

Capital Gains Tax

Annual exempt amount 2007/08: individuals £9,200, most trustees £4,600. Relief given for effect of inflation for periods of ownership up to April 1998. Taper relief is based on complete years of ownership after 5 April 1998 (with one year added for ownership on 17.3.98 in the case of non-business assets):

Complete years owned for taper purposes:	% of gain charged	
	Business asset	Non-business asset
1 year	50%	100%
2 years	25%	100%
3 years	25%	95%
4 years	25%	90%
5 years	25%	85%
6 years	25%	80%
7 years	25%	75%
8 years	25%	70%
9 years	25%	65%
10 years (max.relief)	25%	60%

Net gains after all reliefs and annual exempt amount are taxed at marginal income tax rates for interest income (ie 10%, 20%, 40%).

Corporation Tax

	Year to 31.3.2008	31.3.2007
Main rate	30%	30%
Profits above	£1.5m	£1.5m
Small companies rate	20%	19%
Profits between	£0 – £300K	£0 – £300K
Small/large marginal band	£300K – £1.5m	£300K – £1.5m
Fraction (effective rate)	1/40 (32.5%)	1/400 (32.75%)

Main capital allowances

	Allowance %
Plant and machinery	
– first year allowance for small businesses*	50
– first year allowance for medium businesses	40
– writing down allowance (6% on some long life assets)	25
– cars in general (max £3,000pa)	25
– certain energy efficient plant, including low emission cars	100
Industrial buildings writing down allowance	4

*(Companies 1.4.06 - 31.3.08; income tax 6.4.06 - 5.4.08)

Stamp Duty and Stamp Duty Land Tax

Rates on sales	% of Total Consideration
Shares and marketable securities	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 for residential property and £150,000 for commercial property. In "disadvantaged areas", the residential threshold is £150,000.

Earliest due dates for payment of tax

Income Tax	
Employment	Most tax paid under PAYE
Interest, dividends	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 2007/08 on 31.1.08 and 31.7.08 based on 2006/07 tax; balance due 31.1.2009 with first instalment for 2008/09. 31 January following the tax year.
Capital Gains Tax	Normally 6 months after month of death.
Inheritance 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.
Corporation Tax	

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TAX RATES 2007 – 2008

Main Income Tax reliefs

	2007/08	2006/07
Allowed at top rate of tax		
Personal Allowance	£5,225	£5,035
Personal Allowance (65 - 74)*	7,550	7,280
Personal Allowance (75 and over)*	7,690	7,420
Blind Person's Allowance	1,730	1,660

Allowed only at 10%

Married Couple's Allowance (up to 74)**	6,285	6,065
Married Couple's Allowance (75 and over)**	6,365	6,135
Income limit for age-related allowances	20,900	20,100

+ only available if born before 6th April 1935.

*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 £2,440 (2006/07: £2,350).

Important annual limits	2007/08	2006/07
Individual Savings Account investment	£7,000	£7,000
Rent a room exemption	4,250	4,250
Enterprise Investment Scheme investment	*400,000	*400,000
Venture Capital Trust investment	†200,000	†200,000

*Relief at 20% †Relief at 30%

Income Tax rates and bands	2007/08	2006/07
Lower rate on first	£2,230	£2,150
Basic rate on next	32,370	31,150
Higher rate on taxable income over	34,600	33,300

Tax rates 2007/08 (unchanged from 2006/07)

Rates differ for Dividends/Interest/Other	D	I	O
Starting rate	10%	10%	10%
Basic rate	10%	20%	22%
Higher rate	32.5%	40%	40%
Dividends taxed as highest part of income, then interest, then other			
Discretionary trust			
– within £1,000 standard rate band	10%	20%	22%
– thereafter	32.5%	40%	40%

Car benefit assessment 2007/08

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.

Ratings	Petrol	Diesel
0-140g/km	15%	18%
over 140g/km	+ 1% for each extra 5g/km (145, 150 etc.)	
Maximum	35%	35%

Special rules apply to older cars which do not have a CO₂ rating.

Employee contributions for private use are deducted from the taxable figure.

Company vans are charged at £3,000 (2006/07 £500) if private use is more than home-to-work travel. An additional amount of £500 (2006/07: nil) is charged if fuel is provided free for private use.

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 £14,400. The taxable amount is therefore between £2,160 (min.) and £5,040 (max.).

Tax free mileage allowances

	Higher Rate 2007/08 & 2006/07 unchanged	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 1.2.2007	Petrol	Diesel	LPG
Up to 1400cc	9p	9p	6p
1401 - 2000cc	11p	9p	7p
Over 2000cc	16p	12p	10p

These figures may change more often than once a year.

National Insurance Contributions

Class 1 (employees)

	Contracted In	Contracted Out Salary Related	Contracted Out Money Purchase
Employee contributions			
– on earnings £100.01 - £670pw	11.0%	9.4%	9.4%
– on earnings above £670pw	1.0%	1.0%	1.0%
Employer contributions			
– on earnings £100.01 - £670pw	12.8%	9.1%	11.4%
– on earnings above £670pw	12.8%	12.8%	12.8%

Employer contributions (at 12.8%) are 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	£2.20
Small earnings exception: profits per annum	£4,635

Class 3 (Voluntary)

Flat rate per week	£7.80
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Class 4 (Self-employed)

On profits £5,225 - £34,840	8.0%
On profits over £34,840	1.0%

Pension Contributions

Maximum annual tax-efficient gross contributions to age 75

– individuals	£3,600 or 100% of earnings to £225K
– employers	£225K less employee contributions

Maximum tax efficient fund on taking benefits in 2007/08: £1.6m

Only current earnings count for the 100% limit. It is no longer possible to use prior year earnings or to carry back contribution to earlier years.

Inheritance Tax

Charges on or after 6th April 2007	Rates %	Charges between 6th April 2006 and 5th April 2007
0 - £300,000	NIL	0 - £285,000
Above £300,000	40%	Above £285,000

Lifetime chargeable transfers at half the death rate, ie 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.

Reduced tax charge on transfers within 7 years of death

Years before death	Percentage of death rates
0 - 3	100%
3 - 4	80%
4 - 5	60%
5 - 6	40%
6 - 7	20%
Over 7	NIL

Value Added Tax

Standard rate (1/4 of VAT-inclusive price)	17.5%
Registration level from 01.4.07	£64,000 per annum
Deregistration level from 01.4.07	£62,000 per annum

Scale charges (from 1.5.07)

The scale charges for private use of business fuel change to be based on the CO₂ emissions rating of the car. A different charge will apply for each 5g/km increase between 140g/km (min) and 240 g/km (max). For a 3 month period:

144 and below	£154.89 net	£27.11 VAT
rising by per 5g/km approx*	10.38 net	1.82 VAT
240 or above	362.55 net	63.45 VAT

*exact figures must be obtained from full table.