

## Main budget points 2008

### The key points this year are:

- 10p tax rate scrapped except on very small savings income, the impact of this was subsequently modified by an alteration to the personal allowance;
- 2p reduction in basic rate of tax;
- Increase to £500,000 for investments in Enterprise Initiative Schemes;
- Increased duty on tobacco, wines, spirits, beer and cider;
- Fuel duty increase deferred to October, but further ½p to be added in 2010;
- Increased winter fuel allowance for elderly.

## Capital gains tax

From 6th April 2008, capital gains tax is levied at 18% on all gains in excess of a personal exemption of £9,600 (for 2008/9). For trustees, the tax is levied at 40% on gains in excess of £4,400. There is a lower rate of 10% on the first £1 million, for those realising gains from business assets of which they are owner, officer or employee with more than 5% ownership of the business.

## Stamp duty land tax

The following rates of stamp duty apply for land and homes:

Rate	In disadvantaged areas	All other land in the UK
Zero	Up to £150,000	Up to £125,000
1%	£150,001 to £250,000	£125,001 to £250,000
3%	£250,001 to £500,000	£250,001 to £500,000
4%	£500,001 and above	£500,001 and above

The above rates apply to the entire purchase price, not simply on a "top-slicing" basis.

## Self assessment dates

31st July  
2008

Second payment on account for 2007/8

30th  
September  
2008

Deadline for submitting self assessment returns to HMRC, for them to calculate

5th October  
2008

Deadline to notify HMRC of new sources of income if no tax return issued for 2007/8

30th  
December  
2008

Deadline for submission of internet tax return, where a balancing payment under £2,000 to be collected via PAYE

31st  
January  
2009

Deadline for filing 2007/8 returns, balancing payment due for 2007/8, first payment due for 2008/9

This tax guide is based on our understanding of the proposed rules, as set out in the budget speech and supporting documents, which are subject to change.

# 2008-9 Tax Guide

*With  
compliments*



## Income tax rates

The following rates are proposed for 2008/9 (subject to passing the Finance Bill 2008):

	2007/8	Change	2008/9
Personal allowance*	£5,225	+£810	<b>£6,035</b>
10% tax on next	£2,230	<b>-£2,230</b>	<b>£0</b>
20% tax on next	£32,369	+£2,431	<b>£34,800</b>
40% tax on income over	£34,600	<b>-£2,600</b>	<b>£34,800</b>

\* The personal allowance is increased by the following amounts

for older people:	2007/8	Change	2008/9
Aged 65 to 74	£2,325	+£1,270	<b>£3,595</b>
Aged 75 and over a further	£140	+£10	<b>£150</b>
Blind person's allowance	£1,730	+£70	<b>£1,800</b>
Married couples** 70 to 74	£6,285	+£250	<b>£6,535</b>
Married couples** 75 and over	£6,365	+£260	<b>£6,625</b>

\*\* The married couple's allowance is taxed at 10%.

## National insurance rates

The following Class 1 rates will apply for employees (weekly figures):

	2008/9 rates		
	Employee	Employer	
Lower earnings limit (entitlement to earnings related benefits commences)	<b>£90</b>	Nil	Nil
Primary threshold (contributions start)	<b>£105</b>	11%	12.8%
Upper earnings limit (contribution rates change)	<b>£770</b>	1%	12.8%

Class 4 contributions for the self employed (annual figures):

	2008/9 rates (Class 4)	
	Limit	Rate payable to limit
Lower profits limit	<b>£5,435</b>	Nil
Upper profits limit	<b>£40,040</b>	8%
		Rate above limit 1%

These figures reflect the changes announced on 13th May 2008

## Pension contributions

Everyone can contribute up to £3,600 a year into a pension scheme net of 20% tax relief, even if they are not tax-payers. Tax-payers receive tax relief at the highest marginal rate they pay on contributions up to their entire earnings from trade, profession or employment, provided they do not exceed the annual allowance:

2007/8	£225,000	2008/9	<b>£235,000</b>
2009/10	£245,000	2010/11	£255,000

Contributions can be made in excess of earnings, but there will be no tax relief. There is no tax relief on personal term assurance premiums.

A lifetime allowance limit applies to the total size your pension fund can reach (or a tax charge of up to 55% will apply):

2007/8	£1,600,000	2008/9	<b>£1,650,000</b>
2009/10	£1,750,000	2010/11	£1,800,000

## Pension benefits

It is not necessary to draw an income at the same time as accessing the tax-free pension commencement lump sum.

### Options between ages 50 (rising to 55 in April 2010) and 74

- Take up to 25% tax free cash (more in some older cases); and
- Purchase an annuity; &/or
- Draw an unsecured pension of £0 to 120% of the annuity that would be available to a person of the same age & sex.

### Options at age 75

The ability to take up to 25% tax free cash is lost; you can now:

- Purchase an annuity &/or draw an income of 55% to 90% of the annuity available to a person of 75.

## Principal state benefits

Weekly benefits	2007/8	2008/9
Basic state pension - single person	£87.30	<b>£90.70</b>
- married couple	£139.60	<b>£145.05</b>

Weekly benefits	2007/8	2008/9
Statutory sick pay (earnings over £90 (£87) per week)	£72.55	<b>£75.40</b>
Statutory maternity pay	90% of weekly earnings	
First 6 weeks		
Next 33 weeks	£112.75*	<b>£117.18*</b>
Statutory paternity pay - 2 weeks	£122.75*	<b>£117.18*</b>
Statutory adoption pay - 39 weeks	£122.75*	<b>£117.18*</b>

\* or 90% of earnings, if lower.

## Inheritance tax

Inheritance tax (IHT) is payable on non-exempt and potentially exempt transfers (PETs) in excess of the threshold (£312,000 for 2008/9 rising to £350,000 by 2010/11) at a rate of 40%.

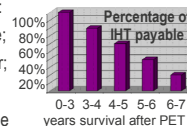
However, the proportion of the threshold 'unused' on the first death of husband and wife (or civil partners) is effectively transferable to the surviving partner and serves to increase his or her threshold by the appropriate percentage.

PETs (lifetime gifts, other than to trusts) attract reduced tax, if made up to seven years before death.

Certain gifts are tax free, including:

- Gifts between husband and wife;
- Total gifts up to £3,000 in a year;
- Small gifts (up to £250 each);
- Gifts in consideration of marriage

ranging from £5,000 from each parent of the couple, to £1,000 from anyone else.



## Corporation tax

The starting rate for small companies (with profits of up to £300,000) is increased to 21% for 2008/9 and will be 22% from 2009/10.

The main corporation tax rate is reduced to 28% on profits in excess of £1,500,000. A marginal rate applies in respect of profits between £300,001 and £1,500,000.