



# REES POLLOCK

Chartered Accountants

## TAX CARD 2007/2008

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### INCOME TAX

	2007/08	2006-07
Starting rate band	£2,230	£2,150
Tax rate	10%	10%
Basic rate band - next	£32,379	£31,150
Non-savings rate	22%	22%
Savings rate	20%	20%
UK dividend rate	10%	10%
Higher rate - income over	£34,600	£33,300
Higher tax rate	40%	40%
UK dividend rate	32.5%	32.5%
<b>Allowances that reduce taxable income</b>		
Personal allowances (PA)		
- under 65	£5,225	£5,035
- 65 to 74	£7,550	£7,280
- 75 and over	£7,690	£7,420
The age related allowances are progressively withdrawn if income exceeds	£20,900	£20,100
Minimum PA	£5,225	£5,035
Min. married couple's allowance (MCA) tax reduction	£244	£235
Ages are at the end of the tax year		
<b>Tax shelters</b>		
Enterprise Investment Scheme up to	£400,000	£400,000
Venture Capital Trust up to	£200,000	£200,000
'Rent a room' exempt on gross annual rent	£4,250	£4,250
Construction Industry Scheme deduction rate	20%/30%	18%

### PENSIONS & SAVINGS

**Pensions:** There is no limit on the amount that may be contributed to a registered pension scheme. The maximum amount on which an **individual** can claim tax relief in any tax year is the greater of the individual's UK relevant earnings or £3,600.  
If total **pension input** exceeds the **annual allowance** of £225,000 there is a tax charge at 40% on the excess. This limit does not apply in the year that full pension benefits are taken.  
Maximum age for tax relief 74  
Minimum age for taking benefits 50  
Lifetime allowance charge - lump sum paid 55% - monies retained 25%  
On cumulative benefits exceeding £1,600,000\* 25%\*  
Maximum tax-free lump sum 25%\*  
\* Subject to transitional protection for excess amount

**ISAs:** Overall investment limit £7,000  
Including cash maximum of £3,000

### VEHICLES

#### Petrol and Diesel Car Benefits System,

The taxable benefit is calculated as a percentage of the car's list price. The calculation begins with the car's CO<sub>2</sub> emissions in grams per kilometre. Then deduct 140 and divide the result by 5. Round down (4.9=4) and then add 15 (petrol) or 18 (diesel). The result is the taxable percentage. Normal minimum rates are petrol 15%, diesel 18% and the maximum rate for petrol and diesel is 35%. Special rules apply to very low emission diesel and alternative fuel cars.

Chargeable on employees earning £8,500 or over (including benefits) and directors. \* The list price relates to the day before first registration and includes accessories. The price is subject to an upper limit of £80,000. \* The list price is reduced by the employee's capital contribution when the car is first made available, subject to a maximum deduction of £5,000. \* Van, restricted private use condition **not** met, van benefit £3,000, fuel **£500**, \* Payments by employees for private use may reduce the above benefits.

#### Inland Revenue Mileage Rates

**Car:** Approved rates for employees using their own cars for business are 40p per mile for the first 10,000 miles and 25p per mile thereafter. Income tax and NICs may be due on higher rates and tax relief on lower rates.

**Fuel:** Advisory rates for employee private mileage reimbursement or employer reimbursement of business mileage are published by HM Revenue & Customs.

#### Car Fuel Benefit

Where the cost of all fuel for private use is borne by the employee, the fuel benefit is nil. Otherwise, the taxable benefit is calculated as the car benefit percentage (see above) of **£14,400** and VAT is payable by the business by reference to the CO<sub>2</sub> emissions (rounded down to the next multiple of 5) as follows:

CO <sub>2</sub> in g/km	VAT on charge	CO <sub>2</sub> in g/km	VAT on charge	CO <sub>2</sub> in g/km	VAT on charge
Up to 140	£27.11	175	£39.91	210	£52.57
145	£29.04	180	£41.70	215	£54.36
150	£30.83	185	£43.49	220	£56.30
155	£32.62	190	£45.28	225	£58.09
160	£34.40	195	£47.21	230	£59.87
165	£36.19	200	£49.00	235	£61.66
170	£38.13	205	£50.79	240 or over	£63.45

### CORPORATION TAX

Financial Year to	31 March 2008	31 March 2007		
Taxable profits				
First	£300,000	20%	£300,000	19%
Next	£1,200,000	32.75%	£1,200,000	32.75%
Over	£1,500,000	30%	£1,500,000	30%

### MAIN CAPITAL ALLOWANCES

Motor cars:	CO <sub>2</sub> emissions below 120g/km	25%	Max £3,000 p.a. per car
		100%	First year allowance
Plant and machinery:	First year allowance	50%	Small firms
	Writing down allowance	40%	Medium-sized firms
	Long life assets	25%	On reducing balance
	Energy saving	6%	Writing down allowance
	Water technology criteria list	100%	First year allowance
Industrial and agricultural buildings		4%	Of building cost

### VALUE ADDED TAX

From	1 April 2007	1 April 2006
Standard rate	17.5%	17.5%
VAT fraction	7/47	7/47
<b>Taxable Turnover Limits</b>		
Registration - last 12 months or next 30 days over	£64,000	£61,000
Deregistration - next year under	£62,000	£59,000
Annual Accounting Scheme	£1,350,000	£1,350,000
Cash Accounting Scheme	£1,350,000	£660,000
Flat rate scheme	£150,000	£150,000

### NATIONAL INSURANCE

Class 1 (not contracted out)	Employer	Employee
Lower earnings limit		£87
Payable on weekly earnings of	£100.01 - £670	12.8%
	Over £670	11%
Over state retirement age		1%
Class 1A	as above	Nil
Class 2	Self employed	£2.20 per week
	Limit of net earnings for exception	£4,635 per annum
Class 3	Voluntary	£7.80 per week
Class 4*	Self employed on profits	
	£5,225 - £34,840	8%
	Excess over £34,840	1%
	* Exemption applies if state retirement age was reached by 6 April 2007	

### CAPITAL GAINS TAX

	2007-08	2006-07
Taxed as top slice of savings		Up to 40%
Annual exemption	- individual £9,200	£8,800
	- settlement(s) £4,600	£4,400

Transfers between spouses and civil partners living together are exempt

#### Taper relief

Complete years from 6 April 1998	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

Apportionment may apply where asset has not been a business asset throughout the entire period of ownership.

\* Add one year if the asset was acquired before 17 March 1998

### INHERITANCE TAX

	2007-08	2006-07
Nil rate band	£300,000	£285,000
Rate of tax on balance:		
Chargeable lifetime transfers	20%	20%
Transfers on, or within 7 years of death	40%	40%
All lifetime transfers not covered by exemptions and made within 7 years of death will be added back into the estate for the purpose of calculating the tax payable. This will then be reduced:		
Years before death	0-3	3-4
Tax reduced by	0%	20%
	40%	40%
	60%	60%
	6-7	6-7
	80%	80%

#### Main exemptions

Most transfers between spouses and civil partners \* The first £3,000 of lifetime transfers in any tax year plus any unused balance from the previous year \* Gifts of up to but not exceeding £250 p.a. to any number of persons \* Gifts made out of income that form part of normal expenditure and do not reduce the standard of living \* Gifts in consideration of marriage/civil partnership of up to £5,000 by a parent, £2,500 by a grandparent, or £1,000 by any other person \* Gifts to charities, whether made during lifetime or on death.

### STAMP TAXES

Stamp duty is payable at a rate of 0.5% on transfers of shares and securities. On the transfer of residential property, the stamp tax is:

Value up to £125,000	nil
Over £125,000 - £250,000	1%
Over £250,000 - £500,000	3%
Over £500,000	4%

\* £150,000 for property in Enterprise Areas.

### SELECTED RATES

		£
<b>Basic Retirement Pension</b>	- Single person	87.30
	- Married couple	139.60
<b>Child benefit</b>	- First eligible child	18.10
	- Each subsequent child	12.10
<b>Statutory pay rates</b> average weekly earnings (AWE) £87 or over:		
<b>Sick (SSP)</b> standard rate is £72.55 for up to 28 weeks		72.55
<b>Maternity (SMP), Adoption (SAP) and Paternity (SPP)</b> are paid at 90% of AWE. Apart from the first 6 weeks of SMP where there is no weekly limit, SMP, SAP and SPP are subject to a maximum rate of £112.75 per week.		
<b>SMP</b> is payable for up to 26 weeks (baby due before 1 April 2007) or 39 weeks (baby due on or after 1 April 2007). <b>SAP</b> is payable for up to 26 weeks (child due to be placed before 1 April 2007) or 39 weeks (child due to be placed on or after 1 April 2007). <b>SPP</b> is payable for up to 2 weeks.		
<b>Example rates:</b>		
<b>Jobseekers allowance</b>	- Single person	59.15
	- Married couple	92.80
<b>National minimum wage</b>		
Age	Over 21	18-21
From 1 October 2006	£5.35 p.h.	£4.45 p.h.
From 1 October 2007	£5.52 p.h.	£4.60 p.h.
		16 and 17
		£3.30 p.h.
		£3.40 p.h.

### KEY DATES & DEADLINES

	2007-08	2006-07
<b>Income Tax and Class 4 NIC</b>		
1 <sup>st</sup> payment on account	31 January	2008
2 <sup>nd</sup> payment on account	31 July	2008
Balancing payment	31 January	2009
Capital gains tax	31 January	2009
Corporation tax	9 months and one day after the end of accounting period (or by quarterly instalments if large company)	2008
<b>2006-07 Returns filing/Issuing Deadlines</b>		
19 May 2007	P14, P35, P38, P38A and CIS36	
31 May 2007	Issue P60s to employees	
6 July 2007	P9D, P11D and P11D(b), and appropriate copies to employees	
31 January 2008	Self assessment tax return	
<b>2006-07 Class 1A NICs on Relevant Benefits</b>		
19 July 2007	Payment due	
<b>2007 Budget Day Edition. For advice on the above information and any updated rates please refer to the office.</b>		