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UK tax 2011/12

Income tax

Bands 2011/12 (2010/11 details in brackets)

The first: **£0-£35,000** (£0-£37,400) **20%** (20%)

£35,001-£150,000 (£37,401-£150,000) **40%** (40%)

Over: **£150,000** (£150,000) **50%** (50%)

Dividends are taxed at **10%** (10%), **32.5%** (32.5%) or **42.5%** (42.5%) as the top slice of total income.

Other savings income, primarily bank and building society interest, is taxed at 10% up to **£2,560** (£2,440). This 10% rate is not available if taxable non-savings income exceeds **£2,560** (£2,440).

There are special rules for trusts, and also for individuals with income assessable on the remittance basis.

Personal allowances

2011/12 (2010/11 details in brackets)

Personal **£7,475** (£6,475)

Income limit for personal allowance (a) (b) **£100,000** (£100,000)

Age allowance (age at end of tax year) (b):

Personal: age 65-74 **£9,940** (£9,490)

Personal: age 75 or over **£10,090** (£9,640)

Married couple's (c) **£7,295** (£6,965)

Income limit for age allowances **£24,000** (£22,900)

Blind person's allowance **£1,980** (£1,890)

(a) The personal allowance is reduced by £1 for each £2 by which income exceeds £100,000, irrespective of age.

(b) Age-related allowances first reduce by £1 for each £2 by which income exceeds the income limit, reducing to a minimum of the personal allowance. Such allowances can be reduced further under (a).

(c) Relief is limited to **10%**, and extends to certain civil partnerships. At least one spouse/partner must have been born before 6 April 1935. The allowance is reduced where income exceeds the income limit, subject to an absolute minimum of **£2,800** (£2,670). In certain circumstances couples may determine how the allowance may best be used.

Working and child tax credits

The **working tax credit** is aimed at those on modest incomes. The **child tax credit** can benefit where family income is up to **£41,329** (£58,170). Credits can also be paid for eligible childcare costs.

Pension contributions

2011/12 (2010/11 details in brackets)

Lifetime allowance (a) **£1,800,000** (£1,800,000)

Equivalent to defined benefit pension **£90,000** (£90,000)

Maximum contribution annual allowance **£50,000** (b) (£255,000) (c)

Tax on excess **Marginal rate** (40%)

Normal minimum pension age **55** (55)

(a) The lifetime allowance reduces to £1,500,000 on 6 April 2012. Special rules can apply to individuals with larger benefits at 5 April 2006, and for those with benefits over £1,500,000 on 5 April 2012. Excess over the lifetime allowance may be subject to a 25% charge plus income tax on balances drawn, or 55% for lump sum benefits.

(b) Unused allowances from the previous three years (by reference to a limit of £50,000) may be carried forward, potentially increasing the current year's allowance in 2011/12 and subsequent tax years.

(c) For 2010/11 anyone with income higher than £130,000 may have had tax relief on pension contributions restricted to the basic rate.

Company cars – annual benefits

The annual benefit is a percentage of list price, with the percentage dependent on the level of CO2 emissions. The minimum benefit is **5%** for emissions of **75g/km** or less. For emissions of **over 75 and up to 120g/km**, the rate is **10%** and for emissions of **over 120 and up to 125g/km** the rate is **15%** and increases by **1%** for each additional full 5g/km up to a maximum charge of **35%** for emissions of **225g/km** or more. Emission levels are rounded down to the nearest multiple of five. List price includes certain accessories, but is reduced for capital contributions of up to **£5,000**.

There is a diesel supplement of **3%** for all bands, subject to a maximum charge of **35%**.

Reduced percentages apply for cars running on alternative fuels, e.g. hybrid, LPG.

For vans, the taxable benefit for significant private use is **£3,000** (£3,000).

For five years until 5 April 2015 the benefit charge for electric cars and vans is **nil**.

Fuel: if fuel is provided for private use in a car, the car benefit percentage is applied to **£18,800** (£18,000).

The benefit for fuel provided for a van with significant private use is **£550** (£500).

National insurance contributions (NIC)

Class 1 employees:

Weekly earnings Contracted in Contracted out

Up to **£102** (£97) **Nil** (nil) **Nil** (nil)

£102.01-£139 (£97.01-£110) **Nil** (nil) Rebate **1.6%** (1.6%)

£139.01-£770 (£110.01-£770) **n/a 10.4%** (9.4%)

£770.01-£817 (£770.01-£844) **n/a 12%** (11%)

£139.01-£817 (£110.01-£844) **12%** (11%) **n/a**

Over **£817** (over £844) **2%** (1%) **2%** (1%)

Class 1 employers:

Weekly earnings Contracted in Contracted out

Salary related Money purchase

Up to **£102** (£97) **Nil** (nil) **Nil** (nil) **Nil** (nil)

£102.01-£136 (£97.01-£110) **Nil** (nil) Rebate **3.7%** (3.7%) Rebate **1.4%** (1.4%)

£136.01-£770 (£110.01-£770) **n/a 10.1%** (9.1%) **12.4%** (11.4%)

£770.01-£817 (£770.01-£844) **n/a 13.8%** (12.8%) **13.8%** (12.8%)

£136.01-£817 (£110.01-£844) **13.8%** (12.8%) **n/a n/a**

Over **£817** (over £844) **13.8%** (12.8%) **13.8%** (12.8%) **13.8%** (12.8%)

Other:

Class 1A (employers only): **13.8%** (12.8%) based on the amounts of taxable benefits.

Class 1B (employers only): **13.8%** (12.8%) in respect of amounts in a pay as you earn (PAYE) settlement agreement and the income tax thereon.

Class 2 (fl at rate for self-employed): **£2.50** (£2.40) per week.

Class 3 (voluntary): **£12.60** (£12.05) per week.

Class 4 (self-employed): **9%** (8%) of profits between **£7,225** (£5,715) and **£42,475** (£43,875) per annum and **2%** (1%) on profits above **£42,475** (£43,875).

Bank levy

Annual tax on certain short-term chargeable liabilities and long-term chargeable equity and liabilities of most UK based banks.

Short-term Long-term equity liabilities and liabilities

January and February 2011 0.05% 0.025%

March and April 2011 0.1% 0.05%
1 May 2011 to 31 December 2011 0.075% 0.0375%
From 1 January 2012 0.078% 0.039%

Insurance premium tax

Standard rate (from 4 January 2011) 6%
Higher rate (from 4 January 2011) 20%

Capital gains tax

2011/12

From 6 April 2010 From 23 June 2010

For standard rate taxpayers **18%** (18%) (18%)

For trustees and higher/additional rate taxpayers **28%** (18%) (28%)

Annual exempt amount – individuals **£10,600** (£10,100) (£10,100)

Annual exempt amount – trusts **£5,300** (£5,050) (£5,050)

Entrepreneurs' relief lifetime limit **£10,000,000** (£2,000,000) (£5,000,000)

Entrepreneurs' rate **10%** (10%) (10%)

Inheritance tax

Nil rate band: up to **£325,000** (£325,000) – **0%** (0%); over **£325,000** (£325,000) – **40%** (40%).

Reduced charge on lifetime gifts within seven years of death applies.

A surviving spouse or civil partner may claim the unused proportion of an earlier deceased spouse's or civil partner's nil rate band up to the current nil rate band.

Tax-efficient investments

2011/12 (2010/11 details in brackets)

ISA investment limits **£10,680** (£10,200)

Cash ISA maximum investment **£5,340** (£5,100)

Venture capital trusts (VCTs): income tax relief at up to **30%** on investment up to **£200,000**.

Enterprise investment scheme (EIS): income tax relief at up to **30%** on qualifying share subscription between **£500** and **£500,000**.

Corporation tax

Financial year (from 1 April) 2011 (2010)

Small profits rate **£0-300,000 - 20%** (£0-300,000 - 21%)

Marginal rate **£300,001-1,500,000 - 27.5%** (£300,001-1,500,000 - 29.75%)

Main rate (a) Over £1,500,000 - 26% (Over £1,500,000 - 28%)

(a) The standard rate will further decrease by 1% in each year until 2014/15 when the standard rate will be 23%.

Capital allowances

Expenditure on: **2011/12** (2010/11 details in brackets)

Plant and machinery: (a) (b) **20%** (20%)

Motor cars on or after April 2009 – CO2 emissions

< 110g/km **100%** (100%)

110g/km-160g/km (a) **20%** (20%)

> 160g/km (a) **10%** (10%)

Motor cars pre April 2009 (a) (c) **20%** (20%)

New and unused zero emission goods vehicles **100%** (100%)

Industrial/agricultural buildings and works/hotels (d) **Nil** (1)

Long life assets/integral features in buildings (a) (e) **10%** (10%)

Patent rights and know how (a) (f) **25%** (25%)

Mines, oil wells, mineral rights (a) (g) **25%** (25%)

Research and development **100%** (100%)

Energy-saving and water efficient plant and machinery **100%** (100%)

Renovation of business premises (deprived areas) **100%** (100%)
There is a 100% annual investment allowance on the first **£100,000** (£100,000), per group of companies or related entities, of capital expenditure on plant and machinery including long life assets and integral features, but excluding cars. This allowance will reduce to £25,000 from April 2012.

- (a) These allowances are given on a reducing balance basis.
- (b) These allowances reduce to 18% from April 2012.
- (c) Subject to a maximum allowance of £3,000 p.a. per vehicle.
- (d) Allowances abolished from April 2011.
- (e) These allowances reduce to 8% from April 2012.
- (f) For expenditure from April 2002 accounting write downs (and not capital allowances) are allowable deductions for tax.
- (g) Acquisition of mineral deposits and rights qualify for 10% p.a.

Stamp duties

2011/12 (2010/11 details in brackets)

Stamp duty land tax on non-residential land and buildings (a) (b):

£0-£150,000 0% (0%)
£150,001-£250,000 (£150,001-£250,000) **1%** (1%)
£250,001-£500,000 (£250,001-£500,000) **3%** (3%)
Over £500,000 (over £500,000) **4%** (4%)

Stamp duty land tax on residential land and buildings (a) (b) (c):

£0-£125,000 (£0-£125,000) (d) (e) **0%** (0%)
£125,001-£250,000 (£125,001-£250,000) (d) (e) **1%** (1%)
£250,001-£500,000 (£250,001-£500,000) **3%** (3%)
£500,001-£1,000,000 (over £500,000) **4%** (4%)
Over £1,000,000 5% (-)

- (a) All figures are calculated inclusive of any VAT. Rates apply to the full amount.
- (b) On leases, the rate is (broadly) **1%** of the discounted rental values under the lease over the **£150,000/£125,000** limit.
- (c) For new zero carbon homes, including flats, the 0% threshold extends to **£500,000** until 30 September 2012; for such properties over £500,000 there is a £15,000 reduction.
- (d) For residential property in disadvantaged areas, the 0% threshold extends to **£150,000**.
- (e) The 0% threshold extends to **£250,000** for first time buyers only for purchases where the date of completion is between 25 March 2010 and 24 March 2012.

Shares and securities **0.5%** (0.5%)

Stamp duty reserve tax **0.5%/1.5%** (0.5%/1.5%)

Value added tax

From 4 January 2011 To 3 January 2011

Standard rate **20%** (17.5%)

Lower rate **5%** (5%)

Zero rate **0%** (0%)

Registration threshold (changes from 1 April 2011): taxable supplies at the end of any month exceed **£73,000** (£70,000) in the past 12 months, or will at any time exceed **£73,000** (£70,000) in the next 30 days. Different thresholds apply for supplies from other EU Member States.

Air passenger duty

Air passenger duty is a departure tax levied on air travel. Rates per passenger:

Reduced rate **Standard rate**

From 1 November 2010

Band A (0-2,000 miles from London) £12 £24

Band B (2,001-4,000 miles from London) £60 £120

Band C (4,001-6,000 miles from London) £75 £150

Band D (over 6,000 miles from London) £85 £170

Flights from airports in the Scottish Highlands and Islands are exempt.

Climate change levy

Rates: 0.485p (0.47p) per kWh (electricity), 0.169p (0.164p) per kWh (gas), 1.321p (1.281p) per kg (coal, lignite, coke and semi-coke), 1.083p (1.05p) per kg (liquid petroleum gas).

Climate change levy is a single stage tax on supplies of various fuels to industrial and commercial consumers.

Landfill tax

2011/12 (2010/11 details in brackets)

Standard rate: £56/tonne (£48/tonne)

Lower rate: £2.50/tonne (£2.50/tonne)

The lower rate applies to inactive waste.

This data was prepared on Budget day 23 March 2011. It is a brief overview for temporary reference and general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice.

