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Budget 2011

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FOREWORD

The recent events in Japan, Libya and elsewhere may have made you reassess your lot in life. Even with the current austere times Comic Relief raised record amounts, so although we are all worse off, perhaps relatively, we all feel better off?

George is telling us it is Plan A, as planned, with no need for major cuts or tax rises. Put another way Plan B doesn't exist, there are few tax breaks and certainly no increases in Government spending.

Attached are our comments on how the Treasury hope to negotiate the next 12 months. As always it is not the words of the Budget Day theatre that matter but the hard numbers that follow.

I hope you at least feel better off!

Paul Ffitch
23 March 2011

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Further copies of this guide, together with further information concerning the Budget, are available on our website at www.sayersb.co.uk.

Note: This Guide has been compiled from the Chancellor's Pre Budget Report, Budget Statement and Government Press Releases. The legislation necessary to implement these proposals will be contained in a Finance Bill expected to be published shortly. The Bill will then pass through Parliament before becoming law as the Finance Act 2011. Until then the Chancellor's proposals should be regarded as subject to amendment. No liability can be accepted for any loss incurred by a person relying solely on the content of this Guide.

OVERVIEW:

- It is a “rabbit in the headlights” budget with the Chancellor not so much chipping away at the deficit but just lightly sanding the rough edges.
- There is a tiny bit of relief for the lower paid and motorists with the 1p cut in fuel duty paid for by a raid on the oil companies.
- The main rate of Corporation tax will drop to 25% from 1 April 2012. A clear recognition that in a global world we have to compete to be host to international companies.
- The changes to the Enterprise Investment Scheme, Venture Capital Trusts, Entrepreneurs’ Relief, Enterprise Zones and Research & Development Tax reliefs are clearly designed to stimulate investment and job creation. The increase in the Personal Allowance has also been presented as encouraging people back to work.
- We all hope George Osborne’s lasting legacy will be the merging of Income Tax and National Insurance and he has bravely set this huge task underway today.
- The Office of Tax Simplification has been busily abolishing out of date and unused reliefs. We fear they have their work cut out as page 197 of the 240 page overview released today reads:



Provisional Collection of Taxes Act (1968): Amendments to Section 1

Who is likely to be affected?

No one is expected to be affected as there is no change in the amount of tax paid or its collection.

- The Chancellor carefully referred to the 50% income tax rate as a “temporary measure”. No doubt the abolition of this will be kept in the armoury pending the next general election.
- Going forward the increase in allowances has been pegged to the Consumer Price Index. Previously these were pegged to the faster rising Retail Price Index. As the Government says, the change is tiny. What they do not say is that in 10 years time it is likely there will have been a material erosion of these allowances.
- Non domiciled taxpayers have lost confidence in UK Governments and have felt quite uneasy of late. We suspect the increase in the Remittance Basis Charge from £30k to £50k after 12 years of residency will not have calmed them.

BUDGET MARCH 2011

INCOME TAX

From 6 April 2011

Pensions

Following announcements and draft legislation during the last 5 months, it has been confirmed that the Annual Allowance for tax relief on pension contributions will be reduced from £255,000 to £50,000 and that higher rate tax relief will be available in full from April 2011. The Lifetime Allowance will remain at £1.8 million until 6 April 2012 when it is expected to fall.

Tax Tip: Pension Contributions – Unused Relief

The new rules allow the unused part of the £50,000 Annual Allowance to be carried forward for up to three tax years. Depending on your previous pension contributions, you may be able to obtain tax relief on pension contributions of up to £200,000 in 2011/12.

It has also been announced that the effective requirement to take an annuity by age 75 will be removed from April 2011.

Tax Warning: Excessive Pension Contributions

With the reduction in the Annual Allowance to £50,000, it is possible that taxpayers with large employer and employee contributions will face an income tax charge unless their position is reviewed and total contributions reduced.

Enterprise Investment Scheme (EIS)

From 6 April 2011, the rate of income tax relief for EIS investments is due to increase from 20% to 30%. Furthermore, from 6 April 2012 the maximum annual sum an individual can invest under an EIS will be increased to £1 million. The aim is to help boost the investment opportunities in smaller privately owned trading companies which have difficulty raising equity.

Tax Tip: Consider EIS Investment post 6 April 2011

EIS investments can form a valuable part of an individual's share portfolio. The enhancement of the income tax relief to 30% on a maximum of a £1 million share subscription will indeed make it more attractive to higher earners that are happy to accept the inherent risks. Capital Gain Tax Deferral relief is also available to shelter gains at the 28% CGT rate albeit these "deferred gains" will "revive" when the EIS shares are eventually disposed of.

BUDGET MARCH 2011

INCOME TAX: Continued

ISA: Annual Subscription Limit

From 6 April 2012, the annual ISA limit will be increased in line with the Consumer Prices Index, rather than the current Retail Price Index. The limit for the 2011/12 tax year is £10,680.

Junior ISAs

This has been introduced for UK resident children, under the age of 18 who do not have a Child Trust Fund (CTF). They will be very similar to existing ISAs currently on the market and will be available as cash or stocks and shares products. It is expected that Junior ISAs will be available from autumn this year. This follows from the Government's announcement back in October 2010 ending the eligibility of the CTF.

Gift Aid

In an attempt to increase charitable donations, the overriding annual limit on benefits received by a donor is to be increased from 6 April 2011 to £2,500. This will allow charities who wish to do so, to thank their larger donors in a more generous way.

Personal Allowance for the Under 65s

To assist those on modest incomes and to improve incentives to join the job market, from 6 April 2012, the personal allowance will be increased to £8,105, this will accompany a reduction in the basic rate limit to £34,370. It is envisaged that most basic and higher rate taxpayers will benefit from these proposals.

National Insurance Contributions (NICs) Rates, Limits and Thresholds

From 6 April 2012, it is intended that the rate of NICs, limits and thresholds will be based upon any changes in the Consumer Price Index rather than the Retail Price Index. This is a move for direct taxes generally and is a subtle way of the Government drawing in significant amounts of additional revenue from the unsuspecting taxpayer.

Company Car Tax Rate – 2013/14

From April 2013, the relevant percentages for taxing company cars will be reduced by 1% for cars with carbon emissions between 95g to 220g. No changes are envisaged for zero or ultra low emission cars, these will remain at 0% and for up to 75g, 5% respectively.

Private Fuel Benefit Charge

From 6 April 2011, the cash equivalent of the taxable amount for Private Fuel Benefit will be based upon £18,800 (up from £18,000) multiplied by an appropriate percentage, based upon the CO₂ emissions of the car.

3.1.2

BUDGET MARCH 2011

INCOME TAX: Continued

Tax Warning: Private Fuel Benefit- expensive tax-wise

If your employer pays for your car fuel, including that incurred for your private mileage you should review this immediately. The cost in terms of income tax to you and the National Insurance charge to your employer is likely to far outweigh the actual cost of the privately used petrol itself.

Approved Mileage Allowance Payments rates from 2011-12

Where employees use their own cars for business mileage they can claim reimbursement from their employers through the approved mileage allowance payments rates (AMAPs). The receipt of this allowance is not regarded as a taxable benefit. There is currently a higher rate of 40p per mile for the first 10,000 miles of business use and 25p per mile thereafter. With effect from 6 April 2011 the 40p rate will increase to 45p per mile.

Tax Tip: Mileage Allowance - deduction from earnings

If you are entitled to mileage allowance, but your employer is too mean to pay, you are still able to claim a deduction from your taxable earnings for the amount that would have been paid.

Reduced Childcare Relief for High Earners

From 6 April 2011, the £55 per week Childcare Relief will be capped to restrict the income tax relief for higher and additional tax rate taxpayers to that available to basic rate taxpayers. This will be achieved by the introduction of exempt limits of £28 and £22 respectively for these high earners so that the tax relief will be based upon £11 per week.

Tax Tip: Childcare Relief – action to take?

The above measure only applies from 6 April 2011 so high earners should take action now and join a scheme to crystallise the available higher rate relief for future years.

REITs (Real Estate Investment Trusts)

The Government has announced an informal consultation with the intention of reducing the regulatory burden for existing and future REITs. It is hoped that this will encourage new Trusts and also allow REITs to purchase property on a more commercial basis.

BUDGET MARCH 2011

INCOME TAX: Continued

Furnished Holiday Lettings

After much consultation, legislation will be introduced to finally ratify the proposed changes to the taxation of Furnished Holiday Lettings (FHL). From 6 April 2011, the key changes are as follows:

- FHL losses cannot be set against general income, they can only be carried forward against profits of the same FHL business.
- Rules have been extended to include FHL outside the UK but within the EEA

From 6 April 2012, the rules regarding the letting periods have been extended making it more difficult for a let property to qualify as a FHL, specifically these will be:

- The letting availability period will be extended from 140 to 210 days;
- The period the property is actually let is extended from 70 to 105 days.

There is a 2 year grace period where if these conditions are not met the property will still qualify so long as all other criteria have been met.

Tax Tip: FHL planning

If possible ensure large items of expenditure on your FHL are made prior to 5 April 2011 so that if a loss arises this can be claimed against general income in the 2010/11 final year rather than having to wait until the FHL realises a profit.

To preserve Entrepreneurs' Relief for Capital Gains Tax purposes be sure that the letting periods are met and that you make plans now so that you will meet the extended letting periods from 6 April 2012.

Anti-Avoidance – Disguised Remuneration

The Government has become increasingly concerned about the use of Employee Benefit Trusts (EBTs) and Employer Financed Retirement Benefit Schemes (EFRBS) as a way of rewarding employees whilst avoiding or reducing the Income Tax and National Insurance payable. As a result, and following a consultation, legislation will be introduced to take effect from 6 April 2011 to ensure that contributions to an EBT/EFRBS on behalf of an employee will be treated as salary and taxed accordingly. The rules will also apply to loans from existing EBTs.

Tax Warning: Benefits from EBTs

The treatment of benefits received from EBTs will change considerably from 6 April 2011 and if you are affected, you should take steps to review the position before then.

BUDGET MARCH 2011

INCOME TAX: Continued

Review of Non-Domicile Taxation

Following the review announced in the June 2010 Budget, the Government has announced the introduction of the following reforms from April 2012:

- Relief from UK taxation when remitting foreign income or capital gains for the purpose of commercial investment in UK businesses;
- Simplification of certain aspects of the current rules to remove undue administrative burdens; and
- Increase the Remittance Basis Charge from £30,000 to £50,000 for those who have been UK resident for 12 or more years.

The Government will be consulting on these changes but have confirmed that there will be no further changes for the remainder of this Parliament.

Statutory Residence Test

The current rules for residence are unclear and largely based on a century's worth of case law. The Government has therefore announced a consultation with the intention of introducing a simpler statutory test from April 2012.

BUDGET MARCH 2011

BUSINESS TAX

Corporate tax rates

- The main rate of Corporation Tax has been 28% since 1 April 2008 for companies whose profits are above the upper relevant amount. This rate will now be reduced to 26% from 1 April 2011 and to 25% from 1 April 2012. Further 1% annual reductions are intended to reduce the rate down to 23% from 1 April 2014.
- The small profits rate for profits below the lower relevant amount was set at 21% from 1 April 2008. As previously announced this rate will reduce to 20% from 1 April 2011.
- The upper and lower relevant amounts of £1.5m and £300,000 respectively are reduced where a company has one or more associates (i.e. worldwide companies under common control). These limits will remain unchanged.

Tax Tip: Incorporate?

With the growing differential between Income Tax and Corporate Tax rates those who are self-employed or in partnership are advised to revisit the question of whether to incorporate or not. Anyone nearing retirement or planning a sale of their business in due course may find substantial tax savings to be made from incorporating.

Capital Allowances – All Businesses

Capital allowances allow businesses to write off the cost of capital assets, such as plant and machinery, against their taxable income. They take the place of commercial depreciation which is not allowed for tax.

Plant & Machinery – Annual Investment Allowance

Most businesses are able to claim an Annual Investment Allowance (AIA) on plant and machinery expenditure (subject to certain exceptions – the main one being expenditure on cars).

With effect from 1 April 2010, for businesses within the charge to Corporation Tax, and from 6 April 2010 for businesses within the charge to Income Tax, the maximum amount of the AIA is £100,000.

As previously announced with effect from April 2012 the maximum amount of the AIA will be reduced from £100,000 to a new limit of £25,000.

It should be noted that there are special rules about the entitlement to AIAs for companies within a group or under common control. These rules remain in force.

BUDGET MARCH 2011

BUSINESS TAX: Continued

Capital Allowances – All Businesses

Tax Tip:

Ensure to make maximum use of the AIA relief before the limit is reduced from April 2012.

Plant & Machinery – Writing Down Allowances (WDA)

- The general rate of plant and machinery WDA is currently 20% per annum on a reducing balance basis. For special rate expenditure the rate of plant and machinery WDA is currently 10 per cent per annum on a reducing balance basis. Special rate expenditure includes expenditure on long life assets, thermal insulation, integral features and expenditure on cars with CO₂ emissions of more than 160g/km.
- As previously announced the main rate of WDA will reduce from 20% to 18% and the special rate from 10% to 8% from 1 April 2012 (Corporation Tax) or 6 April 2012 (Income Tax). The rate changes will have effect from a fixed date so for those businesses where the chargeable period spans the April 2012 date hybrid rates will have effect for the whole of that transitional chargeable period.

Short Life Assets

It is possible for a business to elect for most plant and machinery assets to be treated as “short life assets” in which case the capital allowances are calculated individually on the asset until a “cut-off” point. This ensures that if the asset is sold or scrapped before the cut-off point the full allowance (equal to the net cost of the asset to the business) is given over the period of ownership.

Generally speaking an election is beneficial for fast depreciating assets. Currently the cut-off point is four years from the end of the chargeable period when the expenditure on the asset is incurred. For expenditure incurred on or after 1 April 2011 (Corporation Tax) or 6 April 2011 (Income Tax) the cut-off period will now be increased to eight years. This will increase the range of assets for which such an election may be beneficial.

Zero Emission Goods Vehicles

Expenditure incurred on the purchase of new and unused (not second hand) zero emission goods vehicles (as defined) has attracted a 100% First Year Allowance (FYA) from April 2010. This FYA relief continues for a period of five years.

BUDGET MARCH 2011

BUSINESS TAX: Continued

Enhanced Capital Allowances (ECA)

Businesses purchasing designated plant and machinery which use energy efficiently are allowed to write off 100% of the cost of the investment for tax purposes in the period in which the investment is made. The Budget further updates the list of technologies and products covered by the energy saving ECA scheme. In addition the Government has announced the creation of 21 new Enterprise Zones and will consider, in a limited number of cases, the scope for introducing enhanced capital allowances to support Enterprise Zones in those assisted areas, where there is strong focus on high value manufacturing.

Business Premises Renovation Allowance (BPRA)

The BPRA will be extended for a further five years from April 2012. This enables businesses which own or lease property that has been vacant for a year or more in one of the designated disadvantaged areas of the UK to claim 100% First Year Allowances for capital expenditure on renovating or converting the premises in order to bring it back into business use.

National Insurance Contributions (NICs)

As previously announced the NIC rates for 2011/12 will increase as follows:-

- The main rate of Class 1 and Class 4 NICs will increase from 11% to 12% and from 8% to 9% respectively
- The employer rate (to include Class 1A and Class 1B contributions) will increase from 12.8% to 13.8%.
- The additional rate of Class 1 and Class 4 NICs will increase from 1% to 2%.

Research & Development

In April 2000 the Government introduced the valuable R&D tax credit for companies that are small or medium sized enterprises (SMEs). This was initially given as an additional 50% deduction for the cost, although in April 2008 this was increased to 75%.

Subject to State aid approval, legislation will be introduced in Finance Bill 2011 to further increase this rate from 75% to 100% from 1 April 2011, giving a total deduction of 200% of the cost incurred. In addition, the Budget states the intention to further increase this to 125% from 1 April 2012, giving a total deduction of 225%.

It should be noted that a wide variety of items could be considered as R&D and the relief is not limited to what may be viewed as traditional research. An example of this includes a sausage factory successfully claiming this tax credit for developing new sausage flavours!

BUDGET MARCH 2011

BUSINESS TAX: Continued

Tax Tip: Research & Development

If your business is unincorporated and incurs substantial R&D expenditure then incorporation should be considered so that you can qualify for this relief. Having a limited company may be beneficial in any event!

Controlled Foreign Companies (CFC)

There is to be a full reform to the CFC rules in 2012 to make the UK Corporate Tax system more competitive for UK companies with overseas subsidiaries. In the meantime the Finance Bill will contain some revisions to the existing rules for accounting periods beginning on or after 1 January 2011. These changes include introducing:-

- An exemption for certain intra group trading transaction where there is little connection with the UK and therefore it is unlikely that UK profits have been artificially diverted.
- An exemption for CFCs with a main business of intellectual property (IP) exploitation where the IP and the CFC have minimal connection with the UK.
- A statutory exemption which runs for three years for foreign subsidiaries that, as a consequence of a reorganisation or change to UK ownership, come within the scope of the CFC regime.
- An alternative to the current de minimis exemption, which will increase the limit to £200,000 profits per annum and replace the need to calculate chargeable tax profits with an accounts based measure.

Business Rates

Any business entitled to Small Business Rates Relief and which has a rateable value of £12,000 or less will be eligible for a discount off their rates bill. This relief which is available in respect of the period from 1 October 2010 to 30 September 2011 will now be extended for a further year to 30 September 2012.

The Budget has announced the creation of 21 new Enterprise Zones. The Government intends to offer up to 100% business rates discount for five years to businesses located in Enterprise Zones.

BUDGET MARCH 2011

BUSINESS TAX: Continued

Taxation of Foreign Branches

At present UK resident companies are liable to Corporation Tax (CT) on all their profits wherever arising, including those of any foreign branches. Credit relief is given against that CT for the foreign tax paid on the profits of foreign branches. Credit relief is available where a claim can be made under a double-tax agreement. Where no such claim can be made unilateral tax relief is given. Credit relief against CT in respect of foreign tax paid on any profits will be restricted to the amount of CT payable on the same (UK measure of) profits.

The Finance Bill 2011 will contain new legislation to allow a company to make an irrevocable election for all its branches, located anywhere in the world, to be exempt from UK CT on their profits. Generally the exempt income will be the UK measure of the profits of the permanent establishment that are taxable by the other state. Exempt profits will include any capital gains attributable to the foreign branch. No relief will be available for foreign branch losses.

Certain restrictions will prevent abuse whereby profits that would otherwise remain within the charge to CT are diverted to an exempt foreign branch. There will also be a transitional rule to ensure that any outstanding loss relief which has been claimed in the last six years is recaptured by the Exchequer.

This exemption regime will improve alignment in the tax treatment of foreign branches and subsidiaries ensuring that there is no competitive disadvantage to companies that use a branch structure.

This proposal will have effect for accounting periods commencing on or after Royal Assent to the Finance Bill 2011.

Corporate Gains Degrouping Charge

If a company leaves a group holding an asset which it acquired from a fellow group member within the previous six years, any gain or loss that has been deferred on the original transfer of that asset is brought back into charge. This charge is subject to an exception, known as the "associated companies exception", where both the transferee and the transferor companies leave the group together, and both companies are part of the same sub-group from the time of the transfer until they leave the original group.

The Finance Bill 2011 will introduce legislation to prevent the exploitation of this associated companies exception. The Finance Bill will also simplify the rules for the calculation of the chargeable gains degrouping charges for companies.

BUDGET MARCH 2011

CAPITAL TAXES

Capital Gains Tax

Entrepreneurs' Relief

"Entrepreneurs" are able to qualify for a 10% rate of Capital Gains Tax where they make a qualifying business disposal. This is basically a disposal of all or a substantial part of a trading business. When first introduced this relief was only available for lifetime gains of up to £1,000,000. As from 6 April 2010 the lifetime limit increased to £2,000,000. It was increased again to £5,000,000 as from 23 June 2010 and with effect from 6 April 2011 it will be increased yet again to £10,000,000. We have said it before but this welcome measure is unlikely to cost the Treasury too much in the coming months and hopefully will provide a much needed boost to the economy.

Tax Tip: Entrepreneurs' Relief - ensure you qualify

Those owning more than 5% of the voting rights in a trading company who are also employees or an officer of the company will qualify for Entrepreneurs Relief. Ensure other shareholders of 5% or more do not miss out by putting them on the payroll.

Annual Exempt Amount

With effect from 2012/13 the Annual Exemption will increase in line with the Consumer Price Index and not, as previously, the Retail Price Index. We agree with the Government that the change proposed is "very small" but it should be said that it is likely to be detrimental to the taxpayer. The Annual Exemption for 2011/12 will be £10,600 for an individual.

Inheritance tax

Reduced rate of 36%

A reduced rate of Inheritance Tax (IHT) will apply where 10% or more of a deceased's net estate (after deducting IHT exemptions, reliefs and the nil rate band) is left to charity. In those cases the current 40% rate will be reduced to 36%. The new rate will apply where death occurs on or after 6 April 2012. There will be a detailed consultation on this measure before implementation. We imagine this reduction will be in addition to the full exemption that currently exists for gifts to charity.

BUDGET MARCH 2011

CAPITAL TAXES continued

Stamp Duty Land Tax

Anti Avoidance

Gone are the days when Stamp Duty was just an inconvenient transaction cost which was probably a lot less than your Estate Agent fees. It is now a real tax and although the rates may look low it needs to be remembered that this is a tax on the total consideration and not a tax on the net profit. As a result there are a number of constantly changing mitigation schemes on offer. With effect from 24 March 2011 legislation will be introduced to ensure that certain "avoidance" schemes are ineffective.

Tax Tip: Talk to the scheme providers

If you are currently involved with or considering such a scheme you need to talk to the scheme providers.

Bulk Purchases

Due to the "linked transactions" legislation landlords purchasing more than one property in a single transaction may end up paying a higher rate of Stamp Duty. For transactions taking place after the Finance Bill receives Royal Assent the rate of Stamp Duty Land Tax will be determined by reference to the average consideration, subject to a 1% minimum rate.

BUDGET MARCH 2011

OTHER MATTERS

VAT: Standard Rate

The Chancellor has confirmed that the standard rate of VAT will remain at 20%.

VAT: Turnover Thresholds

With effect from 1 April 2011 the VAT registration threshold will increase to £73,000 (from £70,000) and the deregistration threshold increases to £71,000 (from £68,000)

VAT: Fuel Scale Charges

New fuel scale charges are to be used for businesses with prescribed accounting periods starting on or after 1 May 2011. As previously, these are based on the vehicle's CO₂ emissions.

VAT: Low Value Consignment Relief

With effect from 1 November 2011, the value below which goods imported from outside the EU are VAT-free will be reduced to £15 (from £18). This is intended to prevent large retailers supplying goods such as DVDs from, for example, Guernsey and avoid having to charge VAT. The Government is also planning to discuss its position with the European Commission to further reduce the scope of the relief and as a result support smaller domestic retailers.

EU Obligations

Under the imaginatively titled Mutual Assistance Recovery Directive, communication and assistance between EU member states will be improved. This EU legislation effectively permits the full exchange of information between member states to ensure all tax debts are correctly collected. We shall have to wait and see what impact this has in practice.

RATES AND ALLOWANCES

INCOME TAX			2010/11	2011/12	
			£	£	
Personal Allowance	(age under 65)	*	6,475	7,475	
	(age 65 – 74)	**	9,490	9,940	
	(age 75 and over)	**	9,640	10,090	
Married Couple's Allowance	(born before 6 April 1935)	***	6,965	7,295	
	minimum amount	***	2,670	2,800	
Income Limit for Age-Related Allowances			**	22,900	24,000
Blind Person's Allowance				1,890	1,980

* Personal Allowance restricted by £1 for every £2 of income over £100,000 (no age based exemption)

** The Age allowance will be restricted by £1 for every £2 of income over the "Income Limit" down to the personal allowance as applies to individuals under 65 years of age.

*** Indicates allowances where tax relief is restricted to 10%.

Tax Rates and Bands		2010/11	2011/12
		£	£
Basic Rate	20%	0 - 37,400	20% 0 - 35,000
Higher Rate	40%	37,401 - 150,000	40% 35,001 - 150,000
Additional Rate	50%	Over 150,000	50% Over 150,000

UK savings income falling within the first £2,560 (2010/11 £2,440) of the basic rate band is taxed at 10%, provided that the non-savings income does not exceed this limit.

UK dividends within: the basic rate limit are taxed at 10% (0%), the higher rate limit at 32.5% (25%) and the additional rate limit at 42.5% (36.1%). Figures in brackets are the effective rate of tax with the 10% tax credit.

NATIONAL INSURANCE - 2011/12

Class 1 Contributions for Employers

Weekly Earnings	Up to £136	£136 to £817	Over £817
Standard Rate	0%	13.80%	13.80%
Contracted Out Salary Related	0%	10.10%	13.80%
Contracted Out Money Purchase	0%	12.40%	13.80%

Class 1 Contributions for Employees

Contribution Rate (Contracted Out Rate)	0% (0%)	12% (10.40%)	2% (2%)
Weekly Earnings	£0 - £139	£139 - £817	Over £817
Monthly Earnings	£0 - £602	£602 - £3,540	Over £3,540
Annual Earnings	£0 - £7,225	£7,225 - £42,475	Over £42,475

Class 2 Contributions for the Self-Employed

Weekly Flat Rate	£2.50
Small Earnings Exemption	£5,315

Class 3 Voluntary Contributions

Weekly Rate	£12.60
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Class 4 Contributions for the Self-Employed

Profits between £7,225 and £42,475	9%
Profits above £43,875	2%

RATES AND ALLOWANCES - continued

CORPORATION TAX

Financial Year to	31 March 2011	31 March 2012
Taxable Profits		
Up to £300,000	21%	20%
£300,001 - £1,500,000	29.75%	27.50%
Over £1,500,000	28%	26%

CAPITAL GAINS TAX

	2010/11	2011/12
	£	£
Annual Exemption		
Individuals	10,100	10,600
Personal Representatives	10,100	10,600
Trusts	5,050	5,300

Entrepreneurs' Relief - tax at 10% * 5,000,000 10,000,000

Prior to 23 June 2010 all chargeable gains were taxed at a flat rate of 18%. From 23 June 2010 gains are now added to taxable income as the top slice and taxed at 18% if the total falls within the basic rate band, and any excess gains taxed at the new higher rate of 28%. Trusts and estates will be taxed at the new 28% rate.

* Prior to 23 June 2010 Entrepreneurs' Relief was available on the first £2 million of qualifying gains with an effective rate of tax of 10%.

INHERITANCE TAX

	2010/11	2011/12	2012/13
	£	£	£
Nil-Rate Band (frozen until 2014/15)	325,000	325,000	325,000
Annual Allowance	3,000	3,000	3,000
Small Gifts Exemption	250	250	250

The rate of Inheritance Tax is 40% on death and 20% for lifetime chargeable transfers. From 6 April 2012 the rate of Inheritance Tax on death will be reduced to 36% where 10% or more of the net estate is left to Charity.

STAMP DUTY

Rates	Residential Property	Commercial Property
0%	£0 - £125,000	£0 - £150,000
0% (first time buyers from 25/3/2010 to 24/3/2012)	£0 - £250,000	n/a
1%	£125,001 - £250,000	£150,001 - £250,000
3%	£250,001 - £500,000	£250,001 - £500,000
4%	£500,001 - £1,000,000	Over £500,000
5% (from 6/4/2011)	Over £1,000,000	n/a
0.5%	Sale or Transfer of Shares and Securities	

VAT

	£
VAT registration threshold	73,000
VAT deregistration threshold	71,000
Flat-rate scheme	
VAT turnover	150,000 (ex VAT) in next 12 months
Total business income	191,500 (inc VAT) in next 12 months
Cash Accounting	
Annual Accounting	Turnover 1,350,000 (ex VAT) in next tax year

On 4 January 2011 the standard rate of VAT increased from 17.5% to 20%.