



Grant Thornton

# Tax Facts

Annual tax rates and allowances

2010/2011



## Income Tax Rates

Rate (%)	2010/2011 (£)	2009/2010 (£)
10	1-2,440*†	1-2,440*†
20	1-37,400‡	1-37,400‡
40	over 37,401-150,000§	over 37,400
50 Δ	over 150,000	N/A

- Savings income (excluding dividends) is taxed at 10% within the savings rate band.
- Rate applicable to discretionary and accumulation and maintenance trusts is 50% (40% 2009/2010) above standard rate band of £1,000; within this band tax rate is 10% or 20% depending on nature of income.
- See Taxation of Dividends.

\* Savings rate band.

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

‡ Basic rate band.

§ Higher rate band.

Δ Additional rate.

## Personal Allowances

	2010/2011 (£)	2009/2010 (£)
<b>Personal*</b>		
– age under 65	6,475	6,475
– age 65-74	9,490	9,490
– age 75 and over	9,640	9,640
<b>Married couple's†‡</b>		
– age 75 and over	6,965	6,965
<b>Age allowance income limit for full relief§</b>	22,900	22,900
<b>Blind person's Δ</b>	1,890	1,890

\* Personal allowance reduced by £1 for every £2 of income over £100,000 until completely removed.

† 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.

§ Personal allowance for age 65 and over reduced by £1 for every £2 of income in excess of limit until basic personal allowance of £6,475 is reached. Married couple's allowance reduced by £1 for every £2 income in excess of limit until minimum allowance of £2,670 is reached.

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

## Pension Schemes

Tax Year	Annual allowance* (£)	Lifetime allowance (£)
2009/2010	245,000	1,750,000
2010/2011	255,000	1,800,000

- Tax relief on the lower of 100% of annual earnings† or the annual allowance. The tax relief may be restricted for individuals with income of £130,000 or more making pension contributions from 22 April 2009. Complex rules, including anti-forestalling provisions, apply.

\* Total of personal and employer contributions.

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

## Taxation of Dividends

	Actual rate on gross amount*	Effective rate on dividend received
Savings rate taxpayers	10%	nil
Basic rate taxpayers	10%	nil
Higher rate taxpayers	32.5%	25%
Additional rate taxpayers	42.5%	36.1%
Discretionary trusts	42.5%†	36.1%†

- Shareholders are not entitled to repayment of tax credits.
- Availability of 10% tax credit on dividends from overseas companies depends on certain conditions.
- 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.

## Capital Gains Tax

Flat rate of 18% for individuals and trusts.

Annual exemptions	2010/2011 (£)	2009/2010 (£)
Individuals and personal representatives	10,100	10,100
Certain trusts for disabled persons	10,100	10,100
Other trusts*	5,050	5,050

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

### Entrepreneurs' relief

- Effective 10% rate on first £2 million of gains in a lifetime (£1 million 2009/2010).
- Applies to disposals of trading businesses and certain disposals of shares in trading companies.
- Qualifying conditions must normally be met for 12 months immediately prior to disposal.

## Inheritance Tax

### Cumulative transfers on death

From 6 April 2010	6 April 2009 to 5 April 2010	Rate
£1-£325,000*	£1-£325,000*	nil
over £325,000	over £325,000	40%

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

The figures contained in the booklet are subject to amendment as the Finance Bill passes through Parliament. This booklet is a guide only and advice should be taken before acting on its contents.

## Corporation Tax

Year to	31 March 2011	31 March 2010
<b>Small companies rate*</b>	<b>21%</b>	21%
– 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>29.75%</b>	29.75%
– Marginal relief fraction	<b>7/400</b>	7/400
<b>Full Rate</b>	<b>28%</b>	28%

\* Not available to close investment holding companies.

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

## National Insurance Contributions (NIC)

### Class 1 employed

From 6 April 2009 to 5 April 2011				
Earnings per week (£)	Not contracted out		Contracted out	
	employer	employee	employer	employee
0–110.00	nil	nil	nil	nil
110.01–770.00	12.8%	11%	9.1%*	9.4%
770.01–844.00	12.8%	11%	12.8%	11%
over 844.00	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 £110.01–£844 and 1% on earnings above £844.
- \* Employer's contribution rate of 11.4% in respect of money purchase schemes.

	2010/2011	2009/2010
<b>Class 2 self-employed</b>		
Flat rate	<b>£2.40 pw</b>	£2.40 pw
Share fishermen	<b>£3.05 pw</b>	£3.05 pw
Volunteer development workers	<b>£4.85 pw</b>	£4.75 pw
Small earnings exception	<b>£5,075 pa</b>	£5,075 pa
<b>Class 3 voluntary</b>		
Flat rate	<b>£12.05 pw</b>	£12.05 pw
<b>Class 4 self-employed</b>		
Main rate on profit	<b>8%</b>	8%
Annual lower limit	<b>£5,715</b>	£5,715
Annual upper limit	<b>£43,875</b>	£43,875
Rate above upper limit	<b>1%</b>	1%

## Value Added Tax

Rates		
Standard 17.5%*	Reduced 5%	Zero 0%
Annual thresholds		
	From 1 April 2010	From 1 May 2009
Registration	£70,000	£68,000
De-registration	£68,000	£66,000
Cash accounting scheme	£1,350,000	£1,350,000
Annual accounting scheme	£1,359,000	£1,359,000
Flat rate schemes†	£150,000	£150,000

\* 15% for transactions between 1 December 2008 and 31 December 2009.

† Separate scheme available for farmers (no turnover limit).

## Stamp Duty

Transfers of shares/marketable securities	
<b>Consideration</b>	<b>Rate</b>
£0–£1,000	exempt
over £1,000	0.5%*

\* Rounded up to nearest £5.

Stamp Duty Reserve Tax	
Agreements for sale of chargeable securities	<b>Rate</b>
– in most cases involving private company shares the tax is franked by the payment of stamp duty	0.5%

## Stamp Duty Land Tax

Chargeable consideration other than rent		
<b>Residential</b>	<b>Non-residential/mixed</b>	<b>Rate</b>
£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		
<b>Residential</b>	<b>Non-residential/mixed</b>	<b>Rate</b>
Up to £125,000	Up to £150,000	0%
On excess over £125,000	On excess over £150,000	1%
<b>Disadvantaged areas</b>		
– residential property with net present value up to £150,000		exempt

\* If chargeable consideration relates to a lease that includes non-residential property and rent attributable to that part is £1,000 or more, exemption not available on attributable lease premium and 1% rate applies.

† Exemption for first time buyers between 25 March 2010 and 24 March 2012.

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

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This guide summarises some of the tax rates and allowances available for 2010/2011. In-depth analysis of the Budget can be found on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk) or contact one of the following for more information.

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