

Larsen & Co

Chartered Accountant

Income Tax

Earnings related income

		2008/9	2007/8
Starting Rate	10%		£22,30
Basic rate	20%	£36,000	
Basic rate	22%		£32,370
Higher rate	40%	Over £36,000	Over £34,600

Savings & Dividend Income

There is a new rate of 10% for savings income only with a limit of £2,320, taxpayers will be able to reclaim the additional 10% paid at source. If non savings income is above this limit then the 10% rate is not applicable. Higher rate tax payers pay a further 20%

Dividends are taxed at 10% and 32.5% for higher rate taxpayers. Non tax payers cannot reclaim the tax credit on dividends.

Allowances

	Restriction	2008/9	2007/8
Personal allowance			
Age Under 65		£6,035	£5,225
Age 65 – 74	£1 per £2	£9,030	£7,550
Age 75 and Over	£1 per £2	£9,180	£7,690
Married Couples Allowance	£1 per £2		
Age less than 75 and born pre 6/4/35		£6,535	£6,285
Age 75 and over		£6,625	£6,365
Minimum Allowance		£2,540	£2,440
Income limit age allowance		£21,800	£20,900
Blind Person		£1,800	£1,730
Payment on loss of office		£30,000	£30,000
Maintenance payments if born pre 6/4/35		£2,540	£2,440
Rent a room relief		£4,250	£4,250
ISA's maximum investment		£7,200	£7,000

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Working and child tax credits

	Restriction	2008/9	2007/8
Working tax credit			
Basic element		£1,800	£1,730
Couple/one parent element		£1,770	£1,700
Disability		£2,405	£2,310
Severe disability		£1,020	£980
30 hours		£735	£705
Age 50 plus		£1,235	£1,185
Age 50 plus over 30 hours		£1,840	£1,770
Childcare 1 child	80%	£175	£175
Childcare 2 or more children	80%	£300	£300
Earnings threshold		£6,420	£5,220
Child tax credit			
Family element		£545	£545
Child element		£2,085	£1,845
Disabled child		£2,540	£2,440
Severely disabled child		£1,020	£980
Earnings threshold		£15,575	£14,495

Capital gains tax

Annual exemption	2008/9	2007/8
Individuals	£9,600	£9,200
Trusts (generally)	£4,800	£4,600
Chattels exemption	£6,000	£6,000
Tax rate		
Individuals	18%	10/20/40%
Estates and trusts	40%	40%

Entrepreneur's relief

Taper relief was withdrawn on 5 April 2008 and a flat rate of 18% introduced. Entrepreneur's relief is available on certain business assets of 4/9 of the gain subject to a lifetime limit of £1million.

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Inheritance tax

	Gross cumulative transfer	
Rates	2008/9	2007/8
0%	£312,000	£300,000
40%	Over £312,000	Over £300,000
Exemptions		
Annual	£3,000	£3,000
Small gifts	£250	£250
Marriage gifts		
Parent	£5,000	£5,000
Grandparent	£2,500	£2,500
Spouses	£2,500	£2,500
Other	£1,000	£1,000

Taper relief on gifts within 7 years of death

Years before death	0-3	3-4	4-5	5-6	6-7
Death charge percentage	100%	80%	60%	40%	20%

Transfer of unused nil rate bands

On the death of a surviving spouse after 9 October 2007 the relevant percentage of the first spouses unused nil rate band may be transferred to the estate of the surviving partner.

Personal pension schemes

From 6 April 2006 tax is charged on the value of contributions that exceed the annual allowance or relevant earnings subject to a minimum of £3,600. Tax is also charged if the value of the pension at retirement exceeds the individual's lifetime allowance.

	2008/9	2007/8
Annual allowance	£235,000	£225,000
Lifetime allowance	£1,650,000	£1,600,000

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National insurance contributions

			Employee's rate	Employer's rate	
Class 1					
Non contracted out rates					
Per week	Per Month	Per Year			
Below	Below	Below	0%		0%
£105.01	£453.01	£5,435.01			
£105.01-	£453.01-	£5,435.01-	11%		12.8%
£770.00	£3,337.00	£40,040.00			
Over	Over	Over	1%		12.8%
£770.00	£3,337.00	£40,040.00			
Contracted out rates					
Below	Below	Below	0%	Salary related 0%	Money purchase 0%
£90.01	£390.01	£4680.01			
£90.01-	£390.01-	£4,680.01-	Rebate	Rebate	Rebate
£105.00	£453.00	£5,435.00	1.6%	3.7%	1.4%
£105.01-	£453.01-	£5,435.01-	9.4%	9.1%	11.4%
£770.00	£3,337.00	£40,040.00			
Over	Over	Over	1%	12.8%	12.8%
£770.00	£3,337.00	£40,040.00			
Class 2			From April 2008		From April 2007
Earnings over £4,635 per annum			£2.30 per week		£2.20 per week
Special class 2 rate for volunteer development worker			£4.50 per week		£4.35 per week
Class 3 (voluntary)			£8.10 per week		£7.80 per week
Class 4 (self employed)			2007/8		2007/8
0%			Below £5,435		Below £5,225
8%			£5,435- £40,040		£5,225- £34,840
1%			Over £40,040		Over £34,840

National minimum wage

Age	Rate per hour		
	From 1/10/08	From 1/10/07	From 1/10/06
Over compulsory school age	3.53	3.40	3.30
18 +	4.77	4.60	4.45
22 + *	5.73	5.52	5.35

* Workers aged 22 + who are starting a new job with a new employer and doing accredited training are at the 18 + rate.

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Corporation tax

	From 1/4/08	From 1/4/07
Full tax rate	30%	30%
Small company rate (£1-£300,000)	21%	20%
Marginal rate (£300,000 - £1.5m)	29.75%	32.50%

Capital allowances

	Annual investment allowance	Writing down allowance
Machinery and plant		
Maximum	£50,000	25%
Rate	100%	25%
Energy saving plant or machinery	100%	-
Business premises renovation allowance	100%	-
Industrial buildings and hotels	-	3%
Agricultural and forestry land and buildings	-	3%

Car benefits

Registered	Emissions	0-1,400cc	1,401-2,000cc	Over 2,000cc
Before 1/1/98		15%	22%	32%
After 1/1/98	None approved	15%	25%	35%
After 1/1/98	Up to 140		15%	
	Each additional 5g/km		Add 1%	
	Maximum		35%	
	Diesel cars		Add 3%	

Fuel benefit

£16,900 times the relevant percentage of the car benefit scale.

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Company Van benefits

	2007/8	2006/7
Van less than 4 years old at end of tax year	£3,000	£500
Van over 4 years old	£3,000	£350

Benefit is apportioned if the van is shared

Mileage allowance

	Per business mile
Annual business mileage up to 10,000 miles	40p
Business mileage over 10,000 miles	25p
Each passenger making same business trip	5p
Motorcycles	24p
Bicycles	20p

VAT Car fuel scales – quarterly returns

For accounting periods' commencing on or after 1 May 2007 the VAT fuel scale charge reflects the CO2 emissions. For details please see notice 700/64 on HM Revenue and Customs website.

VAT

Rates	From 1/4/08	From 1/4/07
Standard	17.5%	17.5%
Reduced	5%	5%
Zero	0%	0%
VAT fraction	7/47	7/47
Registration threshold	£67,000	£64,000
Deregistration threshold	£65,000	£62,000
Cash accounting scheme –		
Start to use scheme	£1,350,000	£1,350,000
Stop using scheme	£1,600,000	£1,600,000
Annual accounting scheme		
Start to use scheme	£1,350,000	£1,350,000
Stop using scheme	£1,600,000	£1,600,000
Flat rate scheme		
Start to use scheme	£150,000	£150,000
Stop using scheme	£225,000	£187,500

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Stamp duty

	From 13/3/08	From 21/3/07
Prime rates		
Conveyance/transfer on sale of shares and securities	0.5%	0.5%
Gifts, gilts & intellectual property	0%	0%
Other conveyance/transfer on sale (including freehold property)		
Under £125,000 (£150,000 residential disadvantaged areas)	0%	0%
£125,001- £250,000 (£150,001 residential disadvantaged areas)	1%	
£250,000 - £500,000	3%	3%
Over £500,000	4%	4%
Fixed duty on executed instruments	£5 if over £1,000	£5
Duty on rent		
Net present value of rent		Rate of charge (% annual rent)
Under £150,000 (£125,000 residential)	0%	0%
Over £150,000 (£125,000 residential)	1%	1%

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