



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 are subject to amendment as the Finance Bill passes through Parliament and are correct as of 13 May 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 13.71% (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.

¶ For 2008/2009 subject to European Commission approval and 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.

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