

Income Tax Allowances

	2005/06 £	2004/05 £
Personal allowance		
general	4,895	4,745
aged 65 to 74 in year of assessment	7,090	6,830
aged 75 or over in year of assessment	7,220	6,950
age allowance income limit	19,500	18,900
minimum where income exceeds limit	4,895	4,745
Married couple's allowance (relief at 10%)		
either spouse aged under 75 and born before 6 April 1935	5,905	5,725
either spouse aged 75 or over in year of assessment	5,975	5,795
age allowance income limit	19,500	18,900
minimum where income exceeds limit	2,280	2,210
Blind person's allowance	1,610	1,560

Income Tax Rates

Taxable Income	Band	Rate	Tax on Band	Total Tax
£	£	%	£	£
2005/06				
0 - 2,090	2,090	10	209.00	209.00
2,091 - 32,400	30,310	22	6,668.20	6,877.20
Over 32,400		40		
2004/05				
0 - 2,020	2,020	10	202.00	202.00
2,021 - 31,400	29,380	22	6,463.60	6,665.60
Over 31,400		40		

Savings income is generally treated as the highest part of total income. Interest is taxed at 10% within the starting rate band, 20% within the basic rate band and 40% thereafter. Income from **dividends** is taxed at 10% within the starting and basic rate bands and at 32.5% thereafter (these rates are applied to the dividend grossed-up by a tax credit of 1/9).

National Insurance Contributions

2005/06				
Class 1 (Earnings related)				
	Not contracted out	Contracted out		
Employees				
<i>Weekly earnings</i>				
First £94	Nil	Nil		
On balance up to £630	11%	9.4%		
Over £630	1%	1%		
Employers	NCO	SRS	MPS	
<i>Weekly earnings</i>				
First £94	Nil	Nil	Nil	
On balance up to £630	12.8%	9.3%	11.8%	
On balance over £630	12.8%	12.8%	12.8%	

Employees' rates are reduced to 4.85% for married women with valid certificates of election but the 1% rate above £630 still applies. Rates are nil for men over 65 and women over 60. Normal employers' contributions are still payable.

Employers receive a rebate of 3.5% for salary-related schemes and 1% for money purchase schemes on earnings from £82 to £94 per week. A rebate of 1.6% on earnings from £82 to £94 per week is given to employees (or employers where insufficient contributions have been paid for offset).

Class 1A and **Class 1B** – 12.8%
Class 2 (Self-employed) – Flat rate £2.10 a week. Small earnings exemption £4,345 a year.
Class 3 (Voluntary contributions) – £7.35 a week.
Class 4 (Self-employed) – 8% of profits between £4,895 and £32,760 a year. 1% of profits above £32,760 a year.

Individual Savings Accounts

	Overall limit	Cash limit	Life assurance limit
2005/06	£7,000	£3,000	N/A
2004/05	£7,000	£3,000	£1,000

Savings are exempt from income tax and capital gains tax. The capital from a 'TESSA' maturing after 5 January 1999 (but not the accumulated interest) may be transferred to an ISA.

Capital Gains Tax

Annual exempt amounts (2005/06)	£	
Individuals, personal representatives for year of death and two years thereafter	8,500	
Trusts generally	4,250	
Rates		
Individuals – 10%, 20% or 40% (taxed in line with interest: see column under <i>Income Tax Rates</i>)		
Trusts and personal representatives – 40%		
Taper relief (disposals after 5.4.2002)	% of gain relieved	
Complete years held after 5.4.1998*	business assets	non-business assets
1	50	–
2	75	–
3	75	5
4	75	10
5	75	15
6	75	20
7	75	25
8	75	30
9	75	35
10 or more	75	40

*Including one bonus year for **non-business** assets held on 17 March 1998.

Corporation Tax

Financial Year to	31/3/2006	31/3/2005
Full rate	30%	30%
Starting rate	0%	0%
0% rate limit	£10,000	£10,000
marginal relief limit	£50,000	£50,000
marginal relief fraction	19/400	19/400
effective marginal rate	23.75%	23.75%
Small companies rate	19%	19%
19% rate limit	£300,000	£300,000
marginal relief limit	£1,500,000	£1,500,000
marginal relief fraction	11/400	11/400
effective marginal rate	32.75%	32.75%
Non-corporate distribution rate	19%	19%

Car Benefit

CO ₂ emissions (2005/06)	% of list price (max. £80,000)	
grams per kilometre	Petrol	Diesel
140	15	18
145	16	19
150	17	20
155	18	21
160	19	22
165	20	23
170	21	24
175	22	25
180	23	26
185	24	27
190	25	28
195	26	29
200	27	30
205	28	31
210	29	32
215	30	33
220	31	34
225	32	35
230	33	35
235	34	35
240	35	35

For cars registered from 1 January 1998 with no CO₂ emissions figures, the tax charge is 15% of the list price for engines up to 1,400 cc, 25% for engines of 1,401 cc to 2,000 cc and 35% for engines above 2,000 cc.

Car Fuel Benefit

For 2005/06, car fuel is calculated by applying the above car benefit percentage to a figure of £14,400.

Tax-Free Mileage Allowances

Employee's own vehicle	2005/06
<i>Motorcars and vans</i>	
Up to 10,000 business miles	40p
Over 10,000 business miles	25p
Each passenger making same trip	5p
<i>Motorcycles</i>	24p
<i>Cycles</i>	20p

Advisory fuel rates for company car

Cylinder capacity	Petrol	Diesel
Up to 1,400 cc	10p	9p
1,401 cc to 2,000 cc	12p	9p
Over 2,000 cc	14p	12p

Inheritance Tax

Transfers made after 5 April 2005

Death Rates

Gross transfer	Rate %
Up to £275,000	Nil
Over £275,000	40

Chargeable lifetime transfers are initially charged at 20%. Annual gifts of up to £3,000 per donor are exempt.

Stamp Taxes

Shares and marketable securities 0.5%¹

¹ Rounded up to the nearest multiple of £5

Transfers of land and buildings (consideration paid)

Residential	Non-residential	Rate ²
£120,000 or less	£150,000 or less	Nil
£120,001-£250,000	£150,001-£250,000	1%
£250,001-£500,000	£250,001-£500,000	3%
Over £500,000	Over £500,000	4%

² Different rates apply for residential land in designated disadvantaged areas

Lease duty

Rent

Residential	Non-residential	Rate
Up to £120,000	Up to £150,000	Nil
Over £120,000	Over £150,000	1%

Premiums

Duty on premiums is the same as for transfers of land (but special rates apply where rent exceeds £600 annually).

Value Added Tax

Standard rate 17.5%

Lower rate 5%

Registration level from 1 April 2005 £60,000 pa

Deregistration limit from 1 April 2005 £58,000 pa

VAT car fuel scale charges from 1 May 2005

Cylinder capacity of vehicle	Scale charge	
	petrol	diesel
	£	£

Quarterly returns

Up to 1,400 cc	246	236
1,401 cc to 2,000 cc	311	236
Over 2,000 cc	457	300

Monthly returns

Up to 1,400 cc	82	78
1,401 cc to 2,000 cc	103	78
Over 2,000 cc	152	100

Capital Allowances

Agricultural buildings Rate %

(straight-line basis)
Writing-down allowance 4

Business premises renovation
First-year allowance 100

Dredging
(straight-line basis)
Writing-down allowance 4

Flat conversions
Initial allowance 100
Writing-down allowance for unrelieved expenditure 25

Industrial buildings
(straight-line basis)
Writing-down allowance 4

Expenditure on buildings (including commercial buildings) on sites in enterprise zones qualifies for initial allowance of 100% if contracted for within 10 years of inclusion of site in zone.

Know-how
(reducing balance basis)
Writing-down allowance 25

Mineral extraction
(reducing balance basis)
Writing-down allowances
General 25
Acquisition of mineral asset 10

Patent rights
(reducing balance basis)
Writing-down allowance 25

Plant and machinery
(reducing balance basis)
First-year allowances
Small and medium-sized businesses 40

Energy-saving or environmentally beneficial assets 100
New low-emission cars 100

Writing-down allowances
General 25
Long-life assets 6

Research and development
Allowance 100

Retirement Annuities and Personal/ Stakeholder Pensions

Contributions 2005/06

Age at 6 April in year of assessment.

Personal/stakeholder pensions (max. %)

35 and below	17.5%
36 - 45	20%
46 - 50	25%
51 - 55	30%
56 - 60	35%
61 and over	40%

No relief available for contributions on earnings exceeding £105,600 (previously £102,000 for 2004/05).

Retirement annuities (max. %)

50 and below	17.5%
51 - 55	20%
56 - 60	22.5%
61 and over	27.5%

Tax Credits

Annual amounts 2005/06

	£
Child tax credit	
Family element	545
baby addition	545
Child element (for each child)	1,690
Addition for disabled child	2,285
Severe disabled child enhancement	920

Working tax credit

Basic element	1,620
Lone parent and couple element	1,595
30 hour element	660
Disability element	2,165
Severe disability element	920
50 plus return to work payment (16 to 29 hours)	1,110
(30 or more hours)	1,660
Childcare element (up to 70% of costs)	Weekly
maximum eligible cost (1 child)	175
maximum eligible cost (2 or more)	300

Income thresholds

First income threshold	5,220
eligible for child tax credit only	13,910
First withdrawal rate	37%
Second income threshold	50,000
Second withdrawal rate	6.67%
Income disregard	2,500