

INCOME TAX

Rates: individuals

	Taxable income £	Dividend income %	Other savings %	Other %
2011/12				
Starting rate band for savings	0-2,560	10	10	N/A
Basic rate band	0-35,000	10	20	20
Higher rate band	35,001-150,000	32.5	40	40
Additional rate band	Excess	42.5	50	50

2010/11

Starting rate band for savings	0-2,440	10	10	N/A
Basic rate band	0-37,400	10	20	20
Higher rate band	37,401-150,000	32.5	40	40
Additional rate band	Excess	42.5	50	50

Dividends are deemed to be the top slice of income in computing the tax liability, followed by other savings income.

If the remittance basis of taxation is claimed, foreign dividend income is taxed at the rate applicable to other income.

Allowances: individuals

	2011/12 £	2010/11 %	2011/12 £	2010/11 %
Under 65				
Personal	7,475	100	6,475	100
Age 65 to 74				
Personal	9,940	100*	9,490	100*
Age 75 and over				
Personal	10,090	100*	9,640	100*
Married Couple	7,295	10*	6,965	10*
Other				
Blind Person's Allowance	1,980	100	1,890	100

* The additional age related allowances are reduced by 50% of the excess of the total income above £24,000 (£22,900 for 2010/11). The minimum Married Couple's allowance after such reduction, if applicable, is £2,800 (£2,670 for 2010/11). The Married Couple's allowance is only available where either spouse was born before 6 April 1935.

Personal allowances for those with taxable income in excess of £100,000 will be reduced by £1 for every £2 of taxable income in excess of £100,000.

Rates: UK trusts

	Dividend income %	Other savings income %	Other income %
Life interest and estates in administration	10	20	20
Discretionary, subject to a standard rate band of £1,000	42.5	50	50

CAPITAL GAINS TAX

	2011/12 %	2010/11 %
		Post 22.6.10
		Pre 23.6.10
Gains of individuals (see notes below)		
Gains falling within remaining basic rate band (1)	18	18
Gains exceeding basic rate band	28	18
Gains in UK trusts and estates in administration	28	18
Gains in self settlements and certain offshore trusts (2)	28	18

Notes:

(1) The remaining basic rate band is calculated as £35,000 (£37,400 for 2010/11) less taxable income and any gains on which entrepreneurs' relief has been claimed.

(2) Capital payments from certain offshore trusts are chargeable at rates applicable to individuals plus a maximum supplementary charge of 60% of the tax.

Annual Exemption

	2011/12 £	2010/11 £
Individuals	10,600	10,100
Trustees	5,300	5,050

The annual exemption available to trusts is normally divided equally between all those UK resident trusts made by the same settlor after 6 June 1978. The minimum exemption per trust is one tenth of the full annual exemption for individuals.

Indexation Allowance

Companies receive Indexation Allowance on capital gains as a percentage of base cost, calculated with reference to increases in the Retail Price Index since 31 March 1982 or, if later, the date of acquisition.

Entrepreneurs' Relief

Gains made by individuals and by trustees (where a life interest beneficiary has a qualifying interest in the business) on the disposal of the whole or part of a business or relevant shareholding, will qualify for this relief. Relief will be provided as follows:

- Claims may be made on more than one occasion up to a lifetime limit of £10million for disposals occurring from 6 April 2011. For disposals prior to 6 April 2010 the limit was £1million. For disposals from 6 April 2010 to 22 June 2010 the limit was £2million. For disposals from 23 June 2010 to 5 April 2011 the limit was £5million.
- The taxable gain prior to 23 June 2010 was reduced by 4/9th and tax charged at 18%, resulting in an effective rate of 10%. Taxable gains post 22 June 2010 are charged at the flat rate of 10%.
- The asset must have been a qualifying asset for at least one year, and be disposed of within 3 years of ceasing to qualify.

Assets which qualify for Entrepreneurs' Relief include:

- Trading businesses or part of a trading business undertaken personally or in partnership.
- Property letting and certain other activities are not trading businesses for these purposes.
- Assets used in a trading business carried on by an individual or by a partnership in which the tax payer has an interest.
- Certain other assets disposed of at the same time as selling a business, or part of a business.
- Shareholdings in trading companies or holding companies of a trading group where the individual is a director or employee and holds 5% or more of the share capital.

RESIDENT NON-UK DOMICILIARIES

The remittance basis is only available to individuals:

- Who have been resident in the UK for less than 7 out of the previous 9 tax years; or
- Who have unremitted annual foreign income and gains of £2,000 or less; or
- Who elect to pay an annual tax charge of £30,000; or
- Who are under the age of 18; or
- Who are dual resident and protected by a double taxation agreement.

In most cases remittance basis users will not be entitled to the annual income tax allowances and capital gains tax annual exempt amount.

When the remittance basis is not claimed, resident non-domiciliaries will be subject to UK taxation on their worldwide income and gains (including deemed income and gains).

From 6 April 2012, the government intends to increase the charge to £50,000 for non-domiciliaries who have been resident in the UK for 12 or more tax years.

The £30,000 charge will be retained for those who have been resident for at least 7 of the past 9 tax years and fewer than 12 years.

INVESTMENTS AND SAVINGS

Enterprise Investment Scheme and Venture Capital Trusts

Income tax relief and maximum qualifying investment per year	%	£
Enterprise Investment Scheme ("EIS")	30	500,000
Venture Capital Trust ("VCT")	30	200,000

The minimum period of ownership necessary to avoid withdrawal of income tax relief is three years for EIS and five years for VCT.

Capital gains tax relief

Any investment in an EIS company on which income tax relief has been given will be exempt from capital gains tax on a subsequent disposal after three years, subject to certain conditions. All gains on the disposal of shares in VCTs are exempt, up to the maximum qualifying investment.

Capital gains tax deferral (EIS only)

Deferral is available on the value of qualifying shares acquired. Provided the company qualifies, the amount of the investment is not restricted for the purpose of deferring capital gains.

Qualifying activities under both schemes exclude investment activities, farming, forestry, property development, hotels, care homes, shipbuilding, coal and steel production.

Individual Savings Accounts (ISAs)

From 6 April 2011, the limit is £10,680 (2010/11 – £10,200), up to £5,340 (2010/11 – £5,100) of which can be invested in cash.

The limits will rise in line with inflation.

The account is free of all income tax and capital gains tax. Withdrawals may be made from the account at any time without loss of tax relief.

Junior ISAs are expected to be available from autumn 2011 to allow children to save for the future.

INHERITANCE TAX

Rates	Transfers on death	Lifetime transfers
Gross cumulative chargeable transfers	%	%
£0-£325,000	Nil	Nil
Excess	40	20

Subject to certain provisions, any unused proportion of the nil-rate band is carried forward to the second death for married couples and civil partners.

Subject to consultation, from 6 April 2012 a reduced rate of 36% will apply to taxable estates where 10% or more of the estate is left to charity.

Potentially exempt transfers

Inheritance tax does not generally arise on lifetime transfers between individuals.

Reduced tax charge on gifts within seven years of death:

Years before death	0 – 3	3 – 4	4 – 5	5 – 6	6 – 7
% of full tax charge at death	100	80	60	40	20

Credit is given for tax paid on lifetime transfers within seven years of death.

If the value of the lifetime transfer falls within the nil rate band, the above relief may have no effect.

Trusts

Transfers to trusts (other than charitable trusts and trusts for the disabled) are taxed as lifetime transfers.

Discretionary trusts and most trusts created on or after 22 March 2006 are subject to a 6% IHT charge every 10 years, and exit charges. From 6 April 2008 existing A&M trusts which do not provide that assets will pass to a beneficiary absolutely at 18 will be subject to 10 yearly IHT charges, subject to special rules for trusts that provide for assets to go to a beneficiary absolutely by age 25.

Interest in possession trusts in existence on 22 March 2006 will be subject to 10 yearly IHT charges, and exit charges, where changes to beneficiaries' entitlements are made after 5 October 2008, and in certain situations following the death of the life tenant. Charges may arise in other circumstances.

Exemptions and reliefs

	£
Normal expenditure out of income	Exempt
Annual exemption	3,000
Small gifts to same person – per year	250
Spouses and civil partners both with UK domicile	Exempt
Spouses and civil partners where donee is not UK domiciled	55,000

Marriage gifts made by:

– parent	5,000
– grandparent	2,500
– other person	1,000
Gifts to charities and qualifying political parties	Exempt
Transfers of qualifying heritage assets (subject to various undertakings)	Exempt

Agricultural property relief

Transfers with vacant possession (or right to obtain within 12 months)

Land let under a tenancy for more than 12 months made on or after 1 September 1995	100
Most other cases	50

Business property relief (subject to exclusions)	
Unincorporated businesses	100
Unquoted shares	100
Quoted shares (controlling holding)	50
Land, buildings, machinery or plant used by qualifying businesses	50

Tax payments on chargeable lifetime transfers:

Between 6 April and 30 September 2011	30 April 2012
Between 1 October 2011 and 5 April 2012	Six months after end of month of transfer/death

Pre-owned assets

A charge to income tax may arise on benefits received by individuals from having free or low cost enjoyment of assets they formerly owned or funded, subject to some exemptions, including a de minimis of £5,000 a year of the taxable value of the benefit.

For land and buildings the taxable benefit is the open market rent. For chattels and intangible property, the taxable benefit is determined by applying a rate of interest to the capital value of the asset. The interest rate is set at 5%. Most assets are to be revalued every 5 years.

NATIONAL INSURANCE CONTRIBUTIONS

Class 1	2011/12 Weekly earnings £	2010/11 Weekly earnings %	2010/11 Weekly earnings £	2010/11 Weekly earnings %
Not contracted out of SERPS				
Primary contributions, mainly for employees	0-139 139-817 Over 817	Nil 12.0 2.0	0-110 110-844 Over 844	Nil 11.0 1.0

Secondary contributions, mainly for employers	Over 136	13.8	Over 110	12.8
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Contracted out of SERPS

Primary contributions, mainly for employees	0-139 139-817 Over 817	Nil 10.4 2.0	0-110 110-844 Over 844	Nil 9.4 1.0
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Secondary contributions, mainly for employers	136-817 Over 817	10.1-12.4* 13.8	110-844 Over 844	9.1-11.4* 12.8*
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Class 1A /1B (employers) on benefits in kind

	No limit	13.8	No limit	12.8
		Weekly charge		Weekly charge

Class 2 (self-employed)	Over 102	£2.50	Over 98	£2.40
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Class 3 (voluntary)		£12.60		£12.05
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	Annual profit £	%	Annual profit £	%
Class 4 (self-employed)	£7,225-£42,475 Over £42,475	9.0 2.0	£5,715-£43,875 Over £43,875	8.0 1.0

*The applicable rate depends on the type of pension scheme.

Notification of commencement of self-employment and liability to Class 2 must be made to HM Revenue & Customs within 3 months of commencement of trade.

PENSIONS

Annual and Lifetime Limits

Annual contributions of up to 100% of earnings are allowed, subject to a cap of £50,000 (£255,000 – 2010/11). From 6 April 2011 the £50,000 relief, if not used in full can be carried forward for up to 3 years. Unused relief from 2007/08, 2008/09 and 2009/10 calculated as if the £50,000 limit applied for those years is carried forward at 6 April 2011. The roll-up of relief will only take effect if the individual is a member of a registered pension scheme in the relevant years.

From 6 April 2011 the exemption from the annual allowance limit for those with enhanced protection will no longer apply.

A lifetime allowance applies. For 2011/12 this will be £1.8million (£1.8million 2010/11). However this will reduce to £1.5m from 6 April 2012. A tax charge will arise if these limits are exceeded. If you are likely to be affected by the change to the lifetime allowance you can apply for fixed protection but the application must be received by HMRC by 5 April 2012. Anyone with existing primary or enhanced protection will continue to be unaffected by the reduction in the lifetime allowance.

Transitional Rules

The new annual limit may affect contributions made and benefits built up on or after 14 October 2010, depending on when your Pension Input Period ("PIP") begins.

Pension savings made on or after 14 October 2010 but before the start of the 2011-12 tax year may be affected if your PIP ends on or after 6 April 2011.

Where a PIP started before 14 October 2010 but will finish after 5 April 2011, the maximum pension savings you can have in the PIP without paying an annual allowance charge will be £255,000. This will be subject to a maximum of £50,000 in the period from 14 October 2010 to the last day of the PIP.

Pensions – restricted tax relief for the higher paid

From 6 April 2011, the restrictions on higher and additional rate relief will be abolished subject to the new annual contributions cap.

Inheritance tax and pensions

A tax charge may be payable on any sum remaining in the pension scheme on death.

CORPORATION TAX

Rates

	Year from 1 April 2011	2010
Small companies rate	20	21
Main rate	26	28
Marginal relief fractions for profits between marginal limits are: £300,001 – £1,500,000	3/200	7/400
Effective rates of tax on such profits are: £300,001 – £1,500,000	27.50	29.75
The main rate of corporation tax will be 25% for the year from 1 April 2012.		

Limits

	£	£
Small companies rate limit	300,000	300,000
Upper marginal relief limit	1,500,000	1,500,000

Marginal relief limits are divided equally between associated companies.

Tax payments

Quarterly payments on account – for large companies (including members of large groups)	Period from start of accounting period
First	6 months and 14 days
Second	9 months and 14 days
Third	12 months and 14 days
Fourth	15 months and 14 days

Small and medium companies	Period from end of accounting period
Due date	9 months and 1 day

Growing companies do not have to pay by instalments in the period in which they become large if their profits are less than £10 million.

Tax returns

The filing date is twelve months after the end of the accounting period. Special rules apply for periods of account of greater than twelve months.

CAPITAL ALLOWANCES

First year / Initial allowances

	2011/12	2010/11
	%	%
Plant and machinery:		
– Annual Investment Allowance ("AIA") (limited to £100,000 of expenditure (note 1))	100	100
– Expenditure above AIA cap	N/A	N/A
Designated energy saving plant and machinery (note 2)	100	100
New low emission cars (CO ₂ < 110g/km)	100	100
Equipment for re-fuelling vehicles with natural gas, biogas or hydrogen fuel	100	100
Environmentally beneficial plant and machinery (note 2)	100	100
Research and development	100	100
Expenditure on renovation or conversion of:		
– underused space above certain commercial premises to residential use (being withdrawn after 2012)	100	100
– vacant business properties in disadvantaged areas	100	100

Annual writing down allowances ("WDA")

	% of reducing balance	
Special rate pool (note 1)	10	10
– Long life assets (life of more than 25 years)		
– Integral features of a building		
– Motor cars – CO ₂ > 160g/km (note 3)		
– Thermal insulation		
Main rate pool (note 1)	20	20
– Other plant and machinery		
– Motor cars – CO ₂ < 160g/km (note 3)		
Patents and know-how	25	25

Notes:

- From April 2012, the Annual Investment Allowance is to be capped at £25,000, the special rate pool WDA is to be reduced to 8% and the main rate pool WDA is to be reduced to 18%
 - Loss making companies investing in qualifying environmentally beneficial and energy saving technologies can surrender losses from qualifying expenditure for a cash payment of 19% of the expenditure, subject to a cap of the higher of £250,000 and the company's PAYE/NIC liability.
 - Motor cars purchased before April 2009 continue to have writing down allowances of 20% limited to a maximum of £3,000 per annum.
- The period over which expenditure on plant and machinery may be given short life asset treatment has been increased to 8 years from April 2011 (previously 4 years).

CAR & FUEL BENEFITS

Company car benefits

The benefit is calculated using a percentage of list price when new. This percentage is determined by the rate of CO₂ emission. The lower threshold is 130g/km for 2010/11 and 125g/km for 2011/12. For emissions less than the lower threshold the percentage is 15% (18% if diesel). For each 5g/km by which emissions exceed the lower threshold the percentage is increased by 1%, up to a maximum of 35% (for emissions of 225g/km or more in 2011/12 and 230g/km or more in 2010/11). For emissions less than 120g/km there is a special 10% rate (13% if diesel).

Notes:

- Prior to 6 April 2011 the manufacturer's list price when new was subject to a maximum of £80,000.
- Special rules apply for alternative fuel cars and employee capital contributions.
- For vehicles that meet the definition of company van the benefit is £3,000.

Fuel benefit scale rates

The benefit is calculated by applying the percentage as determined for car benefits to the fixed amount of £18,800 (fixed £550 for vans) for 2011/12 and £18,000 (fixed £550 for vans) for 2010/11. The fuel benefit scale charge is reduced to nil if the employee is required to, and does, make good the cost of all fuel provided for private use.

Authorised annual mileage rates

Tax free mileage allowances are 45p per mile on the first 10,000 miles, and 25p thereafter.

VALUE ADDED TAX

Rates

Standard (from 4 January 2011)	20.0
Reduced	5.0

Thresholds

	From 1 April 2011	1 April 2010
	£	£
Registration threshold (for supplies in previous 12 months or next 30 days)	73,000	70,000
Deregistration threshold	71,000	68,000
Cash accounting scheme	1,350,000	1,350,000
Annual accounting scheme	1,350,000	1,350,000
Flat rate scheme	150,000	150,000
De minimis limits for partial exemption (provided exempt input tax is less than 50% of total input tax)	625 pcm	625 pcm

Partially exempt businesses with residual input tax are required to apply an annual adjustment.

STAMP DUTY

Shares and marketable securities - standard rate	0.5%
- higher rate	1.5%

Instruments executed after 12 March 2008 where stamp duty would be £5 are exempt.

STAMP DUTY LAND TAX

Land and buildings Consideration (incl VAT where applicable)	On whole of the consideration	
	Residential	Commercial
	%	%
£0 – £125,000	Nil	Nil
£125,001 – £150,000	1	Nil
£150,001 – £250,000	1	1
£250,001 – £500,000	3	3
£500,001 – £1,000,000	4	4
More than £1,000,000	5	4

Between 25 March 2010 and 25 March 2012 first time buyers can claim relief from SDLT on residential transactions up to £250,000.

Transfers of residential property in designated disadvantaged areas are exempt up to a value of £150,000. Gifts, testamentary dispositions and certain other transactions are exempt.

From 22 April 2009 relief from SDLT is available for all leaseholders who are exercising the statutory right to enfranchise their leases.

Until 30 September 2012, buyers of new zero carbon homes and flats will have no SDLT liability on the property's first sale where the home costs up to £500,000. For homes costing more than £500,000 the SDLT will be reduced by £15,000.

The Finance Bill 2011 introduces a relief for bulk purchases of residential property acquired as one transaction. The rate of SDLT will be determined by the average consideration of the bulk purchase (subject to a minimum of 1%).

Lease rentals and premiums

On leases the charge is 1% of the discounted rental value under the lease on the excess over £125,000 (£150,000 for commercial).

Returns and payments

Land transaction returns must be filed within 30 days of the effective transaction. Duty is payable within 30 days of the effective transaction.

TAX DATES: RETURNS & PAYMENTS

Personal and trust tax returns	2011/12	2010/11
2010/11 paper return		By 31 October 2011
2010/11 online return		By 31 January 2012
Tax payments		
First interim income tax payment	31 January 2012	31 January 2011
Second interim income tax payment	31 July 2012	31 July 2011
Final balancing income tax payment	31 January 2013	31 January 2012
Capital gains tax payment	31 January 2013	31 January 2012

From 2010/11 onwards, there is a harsher penalty regime in place for tax returns filed late. This regime applies whether or not there is any tax liability.

Professional advice should be sought before taking any action based on this budget summary.