

Capital Gains Tax

Annual exempt amount 2011/12: individuals £10,600, most trustees £5,300. An individual's net gains after all reliefs, losses and annual exempt amount are added to income and taxed at 18% (basic rate band) and 28% (higher rate band). For trusts, the CGT rate is 28%.

Entrepreneurs' Relief

For disposals of sole trade or interest in a partnership trade, or shares in a trading company by an officer or employee owning at least 5%, the gain (up to the lifetime allowance) is taxed at a 10% rate of CGT. The lifetime limit is £10m from 6.4.11 (previously £5m from 23.6.10-5.4.11; £2m from 6.4.10 - 22.6.10, £1m pre-6.4.10).

Corporation Tax

	Years to 31.3.2012	31.3.2011
Main rate	26%	28%
Profits above	£1.5m	£1.5m
Small companies rate	20%	21%
Profits up to	£300K	£300K
Small/large marginal band	£300K – £1.5m	£300K – £1.5m
Fraction (effective rate)	$\frac{3}{100}$ (27.50%)	$\frac{3}{100}$ (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
* will fall to £25,000 on 1.4.12 (companies) or 6.4.12 (income tax traders); WDA fall to 18%/8% at same date.	

The special rate pool includes long life assets, integral plant in buildings, thermal insulation and cars with CO₂ 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.

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	NIL
0 - threshold	
Threshold - £250,000	1%
£250,001 - £500,000	3%
£500,001 and over (all properties)	4%
Over £1m (residential from 6.4.2011)	5%
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	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 2011/12 on 31.1.12 and 31.7.12 based on 2010/11 tax; balance due 31.1.13 with first instalment for 2012/13.

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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Shoosmiths' tax team is proactive, understands your business challenges and is committed to adding value with the advice we provide.

We have a team of two solicitors, one of whom is also qualified as a chartered accountant and both as chartered tax advisers. All have backgrounds in City tax, an indication of the service levels and expertise you can expect.

Our team acts in a wide range of areas including:

- Corporate tax planning;
- VAT advice;
- Stamp duty and SDLT planning;
- International
- Share schemes and employee benefit trusts
- Employment

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Tax rates
2010 - 2011

shoosmiths

Main Income Tax reliefs

	2011/12	2010/11
Allowed at top rate of tax		
Personal Allowance	£7,475	£6,475
Personal Allowance (65 - 74)*	9,940	9,490
Personal Allowance (75 and over)*	10,090	9,640
Blind Person's Allowance	1,980	1,890
Personal allowances in 2011/12 are withdrawn at £1 for every £2 by which total income exceeds £100,000.		

Allowed only at 10%

Married Couple's Allowance*	7,295	6,965
(only available if born before 6th April 1935)		
Income limit for age-related allowances	24,000	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 £2,800 (2010/11: £2,670).		

Income Tax rates and bands

	2011/12	2010/11
Starting rate band *(SRB)	2,560	2,440
Basic rate band (BRB)	35,000	37,400
Higher rate band (HRB)	35,001-150,000	37,401-150,000
Additional rate	over 150,000	over 150,000

* SRB is within BRB and applies to savings income only. If taxable general income exceeds the SRB, the 10% rate is not available for savings income.

Tax rates Rates differ for General/Savings/Dividends

	2011/12 and 2010/11		
	G	S	D
Starting rate	N/A	10%	10%
Basic rate	20%	20%	10%
Higher rate	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 additional rate.

Car benefit assessment 2011/12

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. The taxable benefit on an electric car (no emissions) is nil.

Ratings	Petrol	Diesel
1-75g/km	5%	8%
76-120g/km	10%	13%
121-125g/km	15%	18%
over 125g/km	+ 1% for each extra 5g/km (130,135 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 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 £18,800 (2010/11: £18,000). The taxable amount is therefore between £940 (min) and £6,580 (max). There is no tax on charging an emission-free electric car.

Tax-free mileage allowances 2011/12

	Higher Rate	Lower Rate
All cars	45p	25p
Motorcycles	24p	24p
Bicycles	20p	20p
Business passengers	5p	5p
Higher rate (which was 40p for cars in 2010/11) is allowed up to 10,000 business miles.		

Fuel-only allowances for company cars

From 1.3.2011 (From 1.12.2010)

	Petrol	Diesel	LPG
Up to 1400cc	14p (13p)	13p (12p)	10p (9p)
1401 - 2000cc	16p (15p)	13p (12p)	12p (10p)
Over 2000cc	23p (21p)	16p (15p)	17p (15p)

These figures usually change on 1 June and 1 December each year.

National Insurance Contributions 2011/12

Class 1 (employees)

	Contracted In	Contracted Out Salary Related	Contracted Out Money Purchase
Employee contributions			
– on earnings £139.01 - £770pw	12.0%	10.4%	10.4%
– on earnings £770.01 - £817pw	12.0%	12.0%	12.0%
– on earnings above £817pw	2.0%	2.0%	2.0%
Employer contributions			
– on earnings £136.01 - £770pw	13.8%	10.1%	12.4%
– on earnings above £770pw	13.8%	13.8%	13.8%
Employer contributions (at 13.8%) are also due on most taxable benefits and on tax paid on an employee's behalf under a PAYE settlement agreement.			

Class 2 (Self-employed)

Flat rate per week	£2.50
Small earnings exception: profits per annum	£5,315

Class 3 (Voluntary)

Flat rate per week	£12.60
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Class 4 (Self-employed)

On profits £7,225 - £42,475	9.0%
On profits over £42,475	2.0%

From September 2010, there is a "holiday" from employer's NIC for new businesses employing up to 10 new employees (including directors) 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 £50,000
– employers	£50,000 less employee contributions

Maximum tax efficient fund on taking benefits in 2011/12: £1.8m

Only current earnings count for the 100% limit. Most personal pension contributions are paid net of basic rate tax.

Extra contributions above £50K may use unused £50K limit of preceding three years.

Inheritance Tax

Charges on or after	Rates %
6th April 2009	
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

	2011/12	2010/11
Individual Savings Account investment	£10,680	£10,200
Enterprise Investment Scheme investment	†500,000	*500,000
Venture Capital Trust investment	†200,000	†200,000

*Relief at 20% †Relief at 30%

Value Added Tax

Standard rate (% of VAT-inclusive price)	20%
Registration level from 1.4.11	£73,000 per annum
Deregistration level from 1.4.11	£71,000 per annum

Scale charges

The scale charges for private use of business fuel are based on the CO₂ emissions rating of the car. A different charge will apply for each 5g/km increase between 130g/km and 230g/km (max). For a 3 month period ending after 30 April 2011:

120 or less	£130.83 net	£26.17 VAT
130	210.00 net	42.00 VAT
rising by per 5g/km approx*	13.10 net	2.62 VAT
225 or above	459.17 net	91.83 VAT

*exact figures must be obtained from full table.