



LASKEY AND CO

CHARTERED CERTIFIED ACCOUNTANTS & CHARTERED TAX ADVISERS

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FACTS

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PERSONAL TAXATION

Income tax and capital gains tax rates

| | 2008/09 | 2007/08 |
|------------------------------------|---------|---------|
| Starting rate on first | * | £2,230 |
| Basic rate on next | £36,000 | 32,370 |
| Higher rate on taxable income over | 36,000 | 34,600 |

*For 2008/09, starting rate will not apply to general income and will only apply to savings income if general income less allowances is less than £2,320. This band lies within the basic rate band of £36,000, so the next £33,680 of savings income is charged at the basic rate.

| Rates differ for: | General | Savings | Dividend |
|-------------------|-----------|---------|----------|
| Starting | N/A (10%) | 10% | 10% |
| Basic | 20% (22%) | 20% | 10% |
| Higher | 40% | 40% | 32.5% |

(2007/08 rates in brackets where different)

Allocation of rate bands

Taxable income uses up the rate bands in the following order:

- 'general income' (employment, business profits, rent)
- 'savings income' (mainly interest)
- 'dividends' (mainly distributions from companies)

Extension of basic rate band

A taxpayer who pays personal (including stakeholder) pension policy premiums, or gives cash to charity, increases the basic rate band by the grossed up equivalent of the payment. This means that more tax is paid at the basic rate and less is paid at the top rate.

Filing of return and payment

2008/09 personal tax return: due to be filed by 31 January 2010 (online) or 31 October 2009 (paper).

- penalty for late return: £100 (or the tax due, if less)

2008/09 tax payable:

- tax on employment income paid under PAYE each month
- basic rate liability on savings and dividends usually settled by receiving the income net of tax paid or credited
- balance of tax due under self assessment (SA):
 - payments on account due 31 January 2009 and 31 July 2009, based on the 2007/08 SA income tax and Class 4 NIC
 - balance, plus any CGT, due 31 January 2010, with the first payment on account for 2009/10

Missing any payment dates leads to interest; missing the balancing payment date by 28 days will lead to a 5% surcharge and a further 5% surcharge if not paid by following 31 July.

Main personal allowances

| | 2008/09 | 2007/08 |
|-------------------------------|---------|---------|
| Personal income tax allowance | £5,435 | £5,225 |
| CGT annual exemption | 9,600 | 9,200 |
| Blind person's allowance | 1,800 | 1,730 |

Age allowances

| | 2008/09 | 2007/08 |
|---|---------|---------|
| Personal allowance (PA) | | |
| • Age 65 – 74 in the tax year | £9,030 | £7,550 |
| • Age 75 and over in the tax year | 9,180 | 7,690 |
| • Minimum† | 5,435 | 5,225 |
| Married couple's allowance (MCA)* (also for civil partners) | | |
| • Age up to 74 | 6,535 | 6,285 |
| • Age 75 and over | 6,625 | 6,365 |
| • Minimum† | 2,540 | 2,440 |
| Income limit† | 21,800 | 20,900 |

† If the taxpayer's total income exceeds the income limit (extended for gift aid and pension contributions), one-half of that excess is deducted from the allowances – first from the PA until the minimum is reached, then from the MCA until the minimum is reached.

* Amount depends on age of older spouse; allowed at 10%; nil if born after 5 April 1935; reduced if marriage took place during the tax year.

Main personal reliefs

Rent-a-room exemption for letting out part of the taxpayer's only or main residence: gross income of £4,250pa.

Gift aid: on a cash gift to charity, the charity can reclaim $\frac{22}{100}$ (28.2%) of the donation from the Revenue if the donor makes a declaration. The donor increases the basic rate band by the gross gift ($\frac{100}{100}$). The market value of gifts of land or quoted shares can be deducted from taxable income for full tax relief, and the charity pays no tax on the gift received. Also "Give as you earn" scheme allows charitable gifts to be made from pre-tax pay, so PAYE is reduced.

EMPLOYEE TAXATION

Tax rates and payment

Employment income is charged to both income tax (as 'general' income) and to Class 1 National Insurance Contributions. Tax and NIC are normally paid by the employer through the PAYE system, but an employee whose tax is not fully paid should complete a tax return and settle the liability as described on page 2.

If the tax underpaid is up to £2,000 and the 2008/09 tax return is submitted by 30 September 2009, or e-filed by 30 December 2009, the underpayment can be settled through PAYE for 2010/11 rather than being collected on 31 January 2010.

Class 1 NIC rates 2008/09

Employers and employees both contribute. Employee contributions are payable at 11.0% or 9.4% between the primary threshold and the upper earnings limit, and a charge of 1% applies to all pay above the upper earnings limit.

| | week | month | year |
|---------------------------|------|-------|--------|
| LEL: lower earnings limit | £90 | £390 | £4,680 |
| PT: primary threshold | 105 | 453 | 5,435 |
| UEL: upper earnings limit | 770 | 3,337 | 40,040 |

No NIC are payable by employee or employer on earnings up to the PT.

Earnings between the LEL and the PT must be reported by the employer, and the employee receives credit towards the State Pension, but no NIC are payable.

Rates of NIC on earnings above the PT depend on whether the employee is within the State Second Pension (S2P), or whether the employer has 'contracted out' using a final salary (FS) or money purchase (MP) scheme.

| | Employee | | Employer | | |
|-----------|----------|------|----------|--------|--------|
| | In | Out | In | Out FS | Out MP |
| PT — UEL | 11.0 % | 9.4% | 12.8% | 9.1% | 11.4% |
| Above UEL | 1.0 % | 1.0% | 12.8% | 12.8% | 12.8% |

Contracting-out employers receive a special rebate on earnings between the LEL and the PT.

A person with more than one employment can defer the payment of some employee NIC until after the end of the tax year, when the total amount payable can be checked and limited so the full 11% rate is only applied to income between the PT and the UEL.

Employee benefits

Employee benefits are usually valued at a 'cash equivalent' and are then charged to income tax on the employee and Class 1A NIC (at 12.8%) on the employer. The cash equivalent is generally based on the cost to the employer of providing the benefit, but the following are charged according to a statutory formula.

Cars provided by the employer: a percentage of the original list price of the car, depending on the CO₂ emissions rating of the car.

2008/09

| | |
|-------------------|--------------------|
| 10% of list price | to 120g/km |
| 15% of list price | to 121g/km-139g/km |
| 1% addition | 140, 145, 150 etc. |
| max 35% benefit | over 234g/km |

For diesel cars add 3% (min. is 13%, max. still 35%). There is no discount for the level of business mileage or the age of the car, but deduct employee contributions for private use.

Fuel provided by the employer for private use in a company car is charged without reduction for contributions unless all private fuel is paid for by the employee, in which case there is no benefit.

To calculate the taxable amount the percentage used to calculate car benefit is applied to a standard figure of £16,900.

Vans provided by the employer for an employee's private use are charged at a flat rate of £3,000. If fuel is provided as well, an additional £500 is charged. If private use is restricted to home-to-work travel, there is no tax charge.

Loans of money of over £5,000 are charged on the excess of the official rate (6.25% since 6.4.07, subject to change) over any interest actually paid by the employee to the employer.

Use of assets is charged at 20% of the original cost of the assets to the employer, or the value when first made available to the employee, less any amount paid by the employee for private use.

Main exempt benefits

Many employee benefits are not charged to tax. A full list cannot be given here, but some of the principal ones are:

- providing one mobile phone, even with private use
- subsidised meals available to all employees in a staff restaurant or canteen
- the provision of 'green transport' such as works buses or the use of a bicycle for commuting

Exempt mileage allowances: employee's own car

| | | |
|--------------------|-------------|----------------|
| First 10,000 miles | Extra miles | Each passenger |
| 40p | 25p | 5p |

Exempt fuel-only allowances: company car

| Engine cc | Petrol engine | Diesel engine | LPG |
|-----------------|---------------|---------------|-----|
| 1400cc or less | 11p | 11p | 7p |
| 1401cc – 2000cc | 13p | 11p | 8p |
| over 2000cc | 19p | 14p | 11p |

Other exempt payments to or for employees

- mileage allowances of up to 24p per mile for business use of the employee's motorcycle or 20p per mile for a pedal cycle
- contributions to registered pension schemes
- payments of up to £5 a night when staying away for 'personal incidental expenses' (£10 if abroad)

Employee share schemes

Generally, employees are charged to income tax on the value of shares that they are given or issued by their employer, less any amount paid for the shares. This applies to 'free shares' and to shares acquired under option schemes. NIC is also charged if the company is quoted, as the shares can be easily sold.

If the employer operates one of the following 'Revenue-approved' schemes, the tax charge may be eliminated, reduced or deferred.

Share incentive plans (SIP)

- 'free shares' to £3,000pa
- 'partnership shares' (employee buys with pre-tax salary) max £1,500pa, employer can 'match' with up to 2 more for each one purchased
- shares left in the scheme for at least 5 years: no income tax or CGT on the value when they leave the scheme

Enterprise management incentives – qualifying trading companies (fewer than 250 employees) can grant options to buy up to £120,000 worth of shares to selected employees.

Company share option plans – share options to buy up to £30,000 of shares can be granted to employees.

Approved savings-related share option plans – employees contribute to a Save As You Earn plan (max. £250 a month) to save the money needed to exercise options.

With approved option schemes, the employee pays CGT on sale of the shares rather than income tax/NIC on exercising the options. The CGT charge is likely to be smaller and later than the IT/NIC.

INVESTMENT RELIEFS

The main tax incentives for investment are:

- income tax deduction for amounts invested — the rebate is either at a fixed 20%/30% or at the taxpayer's marginal rate of tax (DED'N)
- tax exemption on the income from the source (EXINC)
- tax exemption on gains arising (EXGAIN)
- the ability to defer capital gains on other disposals until the new investment is sold (DEFER)

The main types of tax-advantaged investments are:

ISA (individual savings account)

| DED'N | EXINC | EXGAIN | DEFER |
|-------|-------|--------|-------|
| No | Yes | Yes | No |

Rules change from 6 April 2008. Investment can be made in 'cash ISA' (up to £3,600pa) and/or 'stocks and shares ISA' (£7,200pa less amount invested in cash). No restriction on withdrawal. No relief for losses.

Existing accounts at 6/4/08:

- old PEPs become stocks and shares ISAs
- old 'mini-cash ISAs' become cash ISAs

Possible to transfer from cash ISA to stocks and shares ISA.

VCT (venture capital trust)

| DED'N | EXINC | EXGAIN | DEFER |
|-------|-------|--------|------------------|
| 30% | Yes | Yes | Not after 5/4/04 |

Relief is for subscription for new share capital in approved VCT — a quoted company which invests in small, unquoted trading companies. The income tax relief becomes permanent if the shares are held for 5 years, but gains (if any) are exempt immediately. No relief for losses. Maximum investment £200,000 pa.

EIS (enterprise investment scheme)

| DED'N | EXINC | EXGAIN | DEFER |
|-------|-------|--------|-------|
| 20% | No | Yes | Yes |

Relief is for subscription for new share capital in small, unquoted trading companies. The income tax relief becomes permanent, and gains are exempt, if the shares are held for 3 years. Further relief available for losses on disposal. Maximum investment £500,000 per tax year for DED'N; only limit for DEFER is size of qualifying company.

PPP (personal/stakeholder pension plan)

| DED'N | EXINC | EXGAIN | DEFER |
|----------|-------|--------|-------|
| Marginal | Yes | Yes | No |

The details of the contract with the pension company may vary, but they must be within the basic framework set down by tax law.

PPP premiums are paid net of basic rate tax. The policyholder pays 80% and the Revenue pay 20%. Higher rate relief is given where due by increasing the basic rate band in the tax computation, resulting in reduced self-assessment payments or in increased PAYE code for employees.

While the money is held within the pension fund, it is exempt from taxes on income and gains, so it grows faster than funds held directly.

When the policyholder takes the benefits under the scheme, 25% of the accumulated fund can be drawn as a tax-free lump sum, and the balance is used to provide an income (which is taxable). The income can be a purchased annuity for life, or an “alternatively secured pension” in which the fund is still identified and produces the income which is paid to the pensioner.

Tax relief is due on an individual's gross contributions up to £3,600 (£2,880 net), or 100% of current year employed or self-employed earnings if higher, up to £235,000 (in 2008/09).

When a policyholder takes benefits, the capital value on which benefits are drawn (e.g. as a 25% tax-free lump sum plus an annuity based on the other 75% of the fund) are measured against a “lifetime allowance” (£1.65m in 2008/09). If the lifetime allowance is exceeded, there is a clawback charge on the excess.

Employers can contribute up to £235,000 to employees' pension funds, less any contributions made by the individual. The employer can enjoy tax relief on the cost under the normal rules for trading expenses.

If a policyholder dies before taking any benefit under the scheme, the fund usually passes to dependants free of IHT. If death is during payment of benefits and a capital fund is payable to dependants, it is likely to be subject to IHT.

CAPITAL GAINS TAX

Major changes to CGT take effect from 6 April 2008. Gains will be calculated as the difference between proceeds and allowable cost without adjusting for inflation (indexation allowance) or the length of ownership (taper relief). These reliefs, which have operated for many years, will disappear for disposals in 2008/09.

The gains of the tax year, after deduction of reliefs and the annual exemption, will be taxed at 18% (2007/08: the taxpayer's marginal rate of income tax, generally 20% or 40%). CGT is self-assessed, reported and paid in conjunction with income tax and the details are given on page 2.

Entrepreneurs' Relief

A new relief is introduced for 2008/09. It applies to disposals of assets owned for at least a year if they are:

- a business or an interest in a business
- shares in a company for which the individual works and holds 5% of the share capital
- related assets used in the business/company and sold at the same time as the interest in the business/shares

An individual will qualify for relief on all disposals until the lifetime total of such gains reaches £1m. The first £1m of gains will be reduced by $\frac{1}{3}$, giving an effective CGT rate of 10% instead of 18%.

Other major CGT reliefs

A number of types of asset are exempt from CGT, including **chattels** (tangible movable property) which are bought and sold for less than £6,000; **cars**; and the taxpayer's **only or main residence**. A taxpayer with more than one residence can choose which is to be exempt, but it is not possible to apply the exemption to an investment property which is rented out.

Gifts to charity are not charged to CGT, and gifts of quoted shares and land also enjoy an income tax relief (see page 3).

Deferral of gains is allowed on some types of reinvestment, such as subscription for new EIS shares (see page 7).

TRUSTS

Trusts are liable to income tax on income and CGT on gains for each tax year. The trustees are responsible for filing self-assessment tax returns by the normal date (31 January 2010 for 2008/09) and paying the tax on the normal dates (payments on account of income tax on 31 January and 31 July 2009, and the balance of income tax and the whole of the CGT on 31 January 2010).

The tax rates applicable to trusts are:

| | Life interest | Discretionary |
|-------------------------|---------------|---------------|
| Rate on dividend income | 10% | 32.5% |
| Rate on other income | 20% | 40% |
| Rate on capital gains | 18% | 18% |
| CGT annual exemption | £4,800 | £4,800 |

Discretionary trusts for vulnerable beneficiaries (such as disabled people) can pay tax at the lower rates if an election is made. Discretionary trusts pay tax at the lower rates on income up to £1,000.

Beneficiaries of life interest trusts are treated as entitled to the income of the trustees, and pay tax on it in the year it arises to the trust, with a credit for tax paid by the trustees. Beneficiaries of discretionary trusts pay tax on income distributed to them by the trustees, which is treated as paid with a tax credit of 40/60 of the cash received. If the tax credit on either type of trust exceeds the beneficiary's tax liability, the excess can normally be reclaimed by the beneficiary (unless credits on dividends in life interest trust).

The CGT annual exemption is divided between trusts established by the same settlor since 1978, to a minimum of £960.

Trusts are also liable to pay inheritance tax in a variety of circumstances, and trustees should make sure that they have appropriate professional advice to enable them to fulfil all their legal and fiscal responsibilities. In particular, changes to the IHT treatment of trusts introduced in 2006 take effect for many pre-existing trusts on 6 April 2008. Trustees of such trusts should make sure they are aware of the effect on them.

TAX CREDITS

Tax Credits are the main way in which the tax system provides support to people with children and workers on low incomes. Tax Credits are paid to those who claim them, and are not an adjustment in the tax computation.

Working Tax Credit (WTC) is paid to employed and self-employed people on low incomes. The full entitlement is given for an income of only £6,420, and it is tapered away as a couple's joint income increases above that.

There is an additional element which will cover 80% of qualifying childcare costs of up to £300pw for two children, and a couple entitled to this can enjoy substantial credit even on combined incomes over £30,000.

Child Tax Credit (CTC) is paid to the main carer for children up to 16 years old, or up to 18 in full-time education. Entitlement is built up of elements for each child, and for “the family”. The child elements are tapered away as income increases. The family element of £545 will be paid in full to couples with a combined income of up to £50,000; after that, it will be tapered away to nothing by the time the joint income reaches £58,000, or £66,000 in the year a child is born.

CTC is separate from and additional to Child Benefit, which is a flat rate payment usually made to the mother in respect of each child. Child Benefit is not income-related and is automatically paid without a claim being necessary.

Claims are made provisionally for the coming year based on a previous year’s income (2007/08 for 2008/09 claims), and may be revised up or down at the end of the year if income has changed significantly. However increases in income will be disregarded if they are up to £25,000.

The Tax Credits system is very complicated, and this can only serve as a brief summary. The HM Revenue & Customs website (www.hmrc.gov.uk) has a ready-reckoner facility which will estimate the amount of either tax credit due, and also has forms and details of how to apply.

NATIONAL INSURANCE CONTRIBUTIONS

For employees’ NIC, see page 4.

Self-employed people pay:

- weekly Class 2 contribution of £2.30pw, unless they claim exception or small earnings (below £4,825). Usually paid monthly by direct debit
- Class 4 NIC at 8% of taxable profits between £5,435 and £40,040. Profits over £40,040 will be charged at 1%. This is assessed and paid with the self-assessment income tax on profits

Class 3 voluntary NIC may be paid at £8.10 per week by someone who is not in work but who wishes to maintain state pension rights.

Annual limits

Someone who is both employed and self-employed will pay Class 1, Class 2 and Class 4 NIC. It is possible to apply for deferment of Class 4 so that the Class 1 paid on earnings can be taken into account. Class 4 will then be charged through self-assessment at only 1%, and the overall balance of liability will be settled at a later date.

INHERITANCE TAX

Rates

The nil rate band for cumulative chargeable transfers in the last seven years is £312,000 for gifts from 6 April 2008 onwards. If one of a married couple/civil partnership did not use the full band on death, for deaths on or after 9 October 2007 the unused proportion increases the nil band of the other spouse/partner. Gifts above that are charged at the following rates:

| | |
|-------------------------------|--|
| Chargeable legacies on death | 40% |
| Gifts within 7 years of death | 40%, with reductions if over 3 years before death |
| Lifetime chargeable gifts | 20% if the donee pays the tax, 25% if the donor pays |

Payment

Inheritance Tax (IHT) on a deceased's estate and on gifts within 7 years of death is generally payable at the end of six months after the month of death, but it must be paid before probate is granted, and this may necessitate earlier settlement.

IHT on chargeable lifetime gifts is payable on the later of six months after the month of transfer or 30 April in the next tax year.

Major reliefs

The following transfers are exempt from IHT:

- the first £3,000 gifted in a tax year (unused limit may be carried forward for one year)
- small gifts of up to £250 per recipient in a year
- normal expenditure out of income
- gifts between husband and wife, unless the donor is domiciled in the UK and the recipient is not
- gifts between individuals more than 7 years before the donor's death (as long as the donor survives, the gift is left out of account as 'potentially exempt')
- gifts in consideration of marriage — £5,000 from a parent, £2,500 from a grandparent or a party to the marriage, £1,000 from others

Most business and agricultural property enjoys a 100% relief once it has been owned for two years, although some types of property are relieved only at 50%, and it is important to meet all the conditions.

Pre-owned assets tax

From 6 April 2005, an income tax charge applies to certain arrangements which remove assets from an IHT-chargeable estate but allow the former owner to use or enjoy them.

BUSINESS TAX

Businesses in general pay PAYE in respect of their employees, and VAT on turnover if they are required to be registered for that tax. Unincorporated businesses (sole traders and partnerships) pay income tax and NIC on their profits; companies pay corporation tax on all their profits including capital gains.

Capital allowances

Neither capital expenditure nor depreciation is generally allowed as an expense. Instead, many classes of capital expenditure receive a capital allowance, which may spread the cost over several years, and which is not related to the accounting depreciation.

The major categories of capital allowance in 2008/09 are:

Plant and machinery

- approved energy saving plant 100%
- first £50,000 expenditure per year 100%
- general: writing down allowance on residue of expenditure 20%
- long life assets 10%
- features integral to buildings 10%

Cars

- general: writing down allowance (max £3,000pa) 20%
- low emission cars (rating up to 110g/km) 100%

Research and development: capital equipment 100%

Buildings (excluding land value)

- industrial buildings: straight line allowance 3%
- agricultural buildings, qualifying hotels 3%
- enterprise zone commercial buildings in first year 100%
- enterprise zone buildings if 100% not claimed 18.75%

The above buildings allowances are being phased out by 2011.

- converting vacant space over commercial premises into flats 100%
- Know-how and patent rights (not corporation tax) 25%

Different rules for corporation tax

Certain categories of capital expenditure by companies are treated differently. New expenditure on 'intangible assets', including goodwill, know-how and patent rights, is in general relieved for tax according to the accounting treatment (i.e. depreciation).

There are increased allowances for companies which clean up contaminated land or carry out R&D work — the expenditure is uplifted for tax purposes, effectively creating a grant for doing the work. The uplift is 50% for land remediation and for small/medium company R&D, and 25% for large company R&D. The R&D rates are to increase in 2008 once EU approval is granted.

CORPORATION TAX

Rates

The rate of tax depends on the total profits of the company, but marginal relief is available where the profits fall within particular bands. The effective rate of tax within the band is shown in the table.

| Profits (P) | 1.4.07-31.3.08 | 1.4.08-31.3.09 |
|---------------|----------------|----------------|
| £0 – £300,000 | 20% | 21% |
| over £1.5m | 30% | 28% |

Marginal relief applies to profits between £300,000 and £1.5m giving an effective marginal rate of 29.75% (07/08: 32.5%).

The bands are adjusted for associated companies and for accounting periods of less than 12 months.

Payment and filing

Companies which do not pay at the full rate (i.e. profits below £1.5m) settle their CT liability 9 months and a day after the end of the accounting period.

Large companies generally make payments on account of CT 6.5 months, 9.5 months, 12.5 months and 15.5 months after the start of a 12 month accounting period, with interest running until final settlement of the period's liability.

All companies file returns 12 months after the end of the period.

Taxation of dividends

Companies are not charged to CT on dividends received from other UK companies. Individuals and trusts receive dividends with a 10% 'tax credit'. The dividend plus the tax credit (¹⁰⁰% of the amount received) is treated as taxable income, and the 10% tax credit settles some or all of the tax liability. But a taxpayer with no liability cannot obtain a repayment of the tax credit from the Revenue – it can only be used to settle liabilities.

Substantial shareholdings

Trading companies do not pay tax on disposals of 'substantial shareholdings', which are 10% holdings in other trading companies which have been held for at least 12 months.

Corporate venturing scheme

Companies can receive a 20% tax credit for investment in new shares in qualifying 'corporate ventures'. Such companies must be owned at least 20% by individuals, and the corporate investor must own not more than 30% to qualify.

VALUE ADDED TAX

Rates of tax

The standard rate of VAT is 17.5%, or $\frac{7}{47}$ of the consideration received for making a supply.

A lower rate of 5% (or $\frac{1}{21}$ of the gross receipt) applies to some supplies such as domestic fuel and power, installation of energy saving materials in houses, and some conversions of residential property.

A zero rate applies to a range of supplies including most food, books, new houses, and children's clothes.

Certain other supplies are exempt, which means no tax is charged to the customer, but the supplier cannot recover VAT on costs. These include many land-related supplies, insurance, finance, education, health and welfare, and non-profit sports clubs.

Thresholds

An unregistered business must register if it has made £67,000 of taxable supplies in the last 12 months, up to any month end, or if it expects to make £67,000 of taxable supplies in the next 30 days.

A registered business can deregister if it can satisfy HMRC that taxable supplies in the next year will not exceed £65,000.

Small businesses with taxable turnover of up to £150,000 can opt to use the 'flat-rate scheme'. A single rate, which varies with the type of business, is applied to all receipts, and no VAT is claimed on costs. The single rate is lower than $\frac{7}{47}$ to compensate for lost input tax.

Small businesses with taxable turnover of up to £1.35m can enter the cash accounting scheme (only paying VAT to HMRC when customers have paid). The annual accounting scheme (filing a single VAT return each year instead of one every three months) is also available with turnover up to £1.35m.

Scale charge for private use of fuel paid for by business

Where a business buys car fuel and allows it to be used for private motoring, it has to account for output tax on the supply. There is a scale rate based on the CO₂ emissions rating of the car. It will be necessary to find the exact charge on the HMRC table.

Example rates for a 3-month period are:

- up to 120g/km: £20.55 VAT
- 135g/km: £30.83 VAT
- 235g/km or more: £71.94 VAT

Returns and payments

Most VAT returns are prepared for three-month periods, and they are due (with any payment) by the end of the following month.

STAMP DUTY

Stamp duty, stamp duty reserve tax (SDRT) and stamp duty land tax (SDLT) are charged on transactions in shares and land. The rates are:

| Charged on total consideration | Rate |
|--------------------------------|------|
| • shares (stamp duty/SDRT) | |
| – value up to £1,000 | nil |
| – value over £1,000 | 0.5% |
| • land (SDLT): | |
| – up to threshold | 0% |
| – threshold – £250,000 | 1% |
| – £250,001 – £500,000 | 3% |
| – over £500,000 | 4% |

The threshold depends on whether the property is residential or commercial and whether it is in a “disadvantaged area”:

| | Residential | Commercial |
|---------------|-------------|------------|
| General | £125,000 | £150,000 |
| Disadvantaged | £150,000 | £150,000 |

The first sale of a new “zero carbon” house will be exempt from SDLT if the value is up to £500,000.

Stamp duty is charged on the total consideration, and is always rounded up to the nearest £5.

SDLT is charged on the whole consideration and is rounded down to the nearest £1.

SDLT is charged on the grant of a lease on any premium (using the above rates) and on the discounted net present value of the rental stream. This charge is at 1% of the excess of the NPV over the threshold.

Gifts, wills and other ‘gratuitous transfers’ are generally not liable to duty at all.

Stamp duty and its related taxes are normally due from the purchaser within 30 days of the chargeable transaction.

INSURANCE PREMIUM TAX

Insurance premium tax (IPT) is charged on insurance premiums at 5% (general insurance) or 17.5% (travel insurance and warranties sold with cars and certain household goods). It is generally collected by the insurer as part of the premium.

Some long-term insurance products are exempt from IPT, such as term life insurance, endowments and pensions.

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