Tax

Haines Watts

Chartered Accountants

Tax Rates 2005/06

Income Tax Rates

2005/06		2004/05	
Band	**Rate**	**Band**	**Rate**
£	**%**	**£**	**%**
0 - 2,090	10	0 - 2,020	10
2,091 - 32,400	22*	2,021 - 31,400	22*
Over 32,400	40**	Over 31,400	40**

* Except dividends (10%) and savings income (20%).
** Except dividends (32.5%).
Other income taxed first, then savings income and finally dividends.

Income tax rates	**2005/06**	**2004/05**
Rate for discretionary and accumulation trusts	40%	40%
Dividend rate for discretionary and accumulation trusts	32.5%	32.5%

Rates of tax deducted at source from common types of income	**2005/06**	**2004/05**
Dividends	10%*	10%*
Interest	20%	20%
Gift Aid and other annual payments	22%	22%

*Dividends are received net of a 1/9th tax credit. The 10% applies to the gross dividend including the tax credit.

Income Tax Reliefs

		2005/06	2004/05
		£	£
Personal allowance	- under 65	4,895	4,745
	- 65 - 74*	7,090	6,830
	- 75 and over*	7,220	6,950
Married couple's allowance	- aged less than 75 and		
(relief at 10%)	born before 6.4.35*	5,905	5,725
	- 75 and over*	5,975	5,795
	- min. amount	2,280	2,210
*Age allowance income limit		19,500	18,900
(reduce age allowance by £1 for every £2 of excess income over £19,500)			
Blind person's allowance		1,610	1,560

In addition to the reliefs noted above, other deductions can be claimed against income including certain **charitable donations.**

- **Gift Aid**
  Relief against income (and capital gains) for unlimited charitable donations of cash.

  Gifts treated as made net of 22% tax which the charity can reclaim.

  Higher rate tax relief is given to the donor where it is due.

- **Shares and land**
  Individuals can claim tax relief on the value of listed shares or land and buildings gifted to charity.

  In addition there is no capital gains tax or inheritance tax on the gift.

- **Payroll giving**
  Employees can authorise their employers to deduct charitable donations from their gross pay before PAYE.

Tax Credits

	2005/06	2004/05
	£	£
Working Tax Credit (WTC)		
Basic element - max.	1,620	1,570

Childcare element
70% of eligible costs to a max. of £175 (£135) per week (£300 (£200) if two or more children)

Child Tax Credit (CTC)		
Child element per child - max.	1,690	1,625
Family element	545	545
Baby addition	545	545

*If only CTC is claimed, the threshold is £13,910 p.a. (£13,480). 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.

Working Tax Credit (WTC) is aimed at working people on low incomes. Child Tax Credit (CTC) provides support for families with children until 1 September following their 16th birthday. From then on it is available up to age 19 for children who continue in full-time, non-advanced education.

Income for the withdrawal calculations is based on the joint income of a couple.

Awards are generally calculated on an estimated basis on the previous tax year's income and then revised after the end of the tax year. There is no revision if actual income for the year is up to £2,500 higher but a greater increase, or any reduction, will lead to a revised award.

Tax Credits

	2005/06 £	2004/05 £
Working Tax Credit		
Basic element	1,620	1,570
Couples and lone parent element	1,595	1,545
30 hour element	660	640
Disabled worker element	2,165	2,100
Severe disability element	920	890
Childcare element		
– maximum cost for one child	175 per week	135 per week
– maximum cost for two or more children	300 per week	200 per week
– percentage covered	70%	70%
Child Tax Credit		
Family element	545	545
Family element, new baby addition	545	545
Child element (each child)	1,690	1,625
Disabled child element	2,285	2,215
Severely disabled child element	920	890
Income thresholds and withdrawal rates		
First income threshold	5,220	5,060
First withdrawal rate	37%	37%
Second income threshold	50,000	50,000
Second withdrawal rate	£1 for every £15 (6.67%)	£1 for every £15 (6.67%)
First threshold for those entitled to Child Tax Credit only	13,910	13,480
Income disregard	2,500	2,500

Pension Premiums

% of Net Relevant Earnings (NRE)
2005/06 and 2004/05

Age at the beginning of the tax year	*Personal Pensions (including stakeholder)	Retirement Annuities
35 or less	17.5	17.5
36 - 45	20	17.5
46 - 50	25	17.5
51 - 55	30	20
56 - 60	35	22.5
61 - 74	40	27.5

*Maximum contributions 2005/06 and 2004/05: higher of
- £3,600 (gross)
- % of NRE capped at £105,600 in 2005/06 (2004/05 £102,000).

Personal pensions

Contributions by an individual are paid net of basic rate tax.

Contributions by an employer are paid gross.

Individuals' contributions can be treated as if they were paid in the previous tax year provided that an election is made at, or before, the time of payment and the contribution is paid between 6 April and 31 January following the tax year to which it is to be carried back.

Retirement annuities

Retirement annuity policies must have been taken out prior to 1 July 1988.

Contributions can be carried back to the previous tax year and unused relief carried forward for up to six tax years.

For carry back, an election must be made by 31 January following the end of the year in which the contribution was paid.

Occupational pensions

Employees can contribute up to 15% of their earnings per tax year (the earnings cap applies to post-1989 members).

Additional voluntary contributions (AVCs) have to be within this limit but there are no limits for employer contributions.

There is no facility for carry forward or carry back.

A new regime from April 2006

The new pension regime rules will include:
- a single, lifetime limit of £1.5 million on the amount of pension saving that can benefit from tax relief
- any excess over £1.5 million to be subject to a 25% 'recovery' charge
- funds in excess of the lifetime limit can be withdrawn entirely as a lump sum subject to a higher recovery charge of 55%
- an annual contribution limit initially set at £215,000, with any excess contributions being subject to an income tax charge through the self assessment system
- employers will obtain tax relief on contributions if they are paid, made 'wholly and exclusively' for the purposes of the trade and not subject to the spreading rules (for contributions in excess of £500,000)
- an increase in the age at which pensions can be drawn to 55 by 2010.

Where an individual has pension rights valued in excess of £1.5 million when the new rules are introduced, this value may be able to be protected.

Car and Fuel Benefits

Company cars 2005/06		
CO_2 emissions (gm/km) (round down to nearest 5gm/km)	% 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

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.

Company cars

- For diesel cars add a 3% supplement, but the maximum charge is still 35%. If the car is 'Euro IV' compliant, the 3% supplement is waived. However the waiver ceases from 6 April 2006 for cars registered on or after 1 January 2006.
- Discounts apply to certain environmentally friendly cars.
- For cars registered before 1.1.98 the charge is based on engine size.

Engine size (cc)	% of car's list price taxed
0 – 1,400	15
1,401 – 2,000	22
Over 2,000	32

- 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.
- Payments made by employees may reduce the benefit.
- Special rules apply to classic cars. If the market value is at least £15,000 and the car is at least 15 years old at the end of the tax year, market value is substituted for list price if it is greater.
- There are special rules for disabled drivers. If the employee holds a disabled person's badge and is obliged to drive a car with automatic transmission because of his or her disability, the CO_2 emissions figure of the closest equivalent make and model of car with manual transmission is used, if it is lower. This ensures disabled drivers do not face an unexpected penalty as cars with automatic transmission tend to have higher CO_2 emissions.

Car and Fuel Benefits

Van benefit per vehicle - 2005/06 and 2004/05	
Vehicles under 4 years old	**Vehicles at least 4 years old**
£500	£350

Notes
1. For 2005/06 the charge only applies if there is unrestricted private use of the van.
2. Van benefits include fuel for private use.

Company vans

Following consultation, a new regime for the taxation of employer provided vans is being introduced. The changes are being phased in with some changes taking effect in April 2005 and others not until April 2007.

From 6 April 2005 a nil charge applies to an employer provided van where the 'restricted private use' condition is met. Where the condition is not met the normal £500 or £350 scale charge will apply dependent upon the age of the van. The charge continues to include any private fuel provided by the employer.

From April 2007 the nil charge will continue to apply to employees where the restricted private use condition is met. Where the condition is not met the discount for older vans will be removed and the scale charge for unrestricted private use will increase to £3,000. Where an employer provides fuel for unrestricted private use an additional fuel charge of £500 will also apply.

The 'restricted private use' condition is met if:
- the terms on which the van is made available to the employee prohibit its private use otherwise than for the purposes of ordinary commuting or travel between two places that is for practical purposes substantially ordinary commuting and
- neither the employee nor a member of their family or household makes private use of the van other than for those purposes and
- the van is available to the employee mainly for use for the purposes of the employee's business travel.

The last point means that the van cannot be used for commuting purposes alone.

Where there is a taxable benefit under the new regime it may be reduced:
- for any periods when the van is unavailable
- in respect of payment by the employee for the private use of the van and
- where the van is shared.

Mileage Allowance Payments

Cars and vans	2005/06 and 2004/05 Rate per mile
Up to 10,000 miles	40p
Over 10,000 miles	25p
Bicycles	20p
Motorcycles	24p

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.

Records need to be kept of cumulative mileage in the tax year and the rate must be reduced once it exceeds 10,000 miles to avoid a tax charge.

Passenger payments are amounts paid to an employee because, whilst using a car or van for business travel, he carries one or more qualifying passengers in it. The maximum exempt amount is 5p per mile for each passenger carried. However, the passenger must be a fellow employee making the same business trip. Furthermore the payment will only be exempt if either:

- it is the employee’s own vehicle and mileage allowance payments are made or
- it is a company car or van.

This measure only applies where employers pay extra for carrying passengers. Where there are no payments for carrying business passengers (or payments below the 5p rate), employees are not able to claim any tax relief.

Tax Efficient Investments

	2005/06		£
Overall investment limit	**- maxi ISA**		7,000
	- mini ISA	- stocks, shares and life insurance	4,000
		- cash	3,000

National Savings & Investments

National Savings Premium Bonds give tax-free returns on any winnings from the monthly prize draw. The maximum holding is £30,000 per person.

National Savings Certificates are available to individuals on either a fixed rate or index linked basis and the interest is not taxable.

Interest on Children's Bonus Bonds is not taxable.

Other National Savings products (apart from ISAs) are taxable.

Child Trust Funds (CTF)

All children born after 31 August 2002 receive a voucher for £250 to be invested in a CTF.

Children in lower income households receive £500.

A further payment will be received when the child reaches age seven.

CTFs can invest in a range of assets.

Income and gains are tax-free. The Inland Revenue will open an account where vouchers are not invested within one year of issue.

Other people, including parents, will be able to contribute up to £1,200 a year to the CTF.

Children will be able to access their funds at age 18.

The Enterprise Investment Scheme (EIS)

Income tax relief at 20% is given on new equity investment by individuals (in qualifying unquoted trading companies) of up to £200,000 per tax year.

Capital gains tax exemption is given on shares held for at least three years.

Capital gains realised on the sale of any chargeable asset (including quoted shares, holiday homes etc) can be deferred where gains are reinvested in EIS shares.

EIS shares may also qualify for inheritance tax relief.

Venture Capital Trusts (VCTs)

VCTs are quoted companies that invest in unquoted trading companies. For the investor, there are a variety of tax reliefs available.

Income tax relief currently at 40% is available on subscriptions for VCT shares up to £200,000 per tax year so long as the shares are held for at least three years.

Dividends received from VCT investments are exempt from income tax.

Shares in VCTs are exempt from capital gains tax on disposal at any time but losses are not allowable.

Capital gains tax deferral relief is not available on investments in VCTs.

Enterprise zones

Expenditure on qualifying industrial and commercial buildings, including hotels and eligible offices but not the land itself, in designated enterprise zones is eligible for 100% tax relief.

Investors can claim Industrial Buildings Allowances (at a rate of 100%).

There is no limit on the amount of relief available.

Interest on loans taken out to make the investment can be set against rental income from the properties.

Corporation Tax

	Years to 31.3.06 and 31.3.05	
	Profits Band	**Rate**
	£	**%**
Starting rate	0 - 10,000	0*
Marginal (starting) rate	10,001 - 50,000	23.75
Small companies rate	50,001 - 300,000	19
Marginal (small companies) rate	300,001 - 1,500,000	32.75
Full rate	Over 1,500,000	30
Starting rate fraction		19/400
Small companies fraction		11/400

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

The profit limits represent profits chargeable to corporation tax (including UK dividends plus tax credits received but not dividends from other group companies).

The limits are reduced proportionately for accounting periods of less than 12 months and where there are associated companies, including overseas but not dormant, companies.

The small companies rate and the starting rate are not available to close investment companies.

A close company is one that is controlled by five or fewer participators (broadly shareholders) or any number of directors. Special rules apply where loans are made to participators and create a further corporation tax charge if such a loan is outstanding nine months after the end of an accounting period.

Corporate incentives

For expenditure incurred on or after 1 April 2002 on acquisitions of intellectual property, goodwill and other intangible assets a company may be able to claim a deduction for tax purposes equal to the amortisation charged in its profit and loss account or a flat rate of 4% if it prefers. This doesn't apply to goodwill created by the company or an associated business prior to 1 April 2002.

Small and medium sized companies (as defined by the EU) incurring qualifying revenue expenditure of £10,000 or more per annum on research and development (R&D) can claim tax relief on 150% of the expenditure with the alternative of a cash refund if the company is making losses. Large companies can claim tax relief on 125% of their R&D costs but there is no refund option.

Capital gains and losses arising on disposals by trading groups of substantial (10% minimum) shareholdings in trading subsidiaries are exempt in the majority of cases.

Corporate gains and losses

Corporate capital gains and allowable losses are generally calculated in the same way as for individuals. However taper relief is not available to companies but an indexation allowance is given instead. Gains are included in the chargeable profits but losses can only be set against capital gains in the same or following years.

No annual exemption is available to companies.

Trading losses can be set against other income and gains of the same accounting period. Any balance can be carried back against income and gains of the previous year (or three years on cessation of trade) or carried forward and set against future profits of the same trade.

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 6.4.04 (1.4.04 for companies).
FYAs of 40% from 6.4.05 (1.4.05 for companies).
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 CO_2 emissions not exceeding 120 gm/km until 31.3.08.
#6% on certain long life assets.

A small business must satisfy two of the following:
- turnover not more than £5.6 million
- gross assets not more than £2.8 million
- not more than 50 employees.

A medium-sized business must satisfy two of the following:
- turnover not more than £22.8 million
- gross assets not more than £11.4 million
- not more than 250 employees.

Industrial buildings

Industrial buildings allowances (IBAs) are given on expenditure incurred on the construction of industrial buildings or structures that are used for qualifying trades.

Expenditure on offices or retail premises does not normally qualify unless it is part of an industrial building and the cost of the offices, etc is not more than 25% of the total cost.

Plant and machinery

For expenditure on long life plant and machinery (a useful economic life in that business of over 25 years), allowances are restricted to 6% p.a. There is a de minimis, which means that normal rules apply where such expenditure is below £100,000.

Value Added Tax

Standard Rate	17.5%
Reduced Rate	5%
Annual Registration Limit - from 1.4.05 (1.4.04 - 31.3.05 £58,000)	£60,000
Annual Deregistration Limit - from 1.4.05 (1.4.04 - 31.3.05 £56,000)	£58,000

VAT is charged on supplies of goods and services made in the UK by a taxable person in the course of business. It also applies to the importation of goods and certain services.

The standard rate applies to all taxable supplies unless they are specifically zero-rated or subject to the reduced rate. VAT incurred when purchasing goods and services used in making taxable supplies ('input tax') is generally recoverable.

Zero-rated supplies

Zero-rated supplies are subject to VAT but at a rate of 0%. A business making only zero-rated supplies over the registration limit can request exemption from registration.

The following are zero-rated:

Group	Type of supply
1	food
2	non-industrial sewerage services and water
3	books, etc.
4	talking books and wireless sets for the blind
5	construction of dwellings, etc.
6	protected buildings
7	international services
8	transport
9	caravans and houseboats
10	gold
11	bank notes
12	drugs, medicines, aids for the handicapped etc.
13	imports, exports, etc.
14	*this group is currently vacant*
15	charities, etc.
16	children's clothing and footwear.

Reduced-rate supplies

The following are eligible for the reduced-rate of VAT:

Group	Type of supply
1	domestic fuel and power
2	installation of certain energy-saving materials
3	grant-funded installation of heating equipment or security goods or connection of gas supply
4	women's sanitary products
5	children's car seats
6-7	certain residential renovation and conversion services.

Exempt supplies

Exempt supplies are not subject to VAT and any input tax relating to such supplies cannot generally be recovered.

The following categories of supply are exempt:

Group	Type of supply
1	land
2	insurance
3	postal services
4	betting, gaming and lotteries
5	finance
6	education
7	health and welfare
8	burial and cremation
9	trade unions, professional and other public interest bodies
10	sports, sports competitions and physical education
11	works of art, etc.
12	fund raising events by charities and other qualifying bodies
13	cultural services, etc.
14	supplies of goods where input tax cannot be recovered
15	investment gold

Partial exemption

Any person who is registered for VAT and who in the course of business makes taxable and exempt supplies is ‘partly exempt’ for VAT purposes. They may not be able to recover all of the input tax incurred by the business. That part which is not recoverable is known as ‘exempt input tax’. The ‘standard method’ as set down by Customs & Excise is normally used to calculate how much input tax can be reclaimed. However special methods can be used with prior approval (or by direction of Customs & Excise).

Registration and deregistration

Registration is compulsory when taxable supplies made by a ‘person’ (including a company) exceed the registration limit in the previous 12 months or there are reasonable grounds for believing taxable supplies in the next 30 days will exceed the registration limit. A penalty may be levied for failure to register.

Traders may wish to register voluntarily as this can be advantageous in some instances.

Traders can voluntarily deregister when they expect to make taxable supplies of less than the deregistration limit in the next 12 months. In some circumstances, such as sale of the business or ceasing to make taxable supplies, deregistration will be compulsory.

Cash Accounting

Small businesses may account for VAT on a cash basis (ie on the receipts and payments for the period) instead of the normal accruals basis (ie on the sales and purchases for the period). This is known as 'cash accounting'.

A taxable person may begin to operate the scheme if there are reasonable grounds for believing that the value of taxable supplies (excluding VAT) in the next 12 months will not exceed £660,000.

Unless Customs & Excise allow, or direct otherwise, a business must leave the scheme at the end of a VAT period if its taxable supplies in the previous 12 months have exceeded £825,000.

Annual Accounting Scheme

This scheme allows businesses to complete and file one VAT return annually rather than on a quarterly basis. Interim payments of VAT on account are required under the rules of the scheme.

It is normally a condition of the scheme that a business must have been VAT registered for 12 months. However, businesses with an annual taxable turnover of up to £150,000 may join the scheme immediately.

The annual taxable turnover limit for joining the scheme is £660,000 and £825,000 for remaining in the scheme.

Flat Rate Scheme

An optional flat rate scheme is available to businesses with a VAT exclusive annual taxable turnover of up to £150,000 and a VAT exclusive annual total turnover of up to £187,500.

Traders joining the scheme avoid having to account for VAT on all the individual goods they buy and sell. Instead they calculate their net VAT liability as a percentage of their total turnover (including any exempt income). The flat rate percentage applied depends on the trade sector into which a business falls for the purposes of the scheme. There is a further 1% reduction off the normal rates for businesses in their first year of VAT registration.

VAT on Private Fuel

Scale charge due per quarter per car for accounting periods beginning on or after 1 May 2005.

	Petrol		Diesel	
	Charge £	VAT £	Charge £	VAT £
Up to 1400cc	246	36.64	236	35.15
1401 - 2000cc	311	46.32	236	35.15
Over 2000cc	457	68.06	300	44.68

Capital Gains Tax

	2005/06 £	2004/05 £
Individuals		
Exemption	8,500	8,200
Balance of gains (reduced by taper relief) charged as top slice of income (at savings rates - ie 10%, 20% or 40%)		
Trusts		
Exemption	4,250	4,100
Balance of gains (reduced by taper relief)	40%	40%

Taper relief 2005/06 and 2004/05 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.

Taper relief is applied to gains after deducting allowable losses made in the same year, or brought forward from previous years, but before deducting the annual exemption.

Business assets are broadly those assets owned by an individual and:
- used in an individual's trade
- used in their partnership's trade
- used in their employment
- used for a qualifying company's trade
- shares in unquoted trading companies
- shares in quoted trading companies where the individual either holds at least 5% of the voting rights or is an officer or employee of the company
- shares in non-trading companies held by employees who have less than a 10% interest in the company.

Capital gains tax exemptions and reliefs
A husband and wife each have a separate annual exemption.

Chattels with a predictable life of 50 years or less (eg most personal household assets) are usually exempt from capital gains tax. Gains on other chattels are exempt if proceeds do not exceed £6,000 per item.

Assets owned by an individual on **death** are not subject to capital gains tax and are revalued to their market value at the date of death.

Other exemptions include:
- gifts to charities
- main private residence
- cars.

Rollover relief
Gains made on the disposal of various types of assets used for trading purposes, such as land and buildings, fixed plant or machinery and a variety of quotas can be deferred or 'rolled over'.

Full deferral requires that the full amount of the sale proceeds are reinvested in new trading assets.

The new assets must be bought in the period beginning one year before, and ending three years after, the date of sale of the old assets.

Gift ('holdover') relief
Holdover relief allows capital gains arising on gifts of certain assets to be deferred usually until they are subsequently sold by the recipient.

Assets qualifying are broadly trading assets, shares in most unquoted trading companies (including AIM), and shares in most quoted trading companies where the donor held at least 5% of the voting rights immediately prior to the gift. Relief is also available for certain agricultural land.

Inheritance Tax

Death Rate	Lifetime Rate	Chargeable Transfers 2005/06	2004/05
%	%	£'000	£'000
Nil	Nil	0 - 275	0 - 263
40	20	Over 275	Over 263

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

Most lifetime transfers by individuals are not immediately subject to inheritance tax and are referred to as potentially exempt transfers (PETs). Such transfers include transfers to other individuals, into accumulation and maintenance or interest in possession trusts, or into trusts for the disabled. If death occurs within the next seven years, the PET becomes chargeable and may then attract inheritance tax, depending on a number of factors including the value of the transfer and other gifts made by the donor in the previous seven years.

The value of the deceased's estate at death is also subject to tax. This generally includes assets held directly, other assets where the donor has retained an interest in them, and the value of any life interest in a trust.

Other exemptions and reliefs

Regular gifts out of income may qualify for exemption depending on circumstances.

Gifts between spouses are generally exempt without limit but where a UK domiciled spouse makes gifts to a non-UK domiciled spouse there is a (cumulative) exemption of £55,000.

Gifts to UK registered charities and political parties are also exempt.

For certain types of business and agricultural property, two valuable reliefs exist, **Business Property Relief (BPR) and Agricultural Property Relief (APR)**.

The property usually has to be owned for at least two years (or seven years for tenanted agricultural land).

BPR in respect of shareholdings is only generally available for predominantly trading companies.

APR only applies to the agricultural value of the property concerned, which may be less than its full market value.

BPR	**% relief**
An interest in a business	100
Unquoted shares (including AIM)	100
Quoted shares giving control	50
Land, buildings, machinery or plant used by a company controlled by the donor or by a partnership in which the donor is a partner	50
Trust property used by a life tenant in their own business	50
APR Agricultural land and certain buildings:	
- with vacant possession (or the right to obtain it within 12 months)	100
- tenanted where tenancy started on or after 1 September 1995	100
- other tenanted land	50

Stamp Duty & Stamp Duty Land Tax

Land and buildings (On full consideration paid) **From 17 March 2005**			
Rate	**Residential property**		**Non-residential**
	Disadvantaged areas **£**	Other **£**	**£**
Nil	0 - 150,000	0 - 120,000	0 - 150,000
1%	150,001 - 250,000	120,001 - 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

Shares and securities - rate remains unchanged at 0.5%

Stamp duty land tax (SDLT)

SDLT is payable on transfers of UK land and the liability falls on the purchaser.

SDLT is also due on premiums on leases and on rents payable under new leases, subject to detailed computational rules.

Exemptions include most gifts, certain reconstructions of companies and some transactions within groups of companies (subject to detailed rules).

Shares and securities

Certain transactions are exempt. These include gifts, transactions in gilts and most bonds, certain reconstructions of companies and some transactions within groups of companies (subject to detailed rules).

National Insurance

Class 1 (employed) Contracted in	2005/06 Rates	
Weekly earnings	**Employer**	**Employee**
Up to £94	Nil*	Nil*
£94.01 - £630	12.8%**	11%**
Over £630	12.8%**	£58.96 + 1%♦

* Entitlement to contribution-based benefits retained for earnings between £82.01 and £94 per week.

**On earnings above £94.

♦ On earnings above £630.

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. £4,345
Class 3 (voluntary)	flat rate per week £7.35
Class 4 (self-employed)	8% on profits between £4,895 and £32,760 plus 1% on profits over £32,760

Class 1

The rebate for **contracted-out contributions** on earnings between £94 and £630 per week is:

Salary-related schemes	employees 1.6%
	employers 3.5%
Money-purchase schemes	employees 1.6%
	employers 1.0%

Some **married women** elected (before 12 May 1977) to pay reduced rate contributions in exchange for limited benefits.

The reduced rate on earnings between £94 and £630 per week is 4.85%.

On earnings above £630 per week the rate is 1.0%.

Class 1A (employers)

Employers are liable to Class 1A on most benefits in kind, other than those already subject to Class 1 or specifically exempt, provided to employees earning £8,500 or more (including the value of benefits in kind) and directors.

It is payable annually in arrears by 19 July following the tax year.

Class 1B (employers)

A PAYE Settlement Agreement (PSA) is an agreement under which employers can pay employees' income tax on certain minor benefits, after a written arrangement has been entered into with the Inland Revenue.

Class 1B is due on the tax included in the PSA and the value of any items within the PSA which are themselves subject to NIC.

It is payable annually in arrears by 19 October following the tax year.

Class 2 (self-employed)

Newly self-employed individuals must register with the Inland Revenue within three months of the end of the month in which they start self-employment to avoid a penalty.

Main Social Security Benefits

	Weekly benefit 2005/06 £	Weekly benefit 2004/05 £
Attendance allowance		
Higher rate	60.60	58.80
Lower rate	40.55	39.35
Bereavement benefit		
Bereavement payment (lump sum)	2,000	2,000
Widowed parent's allowance	82.05	79.60
Carer's allowance	45.70	44.35
Child benefit		
First or only child - couple	17.00	16.50
First or only child - lone parent	17.55	17.55
Each subsequent child	11.40	11.05
Disability living allowance		
Care component		
highest	60.60	58.80
middle	40.55	39.35
lowest	16.05	15.55
Mobility component		
higher	42.30	41.05
lower	16.05	15.55
Guardian's allowance	12.20	11.85
Incapacity benefit		
Long-term benefit	76.45	74.15
Increase of long-term benefit for age		
higher rate	16.05	15.55
lower rate	8.05	7.80
Short-term benefit (under pension age)		
lower rate	57.65	55.90
higher rate	68.20	66.15
Short-term benefit (over pension age)		
lower rate	73.35	71.15
higher rate	76.45	74.15

	Weekly benefit 2005/06 £	Weekly benefit 2004/05 £
Income support		
Single/lone parent		
under 18 (usual)	33.85	33.50
18-24	44.50	44.05
25 or over	56.20	55.65
Couple		
both under 18	33.85	33.50
both 18 or over	88.15	87.30
Jobseeker's allowance		
single under 18	33.85	33.50
18-24	44.50	44.05
25 or over	56.20	55.65
Maternity allowance		
standard rate	106.00	102.80
MA threshold	30.00	30.00
Retirement pension		
single person	82.05	79.60
married couple	131.20	127.25
Severe disablement allowance		
basic rate	46.20	44.80
Age related addition		
higher rate	16.05	15.55
middle rate	10.30	10.00
lower rate	5.15	5.00
Statutory pay rates - average weekly earnings £82 (£79) or over		
Statutory Sick Pay	68.20	66.15
Statutory Maternity Pay		
- first six weeks	90% of weekly earnings	
- next 20 weeks	106.00*	102.80*
Statutory Paternity Pay		
- two weeks	106.00*	102.80*
Statutory Adoption Pay		
- 26 weeks	106.00*	102.80*

* Or 90% of weekly earnings if lower

Key Dates and Deadlines

Key filing dates

Income tax (and capital gains tax)

30 September 2005 - Deadline for submission of paper tax returns for Inland Revenue calculation; and where the taxpayer wants a balancing payment (below £2,000) collected through their 2006/07 PAYE code.

30 December 2005 (29 December if using ELS) - Deadline for submission of tax returns over the internet; and where the taxpayer wants a balancing payment (below £2,000) collected through their 2006/07 PAYE code.

31 January 2006 - Deadline for filing tax returns for 2004/05.

PAYE (and National Insurance)

19 May 2005 - Employers' year end returns (P35/P14/P38) due for submission.
Large employers (those with at least 250 employees) have to file their returns electronically.

31 May 2005 - Employees must be provided with their P60.

6 July 2005 - P11Ds and P9Ds showing details of expenses paid and benefits provided to employees and directors to be submitted to the Inland Revenue. Employees also to be given a copy.

Corporation tax

Corporation tax return to be filed within 12 months of the end of the accounting period.

Forms CT61 to be completed and filed for any 'return period' where income tax has been deducted at source by the company. Filing deadline is 14 days after the end of the return period. Return periods run to the end of March, June, September and December and the end of the company's accounting period if this does not fall on one of these dates.

Inheritance tax

Lifetime chargeable transfer returns must be filed within 12 months of the end of the month of transfer.

Returns relating to transfers on death, and lifetime transfers where tax or extra tax becomes payable on death, must be filed within 12 months after the end of the month of death.

VAT

Returns are normally required quarterly and must be filed within one month of the end of the VAT period. In certain circumstances returns may be filed as often as monthly or, under the annual accounting scheme, as infrequently as once a year.

Key payment dates

Income tax

31 July 2005 - Second payment on account for 2004/05.

31 January 2006 - Balancing payment due for 2004/05. First payment on account due for 2005/06.

PAYE (and National Insurance)

19 April 2005 - Interest will start to run on any 2004/05 PAYE, NIC, student loan and CIS deductions not paid over by this date. Large employers (those with at least 250 employees) have been required to pay their PAYE electronically since May 2004.

19 July 2005 - Class 1A NIC for 2004/05 on most benefits in kind must be paid by this date.

19 October 2005 - PAYE settlement agreement liabilities for 2004/05 are due together with Class 1B NIC.

Corporation tax

Companies paying corporation tax at the starting rate or the small companies rate have a due date for payment nine months and one day after the end of their accounting period.

Large companies – ie those paying tax at the full rate, pay their corporation tax quarterly. Payments are due in months 7,10,13 and 16 after the start of the accounting period (usually by day 14 of that month).

Income tax deducted at source is due when the form CT61 is submitted.

Inheritance tax

Tax due on death must be paid with six months of the end of the month of death.

Tax on a lifetime chargeable transfer must be paid within six months of the end of the month of transfer or, if the transfer was made between 6 April and 30 September, by 30 April in the following year. This can mean that the tax is due before the return needs to be filed.

VAT

Payment of VAT is normally required on or before the filing date - ie within one month of the period end.

Disclaimer

The information in these tax rates is based upon the 2005 Budget and other earlier announcements and may be subject to amendment by the Finance Act

www.hwca.com

You can find us at:

Aberdeen
Altrincham
Attleborough
Basingstoke
Birmingham
Bournemouth
Cardiff
Chichester
Corby
Darlington
Derby
Diss
Dundee
Edinburgh
Exeter
Farnborough
Glasgow
Grimsby
High Wycombe
Hull
Leeds
Leicester
Liverpool
London
Manchester
Newcastle
Newport
Northampton
Nottingham
Oxford
Port Talbot
Portsmouth
Preston
Reading
Sheffield
Slough
Southend-on-Sea
Southampton
Swansea
Swindon
Tamworth
Thetford
Trowbridge
Wellingborough
Westbury
Wolverhampton
Worcester