



Assisting finance professionals to pass industry exams and helping meet their CPD requirements.  
Winner of the Best Online Educational Initiative at the latest Online Finance Awards.

© Wizard Learning Ltd, [www.wizardlearning.com](http://www.wizardlearning.com)

## Tax guide 2009/2010

1. INCOME TAX ALLOWANCES
2. INCOME TAX RATES
3. TAXATION OF COMPANY CARS/FUEL
4. INHERITANCE TAX
5. CAPITAL GAINS TAX - MAIN EXEMPTIONS & RELIEFS
6. CAPITAL GAINS TAX - RATES OF TAX
7. CAPITAL GAINS TAX - TAPER RELIEF
8. CORPORATION TAX
9. VALUE ADDED TAX
10. PENSIONS
11. NATIONAL INSURANCE CONTRIBUTIONS
12. INDIVIDUAL SAVINGS ACCOUNT (ISA)
13. STAMP DUTY LAND TAX

### 1. INCOME TAX ALLOWANCES

	2008/2009	2009/2010
	£	£
Personal Allowance – standard	6,035	6,475
- Age 65 – 74	9,030	9,490
- Age 75 and over	9,180	9,640
Married Couple's Allowance – minimum amount	2,540 (B)	2,670 (B)
- Age 65 - 74	6,535 (A) & (C)	N/A
- Age 75 and over	6,625 (A) & (C)	6,965 (A) & (C)
(D) Age-related Allowances reduced if total income exceeds	21,800	22,900
Blind person's allowance	1,800	1,890

(A) Relief at 10%. MCA also available to eligible civil partners from 5 December 2005.

(B) Minimum amount of MCA for age allowance purposes only.

(C) Relief available at 10% only if at least one of the couple was aged 65 before 6 April 2000.

(D) For 2008/2009 the reduction is £1 for every £2 additional income over £22,900 [£21,800 for 2008/2009].

## 2. INCOME TAX RATES

	2008/2009	2009/2010
	£	£
Starting rate - 10%*		
Basic rate - 20%	1 – 34,800	1 – 37,400
Higher rate - 40%	Over 34,800	Over 37,400

The standard rate band for discretionary and accumulation & maintenance trusts which are liable at the rate applicable to trusts (RAT), is £1,000 (unchanged from 6 April 2006). Any excess is charged as detailed in the table.

\* 2009/2010

Savings income is taxed at 10% on the first £2,440 of taxable income but only if an individual's taxable non-savings income is below that figure. If taxable non-savings income is above the £2,440 limit, the lower rate of 20% will apply. If savings income is above the higher rate band, a rate of 40% will apply.

Dividend income is taxed at 10% (income up to the basic rate) and 32.5% (higher rate).

## 3. TAXATION OF COMPANY CARS/FUEL

### Company Car Benefit In Kind (2009/2010)

P11D employees are subject to income tax on the benefit arising from the private use of a company car. The employer will also pay Class 1A National Insurance Contributions on the value of the benefit. The benefit is calculated as a percentage of the list price based on the carbon dioxide (CO<sub>2</sub>) emissions of the car in grams per kilometre (g/km). The minimum benefit is 10% of the list price for cars emitting on or below the threshold level (120g/km for 2009/10). The percentage benefit increases from 10% to 35%, in mainly 1% increments, according to CO<sub>2</sub> levels.

Cars running solely on diesel are subject to a 3% supplement, but still subject to an overall maximum of 35%. From April 2006, diesel cars, first registered on or before 31 December 2005, will have the 3% supplement waived if they meet Euro IV emissions standards. Discounts are available for most cars run on cleaner alternative fuels.

### Fuel Provided for Private Use (2009/2010)

This benefit is based on CO<sub>2</sub> emissions (on same percentage scale basis as company car benefit). The percentage is multiplied by a set figure to calculate the taxable benefit (£16,900 for 2009/10). For example, if car emissions are 190g/km, the percentage used to calculate taxable benefit for 2009/10 is 26%. The charge will be: £16,900 x 26% = £4,394. Like company car benefit, there is a 3% diesel supplement (overall maximum 35% charge). Further information, including the CO<sub>2</sub> emissions table, is available on the Vehicle Certification Agency website on: <http://www.vcacarfueldata.org.uk>

### Using Private Vehicle for Work (2009/2010)

Allowances paid for use of your private vehicle for work will be taxable if they are above the 'approved mileage allowance payment' (AMAP). Class 1A and 1 National Insurance Contributions are also due on any excess.

#### Cars

On the first 10,000 miles in the tax year 40p per mile  
On each additional mile over 10,000 miles 25p per mile

#### Motor Cycles

24p per mile

#### Bicycles

20p per mile

### 4. INHERITANCE TAX

	2008/2009	2009/2010	RATES OF TAX
	£	£	
Nil rate band *	0 – 312,000	0 – 325,000	0%
Excess	No limit	No limit	40% (Death) 20% (Lifetime)

\* Up to 100% of the unused portion of a deceased spouse's/civil partner's nil rate band can be claimed on the surviving spouse's/civil partner's death.

### 5. CAPITAL GAINS TAX - MAIN EXEMPTIONS & RELIEFS

	2008/2009	2009/2010
Annual Exemption – Individuals	9,600	10,100
Annual Exemption - Trusts	4,800	5,050
Principal Private Residence Exemption	No limit	No limit

### 6. CAPITAL GAINS TAX - RATES OF TAX

The amount chargeable to Capital Gains Tax is added onto the top of income liable to income tax for individuals and is charged to Capital Gains Tax at a flat rate of 18%.

Entrepreneur's relief is available for qualifying business disposals. The first £1 million of qualifying gains (lifetime total) is taxed at an effective rate of 10% and any excess is charged at 18%.

## 7. CAPITAL GAINS TAX - TAPER RELIEF

Capital gains taper relief and indexation relief no longer applies to disposals made from 6 April 2008.

A new "Entrepreneurs' Relief" has been introduced for qualifying disposals of business assets. This provides for an effective rate of 10% on the first £1million of lifetime taxable business gains. Any gains above this amount will be charged at 18%.

Prior to 6 April 2008, capital gains could be reduced by indexation allowance up to 6 April 1998 and then by taper relief, thus allowing some relief from taxation based on the period of time the individual had owned a particular asset. Business assets also received these allowances subject to qualifying as a business asset.

Gains on business assets		Gains on non-business assets	
Number of complete years after 5.4.98 for which asset held	Percentage of gain chargeable	Number of complete years after 5.4.98 for which asset held*	Percentage of gain chargeable
1	50	1	100
2	25	2	100
3	25	3	95
4	25	4	90
5	25	5	85
6	25	6	80
7	25	7	75
8	25	8	70
9	25	9	65
10 or more	25	10 or more	60

\*Non-business assets held on 16 March 1998 qualify for a bonus year of ownership.

## 8. CORPORATION TAX

Corporation Tax is the tax paid by companies on their profits.

Rate	Year to 31 March 2009	Year to 31 March 2010
Small companies' rate: £1-£300,000*	21%	21%
Marginal rate** (Marginal relief applies £300,001-£1,500,000)	29.75%	29.75%
Marginal relief factor	7/400	7/400
Main rate: £1,500,001 and over	28%	28%

\*The small companies rate applies to the first £300,000 of profits whether retained or distributed as dividends.

\*\*The marginal rate is an effective rate that may only be used if the company does not receive UK dividend payments from other companies. If the company does receive dividends, marginal relief will be applied.

## 9. VALUE ADDED TAX

Value Added Tax is added to the cost of goods and services and is classed as an indirect tax. The rate of VAT is 15% and any company with turnover above the limits below must register for VAT.

	2008	2009
Standard rate	15%	15%*
Annual turnover limit for registration from 1 April	£67,000	£68,000

\*The standard rate will increase to 17.5 per cent on 1 January 2010.

## 10. PENSIONS

Maximum relievable personal contributions are 100% of relevant UK earnings or £3,600 per annum if greater. Employer contributions are unlimited. Normally tax relief is claimable, although the employer's local inspector of taxes decides to what extent it will be given.

Anyone can join any type and any number of registered pension schemes at the same time.

**Lifetime allowance** - the value of pension savings anyone can draw in their lifetime without tax penalty.

2006/07 £1,500,000

2007/08 £1,600,000

2008/09 £1,650,000

2009/10 £1,750,000

2010/11 £1,800,000 (this level will apply for tax years up to and including 2015/16)

### **Lifetime allowance charge**

25% of the excess over the lifetime allowance if taken as income.

55% of the excess over the lifetime allowance if taken as a lump sum.

**Annual allowance** – the annual ceiling on the total contributions made by or on behalf of an individual without tax penalty.

2006/07 £215,000

2007/08 £225,000

2008/09 £235,000

2009/10 £245,000

2010/11 £255,000 (this level will apply for tax years up to and including 2015/16)

### **Annual allowance charge**

40% member's tax charge on the amount of contributions (member plus employer) in excess of the annual allowance.

### **Minimum pension age**

50 up to 5 April 2010

55 on or after 6 April 2010

### **Triviality**

Available where the value of all member's pensions are less than 1% of the lifetime allowance.

Available between ages 60 –75.

Trivial pensions in payment may be able to be commuted and are taxed in full under PAYE.

Uncrystallised trivial pensions will have 75% of the funds subject to tax under PAYE.

## 11. NATIONAL INSURANCE CONTRIBUTIONS 2009/2010

### CLASS 1 (Employment)

	Weekly	Yearly
Lower earnings limit (LEL)	£95 per week	£4,940
Upper earnings limit (UEL)	£844 per week	£43,875
Upper Accrual Point (UAP)*	£770	£40,040
Primary earnings threshold (employees)	£110	£5,715
Secondary earnings threshold (employers)	£110	£5,715
Lower Earnings Threshold (LET)**		£13,900
Higher Earnings Threshold (HET)**		£31,800

\* UAP is the threshold for the calculation of State Second Pension and contracted out rebates. It replaces the UEL from 6 April 2009.

\*\* Lower Earnings Threshold and Higher Earnings Threshold are used to determine the amount of State Second Pension.

Employee contribution rate on earnings between the primary earnings threshold and UEL	
Contracted in	11%
Contracted out***	9.4%
Employee contribution rate on earnings above UEL per week	1%

\*\*\*If contracted out via a money purchase contract or scheme, the contracted in rate will be deducted from salary, with the difference between the contracted in and contracted out rate being rebated into the pension.

Employer contribution rate on earnings above secondary earnings threshold	
Contracted in	12.8%
Contracted out: final salary (on earning up to the UAP)	9.1%*
Contracted out: money purchase (on earnings up to the UAP)	11.4%*

\* Additional age-related rebates apply to contracted out money purchase schemes. Employer contribution on earnings above the UAP are assessed at the contracted in rate.

### CLASS 2 (Self-employed)

Earnings over £5,075	£2.40 per week
----------------------	----------------

### CLASS 3 (Voluntary)

	£12.05 per week
--	-----------------

### CLASS 4 (Self-employed, additional levy)

Profits between £5,715 and £43,875	8%
Profits over £43,875	1%

Reduced rate for married women and widows is 4.85% to UEL and 1% on earnings over UEL.

## 12. INDIVIDUAL SAVINGS ACCOUNT (ISA)

Maximum contributions 2009/10

	<b>Aged under 50</b>	<b>Aged 50 or over*</b>
Cash ISA	Up to £3,600	Up to £5,100*
Stocks and Shares ISA (including life assurance)	Up to £7,200	Up to £10,200*
Maximum overall subscription	£7,200	£10,200

\* The increased limits apply from 06.10.2009.

From 06.04.2010, the increased limits will apply to all ISA investors.

## 13. STAMP DUTY LAND TAX

Property purchase 2009/10

<b>Residential Value of Consideration</b>	<b>Non-residential Value of Consideration</b>	<b>Rate</b>
£0 - £175,000*	£0 - £150,000	0%
£175,001 - £250,000	£150,001 - £250,000	1%
£250,001 - £500,000	£250,001 - £500,000	3%
£500,001 and over	£500,001 and over	4%

\* After 31 December 2009, the 0% threshold for residential property will revert back to £125,000

The information provided is based on our understanding of UK law and HMRC practice at the date of production, which may be subject to immediate change. Wizard Learning are not responsible for any arrangements entered into on the basis of the information in this document.