or augment a loss.
- Gains by trading companies or groups on disposals out of “substantial shareholdings” (an interest of 10% or more) in trading companies may qualify for exemption*.
- Rollover relief
 - may be available subject to qualifying conditions being met
 - special rules apply in respect of intangible assets such as quotas and goodwill.

* Detailed conditions apply.

Corporate venturing scheme (CVS)*

- 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.
- Company must have fewer than 50 employees at time of investment and not have raised more than £2 million in the last year from CVS, EIS or VCT 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

- Registered contractors paid gross* or under deduction of tax at 20%†.
- Unregistered contractors paid under deduction of tax at 30%†.

* Detailed conditions apply.

† Tax on construction income is calculated after deduction of certain specific items eg cost of materials.

Agricultural related income tax matters

Averaging farm profits

- Only applicable for partnerships and sole traders.
- Each partner is treated individually.
- Averaging is available where the adjusted profits after capital allowances for 2 consecutive years differ by more than 25%.
- Losses count as nil profit for this purpose.

Herd basis

- Election is available for all types of production herds.
- Once made the election is irrevocable.
- A new election is required in certain circumstances (eg change of partner).
- Net replacement cost is allowable against profit.
- Profits on disposal of more than 20% of herd are tax free if not replaced within 5 years.
- Can also apply to shares in production animals.

Hobby farming

- Loss relief will normally be disallowed where:
 - the activity is undertaken on a non-commercial basis; or
 - there are losses before capital allowances for 5 consecutive years.

One trade

- Farming, wherever it is carried on in the UK, is deemed to be one trade regardless of how many farms are operated by the same individual, trust or company.

Single payment

- Is taxed as income.
- Recognition for tax purposes depends on the choice of 10 month period and will be assessed on a calendar year basis.

Indirect taxation

Value added tax

Rate	%	
Standard	17½	
Reduced	5	
Zero	0	

Annual registration and de-registration thresholds		
	From 1 April 2008	From 1 April 2007 – 31 March 2008
Registration	£67,000	£64,000
De-registration	£65,000	£62,000

Special schemes maximum annual taxable turnover		
Cash accounting scheme	£1,350,000	£1,350,000
Annual accounting scheme	£1,359,000	£1,350,000
Flat rate schemes*	£150,000	£150,000

Road fuel scale charges

- New scales for businesses funding road fuel used for private motoring.
- 24 bands with carbon dioxide emission increments of 5g/km ranging from 120g/km or less to 235g/km or more.
- 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 2008.

Bad debts

– Output tax reclaimable, 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.

Landfill tax

- £2.50 (£2 pre 1 April 2008) per tonne for inactive waste.
- £32 (£24 pre 1 April 2008) 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, motor cycles or domestic appliances.

Aggregates levy

- £1.95 (£1.60 pre 1 April 2008) per tonne.
- Some exemptions available.

Climate change levy*

Paid by commercial users, collected by utility companies:

	From 1 April 2008	Pre 1 April 2008
Electricity	0.456p per kwh	0.441p per kwh
Gas	0.159p per kwh	0.154p per kwh
LPG or similar	1.018p per kilogram	0.985p per kilogram
Other taxable commodities (eg coal)	1.242p per kilogram	1.201p per kilogram

- * Discounts, exemptions and reliefs available.

Correction of errors – voluntary disclosure

Pre 1 July 2008

- Errors not exceeding £2,000 may be corrected in the current accounting period.

Post 30 June 2008

- Errors not exceeding the greater of £10,000 or 1% of turnover* may be corrected in the current accounting period.

Above these limits errors must be notified to HM Revenue & Customs.

- * Subject to upper limit of £50,000.

Stamp duty

Transfers of shares/marketable securities*

Consideration	Rate
£0 - £1,000	exempt
over £1,000	0.5%†

* Pre 13 March 2008 subject to duty of £5 unless otherwise exempt.

† Rounded up to nearest £5.

Stamp duty reserve tax

	Rate
Agreements for transfer of chargeable securities	0.5%
– in most cases involving private company shares the tax is franked by the payment of stamp duty	

Stamp duty land tax

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%
– Residential property in disadvantaged areas up to £150,000		exempt‡
– New zero carbon homes up to £500,000		exempt§

Net present value of rent

Residential	Non-residential/mixed	Rate
Up to £125,000	Up to £150,000	0%
On excess over £125,000	On excess over £150,000	1%
– Residential property in disadvantaged areas with net present value up to £150,000		exempt

* Or market value in certain circumstances.

† On whole consideration (VAT inclusive).

‡ For transactions prior to 12 March 2008, if annual rent greater than £600 exemption not available on lease premium and 1% rate applies. For transactions on or after 12 March 2008, if lease includes non-residential property and rent attributable to that part is £1,000 or more, exemption not available on lease premium and 1% rate applies.

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

Key dates

Dates for payment of tax

Income tax and capital gains tax		
Payment due	Year of assessment	Tax liability
31 July 2008	2007/2008	Second interim payment on account
31 January 2009	2007/2008	Balance of income tax
	2007/2008	Capital gains tax
	2008/2009	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 between 1 October and 5 April or on death:
 - 6 months after end of month in which transfer or death occurs.
- On transfers between 6 April and 30 September:
 - 30 April after tax year in which transfer occurs.

Corporation tax

- Small and medium-sized companies:
 - 9 months and 1 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:
 - 22 April following end of tax year†.
- Monthly PAYE and NIC payroll deductions:
 - 22 of month following end of payroll month†.
- Class 1A NICs for year:
 - 22 July following end of tax year†.
- PAYE settlement agreement:
 - 22 October following end of tax year†.

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

† 19 of month for payments made by non-electronic means.

Key filing dates

Income tax and capital gains tax

Self assessment tax returns for 2007/2008 onwards

Non-electronic returns – 31 October following end of year of assessment*

Electronic returns – 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.

* If notice given after 31 July following end of year of assessment but before 1 November, 3 months from issue of notice.

† If notice given after 31 July following end of year of assessment but before 1 November, 31 January following end of year of assessment.

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

§ Penalties apply automatically.

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

Notes

Notes

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