

SOME TAX UPDATES FOR 2011/2012

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- ✚ Higher rates for national insurance contributions
- ✚ Considerations to combine tax on income and national insurance contribution in the future
- ✚ Personal allowance increase to £7475 subject to annual income limit
- ✚ Changes to tax rules on pensions including significant reduction of annual and lifetime allowance
- ✚ Changes to company car scheme e.g. £80,000 car price limit no longer applies
- ✚ Favourable changes to gift aid rules
- ✚ Anti-avoidance provisions
- ✚ New ISA scheme for children
- ✚ Inheritance tax- lower rate on death subject to proportion of estate gifted to charity ($\geq 10\%$)
- ✚ Reduction in corporation tax rates
- ✚ New rules regarding companies with foreign branches

Personal Allowance

	2011/12
	£
< 65yrs	7,475
65yrs – 74yrs	9,940
≥ 75 yrs	10,090
General Income Limit	100,000
Age allowance income limit	24,000

Income Tax bands & rates

	<u>Annual earnings</u>	2011/12
Basic tax band (£)	0 – 35,000	20%
Higher tax band (£)	35,001 – 150,000	40%
Additional band (£)	150,001+	50%

10% starting rate against savings income where the non savings income \leq £2,560

10% basic rate tax, 32.5% higher rate tax and 42.5% thereafter applies for grossed up dividend income.

Emergency Tax code- 747L

National Insurance Contributions

Class 1 Primary- Employees

(Weekly earnings)		2011/12
Lower earnings (£)	0 -139	nil
Primary earnings (£)	139.01 - 770	12 %(10.4% contracted out)
Upper earnings (£)	770.01 - 817	12%
Additional (£)	817.01+	2%

Class 1 Secondary- Employers

(Weekly earnings)		2011/12
Lower earnings (£)	0 -136	nil
Secondary earnings (£)	136.01 - 770	13.8 %(10.1% SRS, 12.4% MRS)
Upper earnings (£)	770.01+	13.8%

- 1) Nil rates for employees over the age of state pension, however class 1 secondary NICs still applies.
- 2) 5.85% reduction in class 1 primary NIC for married women subject to rules; however the 2% rate still applies for earnings exceeding £817.

Class 1A & 1B	Expenses/Benefits and PAYE settlements agreements	13.8%
Class 2	Self-employed	£2.50 per week Small annual earnings exemption of £5,315
Class 3	Voluntary Contributions	£12.60 per week
Class 4	Self Employed	Lower annual profits (£) 7,225- 42,475 → 9% Upper annual profits (£) 42,475.01+ → 2%

Approved/Registered Pension Schemes

Contributions Paid

2011/12

a) Employee & Employer	Limit on contributions paid	none
Employee	Maximum annual limit for tax relief	£50,000
	Lifetime Allowance	£1,800,000

Any unused annual allowance can be carried forward for 3 years

b) Applicable Tax Relief

Earnings < £3,600	£3,600
£3,600.01 - £50,000	100%
£50,000.01	40%

Excess over £50,000 is treated as:

Extra Income → Individual and Unincorporated Business

Benefit in Kind → Employee (employer contributions on behalf of employee)

Car benefit

2011/12

(CO2 Emission % + 3% if diesel) x List Price

Less: Capital contribution by employee

Baseline CO2 Emission $\leq 125\text{g/km}$ → 15% + 3% supplement if diesel
% increases by 1% for every 5g/km. Maximum 35%

No charge applies to cars with 0% CO2 emissions

Fuel benefit

2011/12

Car benefit % x £18,800

Mileage allowance- Tax Free

<u>Business Travel</u> <u>Employee's car</u>	2011/12		<u>Business Travel</u> <u>in company's car</u>	
≤ 10,000 business miles	45p/mile	From	1.3.2011	1.6.2011
Each additional mile	25p/mile			
Each passenger on same trip	5p/mile			
		<u>PETROL</u>		
		≤ 1,400cc	14p	15p
		1,401cc – 2,000cc	16p	18p
		> 2,000cc	23p	26p
Motor Cycles	24p/mile			
Bicycles	20p/mile	<u>LPG</u>		
		≤ 1,400cc	10p	11p
		1,401cc – 2,000cc	12p	13p
		> 2,000cc	17p	18p
		<u>DIESEL</u>		
		≤ 1,400cc	13p	12p
		1,401cc – 2,000cc	13p	15p
		> 2,000cc	16p	18p

Corporation Tax

FY 11 (1.4.2011-31.3.2012)

	£	
Small rate	0 – 300,000	20%
Taper/Marginal Relief fraction	300,001- 1,500,000	3/200
Large/Full rate	1,500,001+	26%
Effective marginal rate		27.5%

Capital Gains Tax

2011/2012

		Annual Exemption £
Individuals- Standard	18%	10,600
- Higher	28%	
Trustees and Personal representatives	28%	5,300
Entrepreneur's relief for qualifying gains	10%	

Inheritance Tax

2011/2012

Chargeable transfers up to £325,000	Nil rate band (any unused can be transferred to spouse or civil partner)
£325,001 +	40%
Exempt gifts/Transfers	≤ £3,000 per annum per donor

Value Added Tax

2011/2012

Standard Rate	20%
Reduced Rate	5%
Registration threshold	£73,000 per annum
Deregistration limit	£71,000 per annum

Capital Allowances

2011/2012

1) Plant and machinery

Reducing Balance Basis

Annual Investment Allowance -	100 % (max £100,000)
First Year Allowance -	100% for expenditure on:
	<ul style="list-style-type: none">✚ Energy saving & water technologies and products✚ Environmentally friendly equipment✚ Low emission cars ≤ 110 and electronically propelled✚ Environmentally beneficial products✚ Certain zero emission goods vehicle✚ Qualifying Research & Development capital expenditure✚ Refurbishment of Flats over shops subject to certain conditions✚ Refurbishment of business premises in disadvantaged areas (BPRA)
Writing Down Allowance -	Main Pool (Hybrid rates) 20%
	- Special rate pool 10%
	- Small Pool £1000 subject to conditions

2) Industrial Building

0% (Completely withdrawn from April 2011)

3) Dredging

Straight Line Basis

Writing Down Allowance	4%
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4) <u>Flat conversions above commercial buildings</u>	Straight Line Basis	
Initial Allowance		100%
Writing Down Allowance		25%
5) <u>Renovation of Business Premises</u>	Straight Line Basis	
Initial Allowance		100%
Writing Down Allowance		25%
6) <u>Patents</u>	Reducing Balance Basis	
Writing Down Allowance		25%
7) <u>Extraction of Minerals</u>	Reducing Balance Basis	
Writing Down Allowance (where mineral asset is acquired, only 10% WDA applies)		25%
8) <u>Know-how</u>	Reducing Balance Basis	
Writing Down Allowance		25%

Tax Efficient Investments

2011/12

1) Individual Savings Accounts (ISA)

Overall ISA limit (Qualifying cash, securities & insurance products)	£10,680
Cash ISA limit (Cash only)	£5,340

2) Enterprise Investment Schemes (EIS)

Annual Limit	£500,000
Tax relief	30%

3) Venture Capital Trusts (VCT)

Annual Limit	£200,000
Tax relief	30%

4) Qualifying UK- Real Estate Investment Trust (REIT)

The profits and gains arising from the property rental business of qualifying UK-REITs are exempt from corporation tax

5) Property Authorised Investment Funds (AIFs)

The AIF is exempt from tax on rental profits and certain other property related income.

Tax Credits (subject to Income Limits)

2011/12
£ per annum

1) Working Tax Credit

Basic element	1,920
Single and Couple element	1,950
30-hour element	790
Disabled worker element	2,650
Severe disability element	1,130
50+ return to work payment :	
16-29hrs	1,365
≥ 30hrs	2,030
Childcare element (up to 70% of costs) :	
Maximum eligible cost for 1 child	175 per week
Maximum eligible for ≥ 2 children	300 per week

2) Child Tax Credit

Family element	545
Baby addition, family element	withdrawn
Child element :	
each child	2,555
disabled	2,800
severly disabled addition	1,130

Income Limits

2011/12
per annum

	<u>Limit</u>	<u>Withdrawal rate</u>
1st income	£6,420	41%
1st income for those eligible to child tax credit only	£15,860	41%
2 nd income	£40,000	41%
Income disregard	£10,000	