

## dates and reminders

|                                 | filing date                          | payment date      |
|---------------------------------|--------------------------------------|-------------------|
| SA return – individuals*        | 31/10/08                             | 31/01/09#         |
| CTSA return*                    | 12 months after AP                   | 9 months after AP |
| Monthly payment of PAYE/NIC     | 19th following month-end             |                   |
| P35                             | 19 May                               | —                 |
| P60                             | 31 May                               | —                 |
| P11D                            | 6 July                               | —                 |
| Payment of class 1A NIC         | —                                    | 19 July           |
| PAYE settlement agreement       | —                                    | 19 October        |
| VAT                             | End of month following return period |                   |
| Stamp Duty land tax return      | 30 days from effective date          |                   |
| Annual return for share schemes | 6 July                               | —                 |

\*For returns submitted online for the tax year 2007/08, the deadline for filing will remain 31 January 2009.

### #Payments on account for individuals:

- > 31 January during fiscal year
- > 31 July following fiscal year
- > 31 January following fiscal year ('sweep-up' payment)

### +Payment dates for companies subject to quarterly payments:

- > 6 months + 14 days into accounting period
- > 9 months + 14 days into accounting period
- > 14 days after accounting period end
- > 3 months + 14 days after accounting period end

Four equal instalments of 25 % of final liability to corporation tax.

Enquiry window: for SA returns for 2007/08 and CTSA returns for accounting periods ending after 31 March 08 the enquiry window will close one year after delivery of the returns, assuming filed on time. Large groups of companies are not within this regime and it continues to be one year after the filing deadline.

## Tenon tax

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## succession planning

### inheritance tax

|                               | 2008/09<br>£312,000* | 2007/08<br>£300,000 |
|-------------------------------|----------------------|---------------------|
| Nil rate band (note 1)        |                      |                     |
| Rate of tax on balance:       |                      |                     |
| Chargeable lifetime transfers | 20 %                 | 20 %                |
| Transfers on death            | 40 %                 | 40 %                |

1 From 6 April 2008 a claim can be made to transfer any unused nil-rate band of the deceased to the surviving spouse or civil partner. The amount will be expressed as a percentage and this percentage will be applied to the band in use on the surviving spouse or civil partner's death and added to their own nil rate band.

\*To be increased to £325,000 (2009/10), and then £350,000 (2010/11).

All lifetime transfers not covered by exemptions and made within seven years of death will become chargeable for the purpose of calculating the tax payable. Any tax due on the lifetime transfer may then be reduced by taper relief.

|                       | 2008/09<br>£3,000 | 2007/08<br>£3,000 |
|-----------------------|-------------------|-------------------|
| Annual exemption      |                   |                   |
| Small gifts exemption | £250              | £250              |

### trusts and estates

#### Income Tax

|                           | 2008/09<br>£1,000 | 2007/08<br>£1,000 |
|---------------------------|-------------------|-------------------|
| Standard rate band        |                   |                   |
| Rates of tax*             |                   |                   |
| Rate applicable to trusts | 40 %              | 40 %              |
| Dividends                 | 32.5 %            | 32.5 %            |

#### Capital Gains Tax

|  | 2008/09<br>18 % | 2007/08<br>40 % |
|--|-----------------|-----------------|
| Rates of tax                                       |                 |                 |
| Discretionary or accumulation & maintenance trusts |                 |                 |
| Interest in possession trusts                      | 18 %            | 40 %            |
| Personal representatives                           | 18 %            | 40 %            |

#### Exemptions

|                                  | 2008/09<br>£4,800 | 2007/08<br>£4,600 |
|----------------------------------|-------------------|-------------------|
| Most trusts (maximum)**          |                   |                   |
| Certain trusts and most estates† | £9,600            | £9,200            |

\*Trusts for the vulnerable will be taxed on the basis of the individual's circumstances for both income tax and capital gains tax.

\*\*Exemption divided by number of qualifying settlements created after 6 June 1978 by one settlor, subject to a minimum of £960.

†Trustees of settlements for the disabled and personal representatives of the estate of a deceased person.

Exemption is available for personal representatives in year of death and in the following two years.

## indirect taxation

### vat

|                                | 1 April 2008 | from<br>1 April 2007 |
|--------------------------------|--------------|----------------------|
| Standard rate                  | 17.5 %       | 17.5 %               |
| VAT fraction                   | 7/47         | 7/47                 |
| <b>Taxable turnover limits</b> |              |                      |
| Registration*                  | £67,000      | £64,000              |
| Deregistration next year under | £65,000      | £62,000              |
| Cash accounting scheme         | £1.35m       | £1.35m               |
| Annual accounting scheme       | £1.35m       | £1.35m               |

\*Registration is required if turnover exceeded the limit in the previous 12 months or is predicted to exceed the limit in the next 30 days.

For accounting periods beginning on or after 1 May 2007, VAT fuel scale charges are calculated on the basis of carbon dioxide emissions.

### stamp duty/stamp duty land tax

Stamp duty is payable at 0.5 % on transfers of shares and securities.

Exemption from stamp duty for transfers where stamp duty is £5 or less or consideration is £1,000 or less for instruments executed on or after 13 March 2008.

On the transfer of residential land, SDLT is payable at the following rates:

|                           |     |
|---------------------------|-----|
| Value up to £125,000      | nil |
| Value £125,001 – £250,000 | 1 % |
| Value £250,001 – £500,000 | 3 % |
| Value over £500,000       | 4 % |

On the transfer of non-residential land, SDLT is payable at the following rates:

|                           |     |
|---------------------------|-----|
| Value up to £150,000      | nil |
| Value £150,001 – £250,000 | 1 % |
| Value £250,001 – £500,000 | 3 % |
| Value over £500,000       | 4 % |

- > 0 % stamp duty for transactions in disadvantaged areas on all residential property unless consideration is greater than £150,000.
- > Disadvantaged areas are based upon electoral ward and postcode; more details at [www.hmrc.gov.uk/so/disadvantaged.htm](http://www.hmrc.gov.uk/so/disadvantaged.htm)

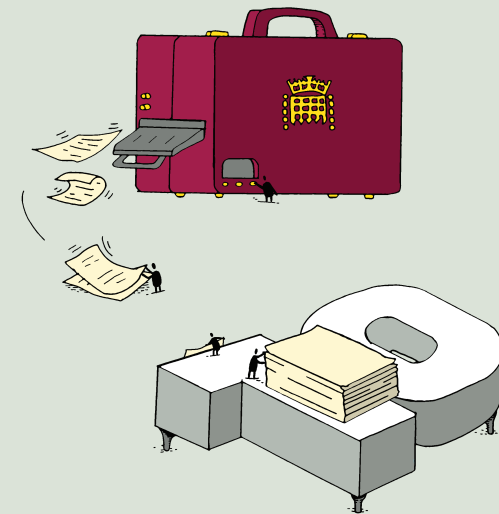
From 1 October 2007 no SDLT charged on new 'zero carbon' homes/flats up to £500,000 and a credit of £15,000 for homes/flats over £500,000.

Lease duty is payable on new leases and is calculated by reference to the NPV (Net Present Value) of all rental payments due under the terms of the lease.

|                            |                |     |
|----------------------------|----------------|-----|
| Non-residential properties | up to £150,000 | 0 % |
|                            | over £150,000  | 1 % |
| Residential properties     | up to £125,000 | 0 % |
|                            | over £125,000  | 1 % |

# Tenon The Budget

## Tax data 2008/09



Advisers to entrepreneurs

## personal taxation

### income tax

|                           | 2008/09 | 2007/08 |
|---------------------------|---------|---------|
| Basic rate band           | £36,000 | £34,600 |
| Non-savings tax rate      | 20%     | 22%     |
| Savings tax rate          | 20%     | 20%     |
| UK dividend tax rate      | 10%     | 10%     |
| Higher rate – income over | £36,000 | £34,600 |
| Non dividend tax rate     | 40%     | 40%     |
| UK dividend tax rate      | 32.5%   | 32.5%   |

### Allowances that reduce taxable income

|                                    |        |        |
|------------------------------------|--------|--------|
| Personal allowance (PA) – under 65 | £5,435 | £5,225 |
| – 65 to 74                         | £9,030 | £7,550 |
| – 75 and over                      | £9,180 | £7,690 |

### Allowances that reduce tax

|                                  |         |         |
|----------------------------------|---------|---------|
| Married couple's allowance (MCA) |         |         |
| Tax reduction – 65 to 74         | £653.50 | £628.50 |
| – 75 and over                    | £662.50 | £636.50 |

### 'Rent a Room' relief – annual exemption

|  |        |        |
|--|--------|--------|
|  | £4,250 | £4,250 |
|--|--------|--------|

- 1 A new starting rate of 10% on £2,320 of savings income is introduced for 2008/09.
- 2 Ages are as at the end of the tax year. Ages for MCA relate to the elder spouse. MCA is available only to couples where at least one spouse was aged 65 or over on 5 April 2000.
- 3 The age-related allowances are progressively withdrawn if income exceeds £21,800 (2007/08 £20,900), reducing first PA and then MCA (for MCA the husband's income only is considered). PA cannot fall below £5,435 (2007/08 £5,225) and MCA tax reduction cannot fall below £254 (2007/08 £244).

## national insurance

|                                     | 2008/09                             |                |
|-------------------------------------|-------------------------------------|----------------|
|                                     | Employer                            | Employee       |
| <b>Class 1 (not contracted out)</b> |                                     |                |
| Payable on weekly earnings of       |                                     |                |
| First £105                          | 0%                                  | 0%             |
| Next £105 – £770                    | 12.8%                               | 11%            |
| Over £770                           | 12.8%                               | 1%             |
| Men 65+, women 60+                  | as above                            | Nil            |
| <b>Class 1A</b>                     | On relevant benefits                | 12.8%          |
| <b>Class 2</b>                      | Self employed                       | £2.30 per week |
|                                     | Limit of net earnings for exception | £4,825 p.a.    |
| <b>Class 3</b>                      | Voluntary                           | £8.10 per week |
| <b>Class 4*</b>                     | Self employed on profits            |                |
|                                     | £5,435 – £40,040                    | 8%             |
|                                     | Over £40,040                        | 1%             |

\*Exemption applies if state retirement age is reached by 6 April 2008.

## company taxation

### Tax rates

|                         | Financial year to |               |
|-------------------------|-------------------|---------------|
|                         | 31 March 2009     | 31 March 2008 |
| Taxable profits         |                   |               |
| First £300,000 (note 1) | 21%               | 20%           |
| Next £1,200,000         | 29.75%            | 32.5%         |
| Over £1,500,000         | 28%               | 30%           |

### Main capital allowances

|   |      |  |
|---|------|--|
| IBA and ABA                               | 3%   | Straight line based upon cost (note 2)                                 |
| Plant & Machinery                         | 20%  | Reducing balance (previously 25%)                                      |
| Annual Investment Allowance (AIA, note 3) | 100% | On first £50,000 investment in plant and machinery                     |
| Long-life assets                          | 10%  | Previously 6%  |
| Integral features                         | 10%  | Category introduced  |
| Low emission cars                         | 100% | New cars with emissions with less than 110g/km CO <sub>2</sub>         |
| Energy Efficient Plant                    | 100% | Details at <a href="http://www.eca.gov.uk">www.eca.gov.uk</a> (note 4) |
| Research & Development                    | 100% | Assets used solely for qualifying R&D                                  |

- 1 The small companies rate will increase to 22% in 2009/10.
- 2 This will reduce by 1% pa and so will be abolished by 1 April 2011. There is no clawback of allowances on property sales in this period.
- 3 Expenditure in excess of the AIA in a year will qualify for WDA at 20%.
- 4 Subject to cap, first year tax credits available at 19% of the loss attributable to ECAs.

### Loans to and from individuals

Overdrawn current or loan accounts of participators – tax based upon 25% of loan balance at accounting period end, unless repaid within 9 months of accounts date.

Loans to companies from individuals – company must deduct income tax at 20% of gross interest and account to HM Revenue & Customs on quarterly basis using CT61 returns.

### Enhanced tax relief

Research & Development: Enhanced deduction of up to 175% for SMEs and 130% for large companies of qualifying costs incurred on qualifying R&D. The definition of SME has changed to:

|           |       |
|-----------|-------|
| Employees | 500   |
| Turnover  | £100m |
| Assets    | £86m  |

Contaminated Land Relief: 150% deduction for qualifying costs incurred on remediation of land and buildings is extended to derelict land and removal of Japanese Knotweed.

## Tenon tax

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## benefits in kind

Chargeable on employees earning **£8,500** or over (including benefits) and directors.

### Company car benefit

The charge is a percentage of the list price. The percentage depends on the level of carbon dioxide emissions. The minimum charge is 10%; the maximum charge is 35%. CO<sub>2</sub> emission details are available at [www.smmr.co.uk](http://www.smmr.co.uk)

Cars which run on E85 fuel qualify for a 2% reduction in the appropriate percentage (except QUALECS, see below).

The lower threshold is reduced to 135g/km and is unaffected by the 10% band mentioned below.

Cars with CO<sub>2</sub> emissions up to and including 120g/km will be charged at 10% of the list price. These cars will be referred to as Qualifying Low Emission Cars (QULECS). A 3% diesel charge will apply but the E85 fuel reduction will not.

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**. Payments by employees for private use may reduce the above benefits.

### Van benefit

From 6 April the company van benefit for all types of vans is £3,000 when used for significant private use. If free or subsidised fuel is provided for private use there is an additional chargeable fuel benefit of £500.

### Car fuel benefit

The charge is calculated using the same CO<sub>2</sub> emission basis as used for the car benefit. The appropriate percentage will be multiplied by £16,900 (2007/08 £14,400).

### Advisory fuel rates – company cars

The tax-free limits per mile are as follows:

| Engine size      | Petrol | Diesel | LPG |
|------------------|--------|--------|-----|
| 1,400cc or less  | 11p    | 11p    | 7p  |
| 1,401cc – 2000cc | 13p    | 11p    | 8p  |
| Over 2,000cc     | 19p    | 14p    | 11p |

### Statutory mileage allowances – own cars

The tax-free limits per mile are as follows:

|             | First 10,000 miles in tax year | Miles over 10,000 |
|-------------|--------------------------------|-------------------|
| Cars        | 40p                            | 25p               |
| Motorcycles | 24p                            | 24p               |
| Cycles      | 20p                            | 20p               |
| Passengers  | 5p                             | 5p                |

For car allowances, payments in excess of these limits are taxable. Where payment is less than authorised mileage rate employees can claim tax relief on the shortfall.

## investments

### capital gains tax

|                  | 2008/09 | 2007/08         |
|------------------|---------|-----------------|
| Taxed (note 1)   | 18%*    | (savings rates) |
| Annual exemption |         |                 |
| – individual     | £9,600  | £9,200          |
| – settlement     | £4,800  | £4,600          |

Transfers between husband and wife living together are exempt. A new CGT regime has been introduced with effect from 6 April 2008. The key changes are detailed below but please contact Tenon if you have any queries.

### Taper relief and indexation relief

Both are abolished from 6 April 2008.

- 1 Entrepreneur's relief gives a lifetime allowance of £1m on disposals of trading businesses and shares in trading companies, giving an effective rate of tax of 10%. Gains in excess of this amount will suffer tax at 18%. There is a minimum qualifying period of ownership of 1 year.

### ISA

The allowance for a cash ISA increases to £3,600 and a further £3,600 may be invested in stocks and shares. Total annual investment limit: £7,200.

## personal pension contributions

Under the pension regime introduced on 6 April 2006, the following rules apply:

- > A break between earnings and the ability to contribute to a pension scheme.
- > An annual contribution allowance of up to £235,000 with any excess contributions being subject to an income tax charge through the self assessment system. There will be certain exemptions in the year when all benefits are taken from an arrangement.
- > Individuals have a single, lifetime allowance of £1.65 million on the amount of pension rights which will enjoy favourable tax treatment.
- > A 'recovery' charge of 55% will arise on an individual's total pension rights in excess of £1.65m.
- > The annual contribution and lifetime allowance increase until 2010/11 and will then be reviewed.

## Non-domiciles and remittance basis

Significant changes will take effect from 6 April 2008:

- > De minimis limit for foreign income before remittance basis election applies: £2,000.
- > Tax charge on unremitted income for non-domiciles who elect for remittance basis: £30,000. Applies only if resident for 7 out of 10 years.
- > Remittance basis tax payers are not entitled to UK personal or gains allowances unless foreign income falls within de minimis of £2,000.