

Tax

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Chartered Accountants



Tax Rates 2006/07

INCOME TAX RATES

2006/07		2005/06	
Band £	Rate %	Band £	Rate %
0 - 2,150	10	0 - 2,090	10
2,151 - 33,300	22*	2,091 - 32,400	22*
Over 33,300	40**	Over 32,400	40**

* Except dividends (10%) and savings income (20%).

** Except dividends (32.5%).

Other income taxed first, then savings income and finally dividends.

INCOME TAX RELIEFS

		2006/07 £	2005/06 £
Personal allowance	- under 65	5,035	4,895
	- 65 - 74*	7,280	7,090
	- 75 and over*	7,420	7,220
Married couple's allowance (relief at 10%)	- aged less than 75 and born before 6.4.35*	6,065	5,905
	- 75 and over*	6,135	5,975
	- min. amount	2,350	2,280
*Age allowance income limit		20,100	19,500
(reduce age allowance by £1 for every £2 of excess income over £20,100)			
Blind person's allowance		1,660	1,610

TAX CREDITS

	2006/07 £	2005/06 £
Working tax credit (WTC)		
Basic element		
- max.	1,665	1,620
Childcare element		
80% (70%) of eligible costs up to £175 (£175) per week (£300 (£300) if two or more children)		
Child tax credit (CTC)		
Child element		
per child - max.	1,765	1,690
Family element	545	545
Baby addition	545	545

Reductions in maximum rates

37% of income above £5,220* p.a.

*If only CTC is claimed, the threshold is £14,155 p.a. (£13,910). The family element of CTC is not reduced unless income is more than £50,000 p.a. when it is reduced by £1 for every £15 of additional income.

PENSION PREMIUMS

2006/07

- Tax relief available for personal contributions: higher of £3,600 (gross) or 100% of relevant earnings.
- Employers will obtain tax relief on employer contributions if they are paid and made 'wholly and exclusively'. Tax relief for large contributions may be spread over several years.
- Any contributions in excess of £215,000, whether personal or by the employer, will be subject to income tax on the individual at 40%.
- No carry back of pension contributions.

CAR AND FUEL BENEFITS

Company cars 2006/07 and 2005/06

CO ₂ emissions (gm/km) <small>(round down to nearest 5gm/km)</small>	% of car's list price taxed	Fuel benefit (£14,400 x %) £
up to 140	15	2,160
145	16	2,304
150	17	2,448
155	18	2,592
160	19	2,736
165	20	2,880
170	21	3,024
175	22	3,168
180	23	3,312
185	24	3,456
190	25	3,600
195	26	3,744
200	27	3,888
205	28	4,032
210	29	4,176
215	30	4,320
220	31	4,464
225	32	4,608
230	33	4,752
235	34	4,896
240 and above	35	5,040

Company cars

- For diesel cars add a 3% supplement, but maximum still 35%. This is waived for Euro IV diesels. For 2006/07, no waiver for diesels registered on/after 1 January 2006.
- Discounts apply to certain environmentally friendly cars.
- For cars registered before 1.1.98 charge is based on engine size.
- The list price includes accessories and is subject to an upper limit of £80,000.
- List price is reduced for capital contributions made by the employee up to £5,000.

Fuel benefits

- The fuel benefit charge is proportionately reduced if provision of private fuel ceases part way through the year.
- The fuel benefit is reduced to nil only if the employee pays for all private fuel.

Van benefit per vehicle - 2006/07 and 2005/06

**Vehicles under
4 years old
£500**

**Vehicles at least
4 years old
£350**

Notes

1. The charge only applies if there is unrestricted private use of the van.
2. Van benefits include fuel for private use.

MILEAGE ALLOWANCE PAYMENTS

	2006/07 and 2005/06 Rate per mile	These rates represent the maximum tax-free mileage allowances for employees using their own vehicles for business. Any excess is taxable. If the employee receives less than the statutory rate, tax relief can be claimed on the difference.
Cars and vans		
Up to 10,000 miles	40p	
Over 10,000 miles	25p	
Bicycles	20p	
Motorcycles	24p	

INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

2006/07 and 2005/06

	£
Overall investment limit - maxi ISA	7,000
- mini ISA - stocks, shares and life insurance	4,000
- cash	3,000

CORPORATION TAX

	Year to 31.3.07		Year to 31.3.06	
	Profits band £	Rate %	Profits band £	Rate %
Starting rate	N/A	N/A	0-10,000	0*
Marginal (starting) rate	N/A	N/A	10,001-50,000	23.75
Small companies rate	0-300,000	19	50,001-300,000	19
Marginal (small companies) rate	300,001-1,500,000	32.75	300,001-1,500,000	32.75
Full rate	Over 1,500,000	30	Over 1,500,000	30
Starting rate fraction		N/A		19/400
Small companies fraction		11/400		11/400

*Minimum rate of 19% applies when profits are distributed to non-company shareholders.

The profits limits are reduced for accounting periods of less than 12 months and for a company with associated companies.

CAPITAL ALLOWANCES

Writing Down Allowance

Plant and Machinery*	25%#(reducing balance)
Motor Cars**	25% (reducing balance) - £3,000 max.
Industrial and Agricultural Buildings and Hotels	4% (straight line)

*For small businesses: first year allowances (FYAs) of 50% for 12 months from 6.4.06 (1.4.06 for companies). 40% otherwise.

For medium-sized businesses: FYAs of 40%.

For all businesses: 100% FYAs on expenditure on energy saving plant and machinery.

**100% FYAs on new cars with CO₂ emissions not exceeding 120 gm/km until 31.3.08.

#6% on certain long life assets.

VALUE ADDED TAX

Standard Rate	17.5%
Reduced Rate	5%
Annual Registration Limit - from 1 April 2006 (1.4.05 - 31.3.06 £60,000)	£61,000
Annual Deregistration Limit - from 1 April 2006 (1.4.05 - 31.3.06 £58,000)	£59,000
VAT on private fuel - scale charge due per quarter per car for accounting periods beginning on or after 1 May 2006.	

	Petrol		Diesel	
	Charge	VAT	Charge	VAT
Up to 1400cc	£273	£40.66	£260	£38.72
1401 - 2000cc	£346	£51.53	£260	£38.72
Over 2000cc	£508	£75.66	£331	£49.30

CAPITAL GAINS TAX

	2006/07	2005/06
Individuals	£	£
Exemption	8,800	8,500
Balance of gains (reduced by taper relief) charged as top slice of income (at savings rates - ie 10%, 20% or 40%)		

Trusts

Exemption	4,400	4,250
Balance of gains (reduced by taper relief)	40%	40%

Taper relief 2006/07 and 2005/06 disposals

Percentage relief depends on number of complete years asset owned after 5.4.98.

Years of ownership	1	2	3	4	5	6	7	8	9	10
Business assets (% relief)	50	75	75	75	75	75	75	75	75	75
Non-business assets* (% relief)	0	0	5	10	15	20	25	30	35	40

*Add one extra year if asset owned before 17.3.98.

INHERITANCE TAX

	Death	Lifetime	Chargeable Transfers	
	Rate	Rate	2006/07	2005/06
	%	%	£'000	£'000
	Nil	Nil	0 - 285	0 - 275
	40	20	Over 285	Over 275

Reliefs

Annual exemption	£3,000	Marriage - parent	£5,000
Small gifts	£250	- grandparent	£2,500
		- bride/groom	£2,500
		- other	£1,000

Reduced charge on gifts within seven years of death

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

STAMP DUTY & STAMP DUTY LAND TAX

Land and buildings (On full consideration paid)

Rate	Residential property		Non-residential
	Disadvantaged areas	Other	
	£	£	
Nil	0 - 150,000	0 - 125,000*	0 - 150,000
1%	150,001 - 250,000	125,001 - 250,000	150,001 - 250,000
3%	250,001 - 500,000	250,001 - 500,000	250,001 - 500,000
4%	Over 500,000	Over 500,000	Over 500,000

*Limit raised to £125,000 (£120,000) from 23 March 2006.

Shares and securities - rate remains unchanged at 0.5%

NATIONAL INSURANCE

Class 1 (employed) Contracted in	2006/07 Rates	
Weekly earnings	Employer	Employee
Up to £97	Nil*	Nil*
£97.01 - £645	12.8%**	11%**
Over £645	12.8%**	£60.28 + 1%†

* Entitlement to contribution-based benefits retained for earnings between £84.01 and £97 per week.

**On earnings above £97.
† On earnings above £645.

Class 1A (employers)	12.8% on employee taxable benefits
Class 1B (employers)	12.8% on PAYE Settlement Agreements
Class 2 (self-employed)	flat rate per week £2.10 small earnings exception p.a. £4,465
Class 3 (voluntary)	flat rate per week £7.55
Class 4 (self-employed)	8% on profits between £5,035 and £33,540 plus 1% on profits over £33,540

MAIN SOCIAL SECURITY BENEFITS

Weekly Benefit	2006/07	2005/06
Basic Retirement Pension - single person	£84.25	£82.05
- married couple	£134.75	£131.20
Statutory pay rates - average weekly earnings £84 (£82) or over		
Statutory Sick Pay	£70.05	£68.20
Statutory Maternity Pay		
First six weeks	90% of weekly earnings	
Next 20 weeks	£108.85*	£106.00*
Statutory Paternity Pay - two weeks	£108.85*	£106.00*
Statutory Adoption Pay - 26 weeks	£108.85*	£106.00*

* Or 90% of weekly earnings if lower

SELF ASSESSMENT: KEY DATES 2006/07

31 July 2006 - Second payment on account for 2005/06.

30 September 2006 - Deadline for submission of paper tax returns for HMRC calculation; and where the taxpayer wants a balancing payment (below £2,000) collected through their 2007/08 PAYE code.

5 October 2006 - Deadline for notifying HMRC of new sources of income if no tax return has been issued for 2005/06.

29 December 2006 - Deadline for submission of tax returns over the internet; and where the taxpayer wants a balancing payment (below £2,000) collected through their 2007/08 PAYE code.

31 January 2007 - Deadline for filing tax returns for 2005/06.

Balancing payment due for 2005/06. First payment due for 2006/07.

The information in this tax card is based upon the 2006 Budget and other earlier announcements and may be subject to amendment by the Finance Act.



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