

## Capital Gains Tax

Annual exempt amount 2010/11: individuals £10,100, most trustees £5,050 (unchanged from 2009/10). Net gains after all reliefs, losses and annual exempt amount are taxed at 18% (disposals pre 23.6.10). For disposals after 22.6.10, an individual's net gains are added to income and taxed at 18% (basic rate band) and 28% (higher rate band). For trusts, the CGT rate is 18% (pre 23.6.10 disposals) and 28% (post 22.6.10 disposals).

## Entrepreneurs' Relief

For disposals of sole trade or interest in a partnership trade, or shares in a trading company by an employee owning at least 5%, the gain (up to the lifetime allowance) is taxed at an effective or actual rate of CGT of 10%. The lifetime limit is increased to £5m for disposals after 22.6.2010 (previously £2m from 6.4.10 - 22.6.10, £1m pre 6.4.10).

## Corporation Tax Years to 31.3.2010 and 31.3.2011

|                           |                          |
|---------------------------|--------------------------|
| Main rate                 | 28%                      |
| Profits above             | £1.5m                    |
| Small companies rate      | 21%                      |
| Profits up to             | £300K                    |
| Small/large marginal band | £300K – £1.5m            |
| Fraction (effective rate) | $\frac{1}{100}$ (29.75%) |

## Main capital allowances

Allowance %

|  |     |
|--|-----|
| Plant and machinery  |     |
| – annual investment allowance: £100,000*                       | 100 |
| – certain energy efficient plant, including low emission cars  | 100 |
| – writing down allowance: general pool                         | 20  |
| – writing down allowance: special rate pool                    | 10  |
| *£50,000 to 31.3.10 (companies) or 5.4.10 (income tax traders) |     |

The special rate pool includes long life assets, integral plant in buildings, thermal insulation and cars with CO<sub>2</sub> emissions over 160g/km. The general pool contains other plant and machinery.

The old system of cheap/expensive cars has been abolished, but transitional rules cover existing expenditure before April 2009.

Industrial building allowances are being phased out: 4% in 2007/08; 3% 2008/09; 2% 2009/10; 1% 2010/11; nil thereafter.

## Stamp Duty and Stamp Duty Land Tax

| Rates on sales   | % of Total Consideration |
|--|--------------------------|
| Shares and marketable securities (nil if value up to £1,000) | 0.5%                     |
| Land 0 - threshold   | NIL                      |
| Threshold - £250,000   | 1%                       |
| £250,001 - £500,000  | 3%                       |
| £500,001 and over  | 4%                       |

The threshold is:

|          |                                      |
|----------|--------------------------------------|
| £125,000 | general residential property         |
| £150,000 | residential in "disadvantaged areas" |
| £150,000 | commercial property                  |

For the two years to 24.3.2012, first time buyers can claim relief from SDLT on purchases of up to £250,000 for property they intend to live in.

## Earliest due dates for payment of tax

### Income Tax

Employment  
Interest, dividends

Most tax paid under PAYE  
Lower/basic rate liability usually settled before receipt

Untaxed sources, plus balance on employment and higher rates on investment income (self assessment)

Payments on account for 2010/11 on 31.1.11 and 31.7.11 based on 2009/10 tax; balance due 31.1.12 with first instalment for 2011/12.

### Capital Gains Tax

31 January following the tax year.

### Inheritance Tax

Normally 6 months after month of death.

### Corporation Tax

Large companies pay by instalments starting 6½ months through the accounting period; small/medium companies pay 9 months and 1 day after end of period.

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**TAX RATES 2010-11**

## Main Income Tax reliefs

|   | 2010/11 | 2009/10 |
|---|---------|---------|
| <b>Allowed at top rate of tax</b>   |         |         |
| Personal Allowance  | £6,475  | £6,475  |
| Personal Allowance (65 - 74)*   | 9,490   | 9,490   |
| Personal Allowance (75 and over)*   | 9,640   | 9,640   |
| Blind Person's Allowance  | 1,890   | 1,890   |
| Personal allowances in 2010/11 are withdrawn at £1 for every £2 by which total income exceeds £100,000. |         |         |

### Allowed only at 10%

|   |        |        |
|---|--------|--------|
| Married Couple's Allowance *  | 6,965  | 6,965  |
| (only available if born before 6th April 1935)  |        |        |
| Income limit for age-related allowances   | 22,900 | 22,900 |
| *Age allowances are reduced £1 for every £2 by which income exceeds the income limit, until the age allowance is reduced to the normal allowance. Personal allowance is reduced before married couple's allowance. MCA is reduced to a minimum of £2,670 (2009/10: £2,670). |        |        |

## Income Tax rates and bands

|                                 | 2010/11        | 2009/10     |
|---------------------------------|----------------|-------------|
| Starting rate band * (see note) | 2,440          | 2,440       |
| Basic rate band                 | 37,400         | 37,400      |
| Higher rate band                | 37,401-150,000 | over 37,400 |
| Additional rate                 | over 150,000   | -           |

\* Starting rate band is within basic rate band & applies to savings income only; if taxable general income exceeds the band, the 10% rate is not available.

## Tax rates Rates differ for General/Savings/Dividends

|                 | 2010/11 |     |       | 2009/10 |     |       |
|-----------------|---------|-----|-------|---------|-----|-------|
|                 | G       | S   | D     | G       | S   | D     |
| Starting rate   | N/A     | 10% | 10%   | N/A     | 10% | 10%   |
| Basic rate      | 20%     | 20% | 10%   | 20%     | 20% | 10%   |
| Higher rate     | 40%     | 40% | 32.5% | 40%     | 40% | 32.5% |
| Additional rate | 50%     | 50% | 42.5% | -       | -   | -     |

General income (salary, pension, profit, rent) uses lower rate bands first, then savings (interest), then dividends. Discretionary trusts: basic rate as above applies to first £1,000 of income, then highest rate.

## Car benefit assessment 2010/11

Charge based on a percentage of the initial list price of the car, including accessories, delivery charges and VAT. The percentage depends on the carbon dioxide emissions rating of the car, and whether the engine runs on petrol or diesel. For 2010/11, the taxable benefit on an electric car (no emissions) is nil.

| Ratings      | Petrol                                   | Diesel |
|--------------|--|--------|
| 0-75g/km     | 5%                                       | 8%     |
| 76-120g/km   | 10%                                      | 13%    |
| 121-130g/km  | 15%                                      | 18%    |
| over 130g/km | + 1% for each extra 5g/km (135,140 etc.) |        |
| Maximum      | 35%                                      | 35%    |

Special rules apply to older cars which do not have a CO<sub>2</sub> rating. Employee contributions for private use are deducted from the taxable figure. Company vans are charged at £3,000 if private use is more than home-to-work travel. An additional amount of £550 is charged if fuel is provided free for private use. There is no taxable benefit on an electric van.

### Car fuel benefit

The benefit of free fuel for private use in a company car is calculated using the same percentage as that used for the car benefit, applied to a standard figure of £18,000 (2009/10: £16,900). The taxable amount is therefore between £900 (min) and £6,300 (max).

## Tax free mileage allowances

|  | 2010/11 & 2009/10 |            |
|--|-------------------|------------|
|  | Higher Rate       | Lower Rate |
| All cars   | 40p               | 25p        |
| Motorcycles                                      | 24p               | 24p        |
| Bicycles   | 20p               | 20p        |
| Business passengers                              | 5p                | 5p         |
| Higher rate allowed up to 10,000 business miles. |                   |            |

### Fuel-only allowances for company cars

From 1.6.2010 (From 1.12.2009)

|               | Petrol    | Diesel    | LPG       |
|---------------|-----------|-----------|-----------|
| Up to 1400cc  | 12p (11p) | 11p (11p) | 8p (7p)   |
| 1401 - 2000cc | 15p (14p) | 11p (11p) | 10p (8p)  |
| Over 2000cc   | 21p (20p) | 16p (14p) | 14p (12p) |

These figures may change more often than once a year.

## National Insurance Contributions

### Class 1 (employees)

|  | Contracted In | Contracted Out |                |
|--|---------------|----------------|----------------|
|  |               | Salary Related | Money Purchase |
| Employee contributions   |               |                |                |
| - on earnings £110.01 - £770pw   | 11.0%         | 9.4%           | 9.4%           |
| - on earnings £770.01 - £844pw   | 11.0%         | 11.0%          | 11.0%          |
| - on earnings above £844pw   | 1.0%          | 1.0%           | 1.0%           |
| Employer contributions   |               |                |                |
| - on earnings £110.01 - £770pw   | 12.8%         | 9.1%           | 11.4%          |
| - on earnings above £770pw   | 12.8%         | 12.8%          | 12.8%          |
| Employer contributions (at 12.8%) are also due on most benefits in kind and on tax paid on an employee's behalf under a PAYE settlement agreement. |               |                |                |

### Class 2 (Self-employed)

|   |        |
|---|--------|
| Flat rate per week                          | £2.40  |
| Small earnings exception: profits per annum | £5,075 |

### Class 3 (Voluntary)

|                    |        |
|--------------------|--------|
| Flat rate per week | £12.05 |
|--------------------|--------|

### Class 4 (Self-employed)

|                             |      |
|-----------------------------|------|
| On profits £5,715 - £43,875 | 8.0% |
| On profits over £43,875     | 1.0% |

From September 2010, there will be a "holiday" from employer's NIC for new businesses employing up to 10 new employees in their first year. The maximum benefit is £5,000 per employee. Businesses in certain areas, such as London and the SE, are excluded.

## Pension Contributions

Maximum annual tax-efficient gross contributions to age 75

|               |  |
|---------------|--|
| - individuals | £3,600 or 100% of earnings to £255,000 |
| - employers   | £255,000 less employee contributions   |

Maximum tax efficient fund on taking benefits in 2010/11: £1.8m

Only current earnings count for the 100% limit. Most personal pension contributions are paid net of basic rate tax. Extra contributions over £20,000 by those with income over £130,000 may suffer a clawback of relief.

## Inheritance Tax

| Charges on or after  | Rates % |                 |
|--|---------|-----------------|
| <b>6th April 2009</b>  |         |                 |
| 0 - £325,000   | NIL     | Nil band frozen |
| Above £325,000   | 40%     | until 2014/15   |
| Lifetime chargeable transfers at half the death rate, i.e. 20%.  |         |                 |
| Business property relief of 100% for all shareholdings in qualifying unquoted trading companies and for most unincorporated trading businesses; agricultural property relief at 100% for qualifying holdings of agricultural land. |         |                 |
| Annual exemption for lifetime gifts £3,000.  |         |                 |
| Small gifts - annual amount per donee £250.  |         |                 |

Tapering relief applies to reduce the tax on transfers within 7 years of death. The reduction in tax is 20% for survivorship of 3-4 years, 40% for 4-5, 60% for 5-6 and 80% for 6-7 years.

### Important annual limits

|   | 2010/11   | 2009/10   |
|---|-----------|-----------|
| Individual Savings Account investment       | £10,200   | **£7,200  |
| Enterprise Investment Scheme investment     | *£500,000 | *£500,000 |
| Venture Capital Trust investment            | †200,000  | †200,000  |
| *Relief at 20% †Relief at 30%               |           |           |
| **From 6.10.09, £10,200 for those aged 50+. |           |           |

## Value Added Tax

|  |                   |
|--|-------------------|
| Standard rate (1/4 of VAT-inclusive price)                           | 17.5%             |
| Registration level from 1.4.10                                       | £70,000 per annum |
| Deregistration level from 1.4.10                                     | £68,000 per annum |
| Standard rate rises to 20% on 4.1.2011 (1/4 of VAT inclusive price). |                   |

### Scale charges (will change from 4.1.2011)

|  |             |            |
|--|-------------|------------|
| The scale charges for private use of business fuel are based on the CO <sub>2</sub> emissions rating of the car. A different charge will apply for each 5g/km increase between 130g/km and 230 g/km (max). Currently for a 3 month period: |             |            |
| 120 or less  | £120.00 net | £21.00 VAT |
| 121-134  | 180.43 net  | 31.57 VAT  |
| rising by per 5g/km approx*  | 12.06 net   | 2.11 VAT   |
| 230 or above   | 422.13 net  | 73.87 VAT  |

\*exact figures must be obtained from full table.