

**J INHERITANCE TAX****Rates**

From the 6 April 2005 the first £275,000 of cumulative chargeable transfers are taxed at NIL rate. Those in excess are taxed at 40% on death, 20% for lifetime transfers. Potentially exempt transfers within seven years before death are taxed at death rate with tapering relief as follows:

Years between gift & death	Percentage of death rate
Up to 3	100%
3 – 4	80%
4 – 5	60%
5 – 6	40%
6 – 7	20%
Over 7	NIL

**Exemptions**

	£
Annual exemption	per donor 3,000
Small gifts	per donee 250
Gifts in consideration of marriage by:	
Parent	5,000
Grandparent/Remoter ancestor	2,500
Party to the marriage	2,500
Other person	1,000

**K VALUE ADDED TAX**

Standard rate		<b>17.5%</b>
VAT fraction		<b>7/17</b>
Effective from	1 April 2004	<b>1 April 2005</b>
<b>Registration Limits - Annual</b>		
Future/past turnover	£58,000	<b>£60,000</b>
<b>Deregistration Limit - Annual</b>		
Future turnover	£56,000	<b>£58,000</b>

**L STAMP DUTY LAND TAX**

Transfer of land and buildings (consideration paid)

Residential Properties		Non Residential Properties & Residential Properties in Disadvantaged Areas	
0 - £120,000 (from 17 March 2005)	0%	0 - £150,000	0%
£120,001 - £250,000	1%	£150,001 - £250,000	1%
£250,001 - £500,000	3%	£250,001 - £500,000	3%
£500,001+	4%	£500,001+	4%

**M NATIONAL INSURANCE CONTRIBUTIONS FROM 6 APRIL 2005****Class 1 - Individuals in Employment****Lower Earnings Limit - £82 wkly, £356 mthly, £4,264 yrly.**

There is no liability for either employees' or employers' contributions if earnings are below these limits.

**Upper Earnings Limit - £630 wkly, £2,730 mthly, £32,760 yrly.** Applies to employees only.

Not Contracted-out rates on the following bands of weekly earnings	Employee	Employer	Contracted-out rates on the following bands of weekly earnings	
£0.00 to £82.00	NIL	NIL		
£82.01 to £94.00	0%	0%	<b>COSR</b>	<b>COMP</b>
£94.01 to £630.00	11%	12.8%	NIL	NIL
Over £630.00	1%	12.8%	0%	0%
			9.4%	11.8%
			1%	12.8%

**Employer Contributions** – COSR above relates to contracted-out salary-related schemes and COMP to contracted-out money purchase schemes.

**Class 2 - Self Employed Individuals** - £2.10 a week. Earnings under £4,345 per annum are exempt.

**Class 3 - Voluntary Contributions** - £7.35 a week, for protection of benefits by those not liable under Class 1 or 2.

**Class 4 - Self Employed Individuals** - 8% on assessable profits between £4,895 and £32,760 a year. 1% above £32,760.

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# Jackpot?

Budget Update 2005

**A INCOME TAX RATES**

	2004/05	2005/06
<b>Individuals</b>		
Lower Rate on first (£2,020) £2,090 of taxable income	10%	10%
Basic Rate on next (£29,380) £30,310	22%	22%
Cumulative tax thereon	£6,666	£6,877
Higher Rate over (£31,400) £32,400	40%	40%
<b>On Savings Income, excluding dividends</b>		
taxable income up to lower rate limit	10%	10%
taxable income between lower and basic rate limit	20%	20%
taxable income above basic rate limit	40%	40%
<b>On Dividend Income</b>		
taxable income up to basic rate limit	10%	10%
taxable income above basic rate limit	32.5%	32.5%
<b>Trusts</b>		
Interest in Possession	10/20/22%	10/20/22%
Discretionary Rate: Applicable to Trusts	40%	40%
Trust Dividend Rate	32.5%	32.5%

**B INCOME TAX ALLOWANCES**

Effective at all rates of income tax	£	£
Personal Allowance	4,745	4,895
Age Allowance (65 - 74)	6,830	7,090
Age Allowance (75 & over)	6,950	7,220
Blind Person's Allowance	1,560	1,610
<b>Effective at only 10%</b>		
Age Allowance (Married, elder born before 6/4/35)	5,725	5,905
Age Allowance (Married, elder 75 & over)	5,795	5,975
Minimum Allowance (Married, elder born before 6/4/35)	2,210	2,280

All Age Allowances are reduced by £1 for every £2 of income over (£18,900) **£19,500**

**C INDIVIDUAL SAVINGS ACCOUNTS (ISAs)**

	Mini ISAs (£)	Maxi ISA (£)
Annual Investment Limits	7,000	7,000
Overall Maximum Investment	3,000	3,000
Cash	1,000	1,000
Life Insurance	3,000	7,000
Stocks & Shares	3,000	7,000

Individuals cannot have both a maxi ISA and one or more mini ISAs in the same year.

**D SCALE BENEFITS FOR VEHICLES**

**Company Cars:** Employees provided with a company car available for private use are taxable according to a scale based on CO<sub>2</sub> emissions. The basic car benefits charge will be the car's list price multiplied by the percentage charge for the CO<sub>2</sub> emissions band in which the car falls, subject to the addition of any diesel supplement or a discount for cars using alternative fuels and technologies.

CO <sub>2</sub> emissions in grams per kilometre			Percentage of car's list price taxed	CO <sub>2</sub> emissions in grams per kilometre			Percentage of car's price taxed
2004/5	2005/6	2006/7	%	2004/5	2005/6	2006/7	%
145	140	140	15 <sup>1</sup>	200	195	195	26 <sup>1</sup>
150	145	145	16 <sup>1</sup>	205	200	200	27 <sup>1</sup>
155	150	150	17 <sup>1</sup>	210	205	205	28 <sup>1</sup>
160	155	155	18 <sup>1</sup>	215	210	210	29 <sup>1</sup>
165	160	160	19 <sup>1</sup>	220	215	215	30 <sup>1</sup>
170	165	165	20 <sup>1</sup>	225	220	220	31 <sup>1</sup>
175	170	170	21 <sup>1</sup>	230	225	225	32 <sup>1</sup>
180	175	175	22 <sup>1</sup>	235	230	230	33 <sup>1</sup>
185	180	180	23 <sup>1</sup>	240	235	235	34 <sup>1</sup>
190	185	185	24 <sup>1</sup>	245	240	240	35 <sup>1</sup>
195	190	190	25 <sup>1</sup>				

**Supplement if car runs solely on diesel** (not applicable to 6.4.06 if car meets Euro IV emission limit).  
<sup>1</sup>Add 3%. <sup>2</sup>Add 2%. <sup>3</sup>Add 1%. <sup>4</sup>Maximum charge and so no diesel supplement.

The benefit will be reduced for employee contributions up to £5,000 and/or where the car is unavailable for part of the year.

**Fuel Benefit:** From 2003-04 the annual charge is linked to the car's CO<sub>2</sub> emissions using the same percentage figures as the company car benefit charge and multiplying them by £14,400.

**Fuel Benefit: VAT Scales** (Accounting Periods beginning on or after 1 May 2005)

Engine Size	3 Month Period VAT Scale		Annual VAT Scale	
	Petrol	Diesel	Petrol	Diesel
	£	£	£	£
Up to 1400 cc	246	236	985	945
1401 to 2000 cc	311	236	1,245	945
Over 2000 cc	457	300	1,830	1,200

**National Insurance Contributions:** Employers' NICs (Class 1A) are chargeable on both company cars and fuel by reference to the above Income Tax scales. They are assessed annually together with other taxable benefits in kind and collected in arrears (12.8% for 2004/05).

**Company Vans:** With effect from the 6 April 2005 there will be no charge where an employee merely takes a company van home with no other private use. If there is unrestricted private use then vans up to 3.5 tonnes are taxed at a scale rate of £500 (£350 if 4 years old or over at next 5 April).

**E FIXED PROFIT CAR SCHEME**

Business Mileage	per mile
Motor Cars and Vans	
Up to 10,000 miles	40p
Excess over 10,000 miles	25p
Motorcycles	24p
Cycles	20p

These rates are tax free allowances, which may be used to reimburse employees who use their own vehicle for business purposes.

Employers can use the following fuel only rates to reimburse employees for business travel in their company cars or require staff to repay the cost of fuel used for private travel.

Engine size	Petrol Fuel cost (per mile)	Diesel Fuel cost (per mile)
1400cc or less	10p	9p
1401cc - 2000	12p	9p
Over 2000cc	14p	12p

**F PERSONAL PENSIONS & RETIREMENT ANNUITIES**

Age on 6 April	% OF NET RELEVANT EARNINGS	
	PPP	RAP
35 or less	17.5	17.5
36 - 45	20.0	17.5
46 - 50	25.0	17.5
51 - 55	30.0	20.0
56 - 60	35.0	22.5
61 & over	40.0	27.5

**Earnings Cap** (£102,000 for 2004/05) **£105,600** N/A

**Stakeholder Pensions**

As from 6 April 2001, premiums of up to £3,600 can be paid irrespective of earnings. The PPP rates and earnings cap above apply for premiums over £3,600.

**From April 2006 there will be major changes to the pension scheme rules.**

**G CAPITAL GAINS TAX**

Rates	2004/05	2005/06
Individuals, as top slice of income		
on taxable gains up to lower rate limit	10%	10%
on taxable gains between lower and basic rate limit	20%	20%
on taxable gains above basic rate limit	40%	40%
Trusts generally/personal representatives	40%	40%
Annual Exemptions	£	£
Individuals & certain trusts	8,200	8,500
Trusts generally	4,100	4,250
Personal representatives for year of death & next two years	8,200	8,500

Indexation relief frozen at April 1998. Chargeable gains then reduced by reference to period of ownership post-April 1998. Abatement of 75% for business assets held for 2 years and 50% for 1 year. Abatement of 40% for non-business assets held 10 years tapering to 5% for 3 years ownership.

**H CORPORATION TAX**

YEAR TO 31 MARCH	2005	2006
Taxable Profits		
Starting Rate £0 - £10,000	0%	0%
Marginal Rate £10,001 - £50,000	23.75%	23.75%
Small Companies Rate		
£50,001 - £300,000	19%	19%
Marginal Rate		
£300,001 - £1,500,000	32.75%	32.75%
Full Rate over £1,500,001	30%	30%

A minimum rate of 19% will apply to profits distributed to non-company shareholders after 31 March 2004

Closely controlled investment-holding companies are always taxed at the Full Rate.

**YEAR TO 5 APRIL** 2005 2006

Rate of tax credit on dividends <sup>1</sup>/<sub>9</sub> <sup>1</sup>/<sub>9</sub>

**I ENCOURAGING BUSINESS INVESTMENT**

Investments qualifying under the Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) rules will attract the benefits detailed below, if certain criteria are satisfied.

From 6 April 2004	EIS	VCT
Income Tax Credit	20%	40%
Limit for Income Tax Credit	£200,000	£200,000
Capital Gains Tax Deferral	Yes	No
Capital Gains Tax Exemption on Disposal	Yes	Yes