

## Capital Allowances

	First year/ Initial Allowance	Writing-down Allowance
Plant & Machinery - Long Life	Nil	6%
Plant & Machinery - Energy Saving	100%	Nil
Plant & Machinery		
- medium-sized business	40%	25%
- small-sized business	50%*	25%
Low emission cars	100%	Nil
Industrial Buildings	Nil	4%
Agricultural Buildings	Nil	4%
Enterprise Zone	100%	Nil
Research and Development	100%	Nil

\* expenditure after 1 April 2006

## VAT

	From 1.4.2007	From 1.4.2006
Standard Rate	17.5%	17.5%
Fuel and Power Rate	5%	5%
Installation of energy saving material	5%	5%
VAT on fraction of gross price	7/47	7/47
Certain housing refurbishment work	5%	5%
Annual Turnover Limits (based on previous 12 months or expected within next 30 days)		
Registration	£64,000	£61,000
Deregistration	£62,000	£59,000

## HMRC Interest Rates

Income Tax/Capital Gains Tax	
- late paid tax	7.5%*
- over paid tax	3%*
Corporation Tax - periods ended post 30.6.99	
- late paid tax	7.5%*
- over paid tax	4%*
Corporation Tax quarterly instalment payments	
- under paid instalments	6.25%**
- over paid instalments	5%**
Inheritance Tax	4%*
VAT	
- on under declaration	7.5%*
- on official errors	4%*

\*effective from 6 September 2006

\*\*effective from 22 January 2007

## Individual Savings Accounts

The ISA annual contribution limit is £7,000. There is a limit of £3,000 for the cash element. Savers are exempt from Income and Capital Gains Tax.

## Stamp Duty Land Tax

Value of property £	Residential %	Non-Residential %
1-125,000	nil	nil
125,001-150,000	1	nil
150,001-250,000	1	1
250,001-500,000	3	3
over 500,000	4	4

## Charitable Giving

There is no minimum amount for a Gift Aid donation and all cash donations, of whatever size, made by a UK taxpayer are eligible for Gift Aid relief. Gift Aid declarations can be made in writing, on the telephone or over the internet and must contain the name and address of the donor, the name of the charity and a statement that the donor pays sufficient income or capital gains tax to cover the tax reclaimed by the charity.

Since 1 April 2000 company donations to charity are made gross. The company claims tax relief in its computation and the charity receives no additional tax reclaim.

Since 6 April 2003 higher rate taxpayers can carry back their portion of Gift Aid relief (18%) to the previous year. Since 6 April 2004, taxpayers can nominate a charity to receive all or part of a tax repayment due to them.

Income and Capital Gains Tax relief applies for gifts to charity of listed shares and securities, AIM shares, units in authorised unit trusts, shares in OEIC's as well as land and buildings.

Example:	£
<b>Tax relief to individual (40% taxpayer)</b>	
Net donation paid	780
Higher rate tax relief on grossed up donation (18% x £1,000)	(180)
Net cost to individual	<u>600</u>
<b>Charity's position</b>	
Net donation	780
Grossed up at 22%	<u>220</u>
Gross receipt	<u>1,000</u>

N.B. References to 'marriage', 'married' etc include 'civil partnerships', 'civil partners' etc.

The details in this leaflet are based on the latest available information. We have made every effort to ensure the accuracy of this publication but you should always obtain professional guidance before acting or refraining from any action as a result of its contents. © March 2007

## Tax facts 2007/2008

An independent member of HCWA, with associated firms throughout the United Kingdom and Worldwide.



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## Income Tax Rates

Bands £	Rate %	Tax on band £
<b>2007/2008</b>		
1-2,230	10	223
2,231-34,600	22	7,121
over 34,600	40	
<b>2006/2007</b>		
1-2,150	10	215
2,151-33,300	22	6,853
over 33,300	40	

Dividends receive a 10% tax credit. Higher rate taxpayers pay further tax of 22.5% (or 25% of the actual dividend). Tax on most savings income is 20%. Higher rate taxpayers pay 40% to the extent that total taxable income exceeds the higher rate threshold.

## Allowances and Reliefs

	2007/2008 £	2006/2007 £
Personal allowance	5,225	5,035
Married couple's allowance (basic)	2,440*	2,350*
Age allowance		
Single person		
- aged 65-74	7,550	7,280
- aged 75 and over	7,690	7,420
Married couple's allowance		
- aged 65-74	6,285*	6,065*
- aged 75 and over	6,365*	6,135*
Age allowance reduced by 1/2 of income over	20,900	20,100
Blind person's allowance	1,730	1,660
Rent a Room	4,250	4,250

\* Relief restricted to 10% and available only where at least one spouse or civil partner was born before 6 April 1935

## Enterprise Investment Scheme (EIS)

	2007/2008 £	2006/2007 £
Maximum qualifying investment	400,000	400,000
Income tax relief	20%	20%

Any capital gain may be exempt once shares are held for three years (longer in some cases) and special rules exist whereby gains tax on other assets can be deferred.

## Venture Capital Trusts (VCT)

	2007/2008 £	2006/2007 £
Maximum qualifying investment	200,000	200,000
Income tax relief	30%	30%

Relief available if VCT held for five years post 6 April 2006 (previously three years). The income from a VCT, and any capital gain, is exempt from tax.

## Car Scale Benefit

Car benefit is based on a percentage of the car's list price (subject to a ceiling of £80,000) graduated according to the level of the car's CO<sub>2</sub> emissions. This applies to cars first registered on or after 1 January 1998. There are different rules for older cars and those with no CO<sub>2</sub> figure.

Discounts apply for cars which run on alternative fuels such as electric, hybrid, and liquefied petroleum gas. A 3% increase applies to all diesel cars subject to maximum of 35%. Euro IV waiver ceased for cars registered from 1 January 2006.

CO <sub>2</sub> emissions g/km	% of car price	CO <sub>2</sub> emissions g/km	% of car price
140	15	195	26
145	16	200	27
150	17	205	28
155	18	210	29
160	19	215	30
165	20	220	31
170	21	225	32
175	22	230	33
180	23	235	34
185	24	240	35
190	25		

Business mileage is no longer relevant for car benefits, nor is the age for cars registered from 1 January 1998 onwards.

## Car Fuel Benefit

Car fuel benefit is based on a percentage of a set figure, which for 2007/2008 is £14,400. The same percentage figure as for car scale benefit (detailed above) will be used.

## Vans

	2007/2008 £
Annual benefit	3,000*
Fuel benefit	500

Neither benefit applies if there is 'insignificant private use' (van can still be used for 'normal commuting')  
\*For 2006/2007 the annual benefit was £500 (£350 for 'old vans')

## HMRC Mileage Rates

Approved Inland Revenue tax-free mileage rates

Mileage	For 2007/2008
Up to 10,000 miles	40p
Over 10,000 miles	25p

## Employment Benefits

Applies to most directors and all employees earning at a rate of £8,500 p.a. or more.

### Beneficial loans

Official rate of interest for 2007/2008 - 6.25%.

### Use of assets

Benefit is 20% of market value or cost to employer (if greater) plus relevant expenses. Special rules for property.

## Capital Gains Tax

	2007/2008 £	2006/2007 £
Annual exemption		
- individuals	9,200	8,800
- settlements	4,600	4,400

For personal gains realised after 5 April 1998, indexation allowance is frozen and the gain reduced by taper relief according to how long the asset has been held after 5 April 1998.

Different rates of taper relief apply depending on whether the disposal is of a business or non business asset.

Number of complete years after 5.4.98 for which asset held*	Business assets chargeable for disposals in 2007/2008 %	Business assets equivalent tax rate for higher rate taxpayer %	Non business assets chargeable for disposals in 2007/2008 %
0	100	40	100
1	50	20	100
2	25	10	100
3	25	10	95
4	25	10	90
5	25	10	85
6	25	10	80
7	25	10	75
8	25	10	70
9	25	10	65
10 or more	25	10	60

\* Non-business assets held before 17 March 1998 are treated as held for an additional year

## Inheritance Tax

Transfers made on or after 6 April 2007

	Rate
£1 - £300,000	nil
Over £300,000	40% on death

### Lifetime gifts

Most lifetime gifts exempt from IHT if donor survives seven years. Some gifts including those into and out of most trusts will be taxed at half the death rates. Tax charge on gifts within seven years of death as set out below.

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

### Other exemptions

Small gifts: £250 per donee. Annual gifts: £3,000 per donor.

In consideration of marriage: parent £5,000; grandparent, remoter ancestor or party to marriage £2,500; other £1,000.

## National Insurance Contributions

From 6 April 2007

### Class 1 Employed:

£ pw earnings	Contracted in	Contracted out (salary related)	Contracted out (money purchase)
<b>Earnings bracket</b>			
Up to £100.00	nil	nil	nil
£100.01-£670.00	11%	9.4%	9.4%
over £670.00	1%	1%	1%
<b>Employer Earnings bracket</b>			
Up to £100.00	nil	nil	nil
£100.01-£670.00	12.8%	9.1%	11.4%
over £670.00	12.8%	12.8%	12.8%

### Class 2 Self-employed:

Weekly rate £2.20 (small earnings exception: £4,635 p.a.)

### Class 3 Voluntary:

Weekly rate £7.80

### Class 4 Self-employed:

8% on annual profits between £5,225 - £34,840  
1% on annual profits above £34,840

## Contributions to Registered Pension Schemes

	2007/2008 £
Individual – 100% of relevant UK earnings to a maximum	225,000

Employer – final salary scheme (maximum includes employee contributions)  
- 40% charge on excess unlimited\*

Employer – money purchase scheme  
- 40% charge on excess 225,000

Individual's lifetime allowance 1.6m

Transitional provisions exist to protect larger funds (over £1.5m) as valued on 6 April 2006. Effective tax rate of 55% on benefits withdrawn from a fund exceeding lifetime allowance unless protected.

\* Subject to special calculation rules

These limits will be increased annually to £255,000 and £1.8m by 2010/2011.

Stakeholder pensions allow individuals to contribute up to £3,600 gross per annum irrespective of earnings.

## Corporation Tax Rates

	Year to 31 March	
Taxable profits	2008	2007
£1 - £300,000	20%	19%
£300,001 - £1,500,000*	32.5%	32.75%
over £1,500,000	30%	30%
*Marginal relief fraction	1/40	11/400