

2011/12 Taxation & Allowances

Income tax

Bands	2011/12	2010/11
The first: £0-£35,000 (£0-£37,400)	20%	(20%)
£35,001-£150,000 (£37,401-£150,000)	40%	(40%)
Over: £150,000 (£150,000)	50%	(50%)

Dividends are taxed at 10% (10%), 32.5% (32.5%) or 42.5% (42.5%) as the top slice of total income.

Other savings income, primarily bank and building society interest, is taxed at 10% up to £2,560 (£2,440). This 10% rate is not available if taxable non-savings income exceeds £2,560 (£2,440).

There are special rules for trusts, and also for individuals with income assessable on the remittance basis.

Personal allowances

	2011/12	2010/11
Personal	£7,475	(£6,475)
Income limit for personal allowance (a) (b)	£100,000	(£100,000)
Age allowance (age at end of tax year) (b):		
Personal: age 65-74	£9,940	(£9,490)
Personal: age 75 or over	£10,090	(£9,640)
Married couple's (c)	£7,295	(£6,965)
Income limit for age allowances	£24,000	(£22,900)
Blind person's allowance	£1,980	(£1,890)

(a) The personal allowance is reduced by £1 for each £2 by which income exceeds £100,000, irrespective of age.

(b) Age-related allowances first reduce by £1 for each £2 by which income exceeds the income limit, reducing to a minimum of the personal allowance. Such allowances can be reduced further under (a).

(c) Relief is limited to 10%, and extends to certain civil partnerships. At least one spouse/partner must have been born before 6 April 1935. The allowance is reduced where income exceeds the income limit, subject to an absolute minimum of £2,800 (£2,670). In certain circumstances couples may determine how the allowance may best be used.

Working and child tax credits

The **working tax credit** is aimed at those on modest incomes. The **child tax credit** can benefit where family income is up to £41,329 (£58,170). Credits can also be paid for eligible childcare costs.

Pension contributions

2011/12	2010/11
Lifetime allowance (a)	£1,800,000 (£1,800,000)
Equivalent to defined benefit pension	£90,000 (£90,000)
Maximum contribution annual allowance	£50,000 (b) (£255,000 (c))
Tax on excess	Marginal rate (40%)
Normal minimum pension age	55 (55)

(a) The lifetime allowance reduces to £1,500,000 on 6 April 2012. Special rules can apply to individuals with larger benefits at 5 April 2006, and for those with benefits over £1,500,000 on 5 April 2012. Excess over the lifetime allowance may be subject to a 25% charge plus income tax on balances drawn, or 55% for lump sum benefits.

(b) Unused allowances from the previous three years (by reference to a limit of £50,000) may be carried forward, potentially increasing the current year's allowance in 2011/12 and subsequent tax years.

(c) For 2010/11 anyone with income higher than £130,000 may have had tax relief on pension contributions restricted to the basic rate.

Company cars – annual benefits

The annual benefit is a percentage of list price, with the percentage dependent on the level of CO2 emissions. The minimum benefit is 5% for emissions of 75g/km or less. For emissions of over 75 and up to 120g/km, the rate is 10% and for emissions of over 120 and up to 125g/km the rate is 15% and increases by 1% for each additional full 5g/km up to a maximum charge of 35% for emissions of 225g/km or more. Emission levels are rounded down to the nearest multiple of five. List price includes certain accessories, but is reduced for capital contributions of up to £5,000.

There is a diesel supplement of 3% for all bands, subject to a maximum charge of 35%.

Reduced percentages apply for cars running on alternative fuels, e.g. hybrid, LPG. For vans, the taxable benefit for significant private use is £3,000 (£3,000).

For five years until 5 April 2015 the benefit charge for electric cars and vans is nil.

Fuel: if fuel is provided for private use in a car, the car benefit percentage is applied to £18,800 (£18,000).

The benefit for fuel provided for a van with significant private use is £550 (£500).

National insurance contributions (NIC)

Class 1 employees:

Weekly earnings	Contracted in	Contracted out
Up to £102 (£97)	Nil (nil)	Nil (nil)
£102.01-£139 (£97.01-£110)	Nil (nil) Rebate	1.6% (1.6%)
£139.01-£770 (£110.01-£770)	n/a 10.4%	(9.4%)
£770.01-£817 (£770.01-£844)	n/a 12%	(11%)
£139.01-£817 (£110.01-£844)	12%	(11%) n/a
Over £817 (over £844)	2% (1%)	2% (1%)

Class 1 employers:

Weekly earnings	Contracted in	Contracted out	
		Salary related	Money purchase
Up to £102 (£97)	Nil (nil)	Nil (nil)	Nil (nil)
£102.01-£136 (£97.01-£110)	Nil (nil)	Rebate 3.7% (3.7%)	Rebate 1.4% (1.4%)
£136.01-£770 (£110.01-£770)	n/a	10.1% (9.1%)	12.4% (11.4%)
£770.01-£817 (£770.01-£844)	n/a	13.8% (12.8%)	13.8% (12.8%)
£136.01-£817 (£110.01-£844)	13.8% (12.8%)	n/a	n/a
Over £817 (over £844)	13.8% (12.8%)	13.8% (12.8%)	13.8% (12.8%)

Other:

Class 1A (employers only): 13.8% (12.8%) based on the amounts of taxable benefits.

Class 1B (employers only): 13.8% (12.8%) in respect of amounts in a pay as you earn (PAYE) settlement agreement and the income tax thereon.

Class 2 (flat rate for self-employed): £2.50 (£2.40) per week.

Class 3 (voluntary): £12.60 (£12.05) per week.

Class 4 (self-employed): 9% (8%) of profits between £7,225 (£5,715) and £42,475 (£43,875) per annum and 2% (1%) on profits above £42,475 (£43,875).

Bank levy

Annual tax on certain short-term chargeable liabilities and long-term chargeable equity and liabilities of most UK based banks.

	Short-term liabilities	Long-term equity and liabilities
January and February 2011	0.05%	0.025%
March and April 2011	0.1%	0.05%
From 1 May 2011	0.075%	0.0375%

Insurance premium tax

Standard rate (from 4 January 2011)

6%

Higher rate (from 4 January 2011)

20%

Capital gains tax

	2011/12	From 6 April 2010 (18%)	From 23 June 2010 (18%)
For standard rate taxpayers	18%		
For trustees and higher/additional rate taxpayers	28%	(18%)	(28%)
Annual exempt amount – individuals	£10,600	(£10,100)	(£10,100)
Annual exempt amount – trusts	£5,300	(£5,050)	(£5,050)
Entrepreneurs' relief lifetime limit	£10,000,000	(£2,000,000)	(£5,000,000)
Entrepreneurs' rate	10%	(10%)	(10%)

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Inheritance tax

Nil rate band: up to **£325,000** (£325,000) – **0%** (0%); over **£325,000** (£325,000) – **40%** (40%).

Reduced charge on lifetime gifts within seven years of death applies.
A surviving spouse or civil partner may claim the unused proportion of an earlier deceased spouse's or civil partner's nil rate band up to the current nil rate band.

Tax-efficient investments

	2011/12	2010/11
ISA investment limits	£10,680	(£10,200)
Cash ISA maximum investment	£5,340	(£5,100)

Venture capital trusts (VCTs): income tax relief at up to **30%** on investment up to **£200,000**.

Enterprise investment scheme (EIS): income tax relief at up to **30%** on qualifying share subscription between **£500** and **£500,000**.

Corporation tax

Financial year (from 1 April)	2011	2010
	£ %	£ %
Small profits rate	0-300,000 20	(0-300,000 21)
Marginal rate	300,001-1,500,000 27.5	(300,001-1,500,000 29.75)
Main rate (a)	Over 1,500,000 26	(Over 1,500,000 28)

(a) The standard rate will further decrease by 1% in each year until 2014/15 when the standard rate will be 23%.

Capital allowances

Expenditure on:	2011/12	2010/11
	%	%
Plant and machinery: (a) (b)	20	(20)
Motor cars on or after April 2009 – CO2 emissions < 110g/km	100	(100)
110g/km-160g/km (a)	20	(20)
> 160g/km (a)	10	(10)
Motor cars pre April 2009 (a) (c)	20	(20)
New and unused zero emission goods vehicles	100	(100)
Industrial/agricultural buildings and works/hotels (d)	Nil	(1)
Long life assets/integral features in buildings (a) (e)	10	(10)
Patent rights and know how (a) (f)	25	(25)
Mines, oil wells, mineral rights (a) (g)	25	(25)
Research and development	100	(100)
Energy-saving and water efficient plant and machinery	100	(100)
Renovation of business premises (deprived areas)	100	(100)

There is a 100% annual investment allowance on the first £100,000 (£100,000), per group of companies or related entities, of capital expenditure on plant and machinery including long life assets and integral features, but excluding cars. This allowance will reduce to £25,000 from April 2012.

- (a) These allowances are given on a reducing balance basis.
- (b) These allowances reduce to 18% from April 2012.
- (c) Subject to a maximum allowance of £3,000 p.a. per vehicle.
- (d) Allowances abolished from April 2011.
- (e) These allowances reduce to 8% from April 2012.
- (f) For expenditure from April 2002 accounting write downs (and not capital allowances) are allowable deductions for tax.
- (g) Acquisition of mineral deposits and rights qualify for 10% p.a.

Stamp duties

	2011/12	2010/11
Stamp duty land tax on non-residential land and buildings (a) (b):		
£0-£150,000	0%	(0%)
£150,001-£250,000 (£150,001-£250,000)	1%	(1%)
£250,001-£500,000 (£250,001-£500,000)	3%	(3%)
Over £500,000 (over £500,000)	4%	(4%)
Stamp duty land tax on residential land and buildings (a) (b) (c):		
£0-£125,000 (£0-£125,000) (d) (e)	0%	(0%)
£125,001-£250,000 (£125,001-£250,000) (d) (e)	1%	(1%)
£250,001-£500,000 (£250,001-£500,000)	3%	(3%)
£500,001-£1,000,000 (over £500,000)	4%	(4%)
Over £1,000,000	5%	(-)

- (a) All figures are calculated inclusive of any VAT. Rates apply to the full amount.
- (b) On leases, the rate is (broadly) 1% of the discounted rental values under the lease over the £150,000/£125,000 limit.
- (c) For new zero carbon homes, including flats, the 0% threshold extends to £500,000 until 30 September 2012; for such properties over £500,000 there is a £15,000 reduction.
- (d) For residential property in disadvantaged areas, the 0% threshold extends to £150,000.
- (e) The 0% threshold extends to £250,000 for first time buyers only for purchases where the date of completion is between 25 March 2010 and 24 March 2012.

Shares and securities	0.5%	(0.5%)
Stamp duty reserve tax	0.5%/1.5%	(0.5%/1.5%)

Value added tax

From 4 January 2011	To 3 January 2011	
Standard rate	20%	(17.5%)
Lower rate	5%	(5%)
Zero rate	0%	(0%)

Registration threshold (changes from 1 April 2011): taxable supplies at the end of any month exceed £73,000 (£70,000) in the past 12 months, or will at any time exceed £73,000 (£70,000) in the next 30 days. Different thresholds apply for supplies from other EU Member States.

Air passenger duty

Air passenger duty is a departure tax levied on air travel. Rates per passenger:

	Reduced rate	Standard rate
From 1 November 2010		
Band A (0-2,000 miles from London)	£12	£24
Band B (2,001-4,000 miles from London)	£60	£120
Band C (4,001-6,000 miles from London)	£75	£150
Band D (over 6,000 miles from London)	£85	£170

Flights from airports in the Scottish Highlands and Islands are exempt.

Climate change levy

Rates: 0.485p (0.47p) per kWh (electricity), 0.169p (0.164p) per kWh (gas), 1.321p (1.281p) per kg (coal, lignite, coke and semi-coke), 1.083p (1.05p) per kg (liquid petroleum gas).

Climate change levy is a single stage tax on supplies of various fuels to industrial and commercial consumers.

Landfill tax

	2011/12	2010/11
Standard rate:	£56/tonne	(£48/tonne)
Lower rate:	£2.50/tonne	(£2.50/tonne)

The lower rate applies to inactive waste.