

A INCOME TAX RATES

Individuals	2005/06	2006/07
Lower Rate on first (£2,090) £2,150 of taxable income	10%	10%
Basic Rate on next (£30,310) £31,150	22%	22%
Cumulative tax thereon	£6,877	£7,068
Higher Rate over (£32,400) £33,300	40%	40%
On Savings Income, excluding dividends		
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%
On Dividend Income		
taxable income up to basic rate limit	10%	10%
taxable income above basic rate limit	32.5%	32.5%
Trusts		
Interest in Possession	10/20/22/40%	10/20/22/40%
Discretionary: Income used for expenses & next (£500) £1,000	10/20/22%	10/20/22%
Dividend Rate	32.5%	32.5%
Other Rate	40%	40%

B INCOME TAX ALLOWANCES

Effective at all rates of income tax	£	£
Personal Allowance	4,895	5,035
Age Allowance (65 - 74)	7,090	7,280
Age Allowance (75 & over)	7,220	7,420
Blind Person's Allowance	1,610	1,660
Effective at only 10%		
Age Allowance (Married, elder born before 6/4/35)	5,905	6,065
Age Allowance (Married, elder 75 & over)	5,975	6,135
Minimum Allowance (Married, elder born before 6/4/35)	2,280	2,350

All Age Allowances are reduced by £1 for every £2 of income over (£19,500) **£20,100**

C INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

Annual Investment Limits	Mini ISAs (£)	Maxi ISA (£)
Overall Maximum Investment	7,000	7,000
Cash	3,000	3,000
Stocks & Shares	4,000	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 CO₂ emissions. The basic car benefits charge will be the car's list price multiplied by the percentage charge for the CO₂ 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.

For the tax years 2005/06 to 2007/08

CO ₂ emissions in gms/km	% of car's list price	CO ₂ emissions in gms/km	% of car's list price	CO ₂ emissions in gms/km	% of car's list price
140	15 ¹	175	22 ¹	210	29 ¹
145	16 ¹	180	23 ¹	215	30 ¹
150	17 ¹	185	24 ¹	220	31 ¹
155	18 ¹	190	25 ¹	225	32 ¹
160	19 ¹	195	26 ¹	230	33 ²
165	20 ¹	200	27 ¹	235	34 ³
170	21 ¹	205	28 ¹	240	35 ⁴

Supplement if car runs solely on diesel ¹Add 3%. ²Add 2%. ³Add 1%. ⁴Maximum charge, therefore no diesel supplement. The diesel supplement does not apply for 2005/06 if the Euro IV emission limit is met. For the supplement not to apply for 2006/07 the car also needs to have been registered prior to 1 January 2006.

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: The annual charge is linked to the car's CO₂ 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 2006)

Engine Size	3 Month Period VAT Scale		Annual VAT Scale	
	Petrol	Diesel	Petrol	Diesel
	£	£	£	£
Up to 1400cc	273	260	1095	1040
1401cc to 2000cc	346	260	1385	1040
Over 2000cc	508	331	2035	1325

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 2005/06**).

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). This will increase from 6 April 2007 to £3,000 plus a fuel charge if applicable, irrespective of the age of the van.

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

The 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, on or after 1 July 2005.

Engine size	Petrol Fuel Cost (per mile)	Diesel Fuel Cost (per mile)	LPG Fuel Cost (per mile)
1400cc or less	10p	9p	7p
1401cc – 2000cc	12p	9p	8p
Over 2000cc	16p	13p	10p

F PENSIONS

The new pension simplification legislation comes into force on the 6 April 2006, 'A day'.

Key Points

All individuals up to the age of 75 can invest up to £3,600 regardless of income.

The maximum that can be invested is the lower of 100% of net relevant earnings and the annual allowance of £215,000 for 2006/07, rising by £10,000 a year until 2010/11.

Employers may be able to contribute more than employees into a scheme.

All pension contributions paid by taxpayers are to be paid net of basic rate tax.

There is no provision to carry back premiums or to carry forward unused relief.

Lifetime allowance is £1.5m rising to £1.8m by 2010/11.

If taxpayers have elected or are considering electing for enhanced protection then no pension contributions can be made, otherwise the election becomes invalid.

If primary protection is being considered then a close eye needs to be kept on the growth of the fund.

G CAPITAL GAINS TAX

Rates	2005/06	2006/07
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	8,500	8,800
Trusts generally	4,250	4,400
Personal representatives for year of death & next two years	8,500	8,800

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	2006	2007
Taxable Profits		
Starting Rate £0 - £10,000	0%	N/A
Marginal Rate £10,001 - £50,000	23.75%	N/A
Small Companies Rate: £0 - £300,000		19%
£50,001 - £300,000	19%	
Marginal Rate		
£300,001 - £1,500,000	32.75%	32.75%
Main Rate over £1,500,000	30%	30%
Non – corporate distribution rate	19%	N/A

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

YEAR TO 5 APRIL	2006	2007
Rate of tax credit on dividends	$\frac{1}{9}$	$\frac{1}{9}$

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 2006	EIS	VCT
Income Tax Credit (VCT: 40% from 6 April 2004 to 5 April 2006)	20%	30%
Limit for Income Tax Credit	£400,000	£200,000
Capital Gains Tax Deferral	Yes	No
Capital Gains Tax Exemption on Disposal	Yes	Yes

J INHERITANCE TAX

Rates

From the 6 April 2006 the first **£285,000** 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		17.5%
VAT fraction		7/47
Effective from	1 April 2005	1 April 2006
Registration Limits - Annual		
Future/past turnover	£60,000	£61,000
Deregistration Limit - Annual		
Future turnover	£58,000	£59,000
Cash Accounting Threshold		
Future turnover	£660,000	£660,000
Annual Accounting Threshold		
Future turnover	£660,000	£1,350,000

L STAMP DUTY LAND TAX

Transfer of land and buildings (consideration paid)

Residential Properties		Non Residential Properties & Residential Properties in Disadvantaged Areas	
0 - £125,000 (from 23 March 2006)	0%	0 - £150,000	0%
£125,001 - £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 2006**

Class 1 - Individuals in Employment

Lower Earnings Limit - £84 wkly, £364 mthly, £4,368 yrly.

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

Earnings Threshold (Employees & Employers) - £97 wkly, £420 mthly, £5,035 yrly.

For earnings between the lower earnings limit and the earnings threshold although no NIC's are actually paid they are treated as having been paid for the purposes of claiming benefits.

Upper Earnings Limit - £645 wkly, £2,795 mthly, £33,540 yrly. Applies to employees only.

Not Contracted-out rates on the following bands of weekly earnings	Employee		Employer	
£0.00 to £84.00	NIL		NIL	
£84.01 to £97.00	0%		0%	
£97.01 to £645.00	11%		12.8%	
Over £645.00	1%		12.8%	
Contracted-out rates on the following bands of weekly earnings	Employee		Employer	
			COSR	COMP
£0.00 to £84.00	NIL		NIL	NIL
£84.01 to £97.00	0%		0%	0%
£97.01 to £645.00	9.4%		9.3%	11.8%
Over £645.00	1%		12.8%	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 £4,465 per annum are exempt.

Class 3 - Voluntary Contributions - £7.55 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 £5,035 and £33,540 a year. 1% above £33,540.