

**1998 / 1999**

<b><u>INCOME TAX</u></b>		
	<b>1998/99</b>	<b>1997/98</b>
Lower rate band to	£4,300	£4,100
Tax rate	20%	20%
Basic Rate band - next	£22,800	£22,000
Normal rate	23%	23%
Savings income rate	20%	20%
Higher rate band - over	£27,100	£26,100
Tax rate	40%	40%

<b>Allowances that reduce Taxable Income</b>		
Personal Allowance-		
Under 65	£4,195	£4,045
65-74	£5,410	£5,220
75 and over	£5,600	£5,400
<b>Allowances that Reduce Tax</b>		
Married couples allowance		
Tax reduction-		
Under 65	£285.00	£274.50
65-74	£495.75	£477.75
75 and over	£501.75	£483.75

<b>Mortgage Interest Relief</b>		
Rate	10%	15%
Loan limit	£30,000	£30,000
<b>'Rent a room'</b>		
exempt on gross annual rent	£4,250	£4,250

**Notes**

1. Additional personal allowance, widow's bereavement allowance, and relief for maintenance payments each give a maximum tax reduction of £285 (1997/98 £274.50).
  2. Ages are as at the end of the tax year. Ages for higher rates of married couple's allowance relate to elder of husband or wife.
  3. The higher rates of personal allowances are reduced by £1 for each £2 of excess income over £16,200 (1997/98 £15,600) until the basic allowance is reached. Similar limits apply to higher rates of married couple's allowance- the loss of tax reduction is 15p for each £2 of excess income (only the husband's income is taken into account).
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**MILEAGE ALLOWANCES**

Under the Fixed Profit Car Scheme (FFPCS), the maximum tax free mileage allowances for employees using their own cars for business are as follows:

	<b>1998/99</b>	
	<b>First 4000 miles</b>	<b>Miles after 4000</b>
Up to 1000cc	28p	17p
1001-1500cc	35p	20p
1501-2000cc	45p	25p
Over 2000cc	63p	36p
Flat rate	40p	22.5p

Payments in excess of FPCS rates - excess is taxable. Payments at less than FPCS rates - employees can claim tax relief for shortfall. Employees can also claim tax relief for some of the interest paid on a loan to buy a car used for business.

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**VEHICLE BENEFITS**

Chargeable on employees earning £8500 or over (including benefits ) and directors.

<b>Car benefit</b>	<b>Vehicle Under 4 years old</b>	<b>Vehicle 4 years or over</b>
This is a percentage of the list price		
<b>Business Mileage</b>		
Up to 2,499 miles	35%	23.33%
2500 - 17,999 miles	23.33%	15.56%
18,000 miles and over	11.67%	7.78%
<b>Van benefit per vehicle</b>	£500	£350

**Notes**

1. The list price relates to the day before first registration and includes accessories. The price is subject to an upper limit of £80,000.
2. The list price is reduced by the employee's capital contribution when the car is first made available, subject to a maximum deduction of £5,000.
3. The age of the vehicle is determined at the end of the tax year.
4. Special rules apply to cars at least 15 years old with a market value of £15,000 or more, and to second cars.
5. Van benefit includes fuel for private use.
6. Payments by employees may reduce the above benefits

<b>Car Fuel benefit</b>	<b>Petrol</b>	<b>Diesel</b>
	<b>£</b>	<b>£</b>
Up to 1400 cc	1,010	1,280
1401-2000 cc	1,280	1,280
Over 2000 cc	1,890	1,890

Car fuel benefit is reduced to nil if employee pays for **all** private fuel.

<b><u>PENSION PREMIUMS</u></b>		
	<b>1998/99</b>	
	% Limit of net relevant earnings	
<b>Age at 6 April 1998</b>	<b>Personal Pensions</b>	<b>Retirement Annuities</b>
35 or under	17.5	17.5
36-45	20	
46-50	25	
51-55	30	20
56-60	35	22.5
61-74	40	27.5
Subject to maximum earnings of	£87,600	No limit
Team assurance	5% out of the above	

These limits do not include the contributions by the DSS for employees contracted out of the State Earnings Related Pension Scheme (SERPS).

Special rules apply where both types of policy are held.

<b><u>NATIONAL INSURANCE CONTRIBUTIONS</u></b>			
		<b>1998/99</b>	
		<b>Employer</b>	<b>Employee</b>
<b>Class 1(not contracted out)</b>		<b>% of all earnings</b>	
Weekly earnings bands			
£64 - £109.99		3	2% of first £64 ( i.e. £1.28) plus 10% of the remainder
£110 - £154.99		5	
£155 - £209.99		7	
£210 - £485		10	
Over £485		10	£43.38 max
Men 65 and over women 60 and over		As above	Nil
<b>Class 1A</b>	On car and car fuel benefits	10	Nil
<b>Class 2</b>	Self employed Limit of Net earnings for exception	£6.35 per week  £3,590 p.a.	
<b>Class 3</b>	Voluntary	£6.25 per week	
<b>Class 4</b>	Self employed on profits  £7,310 - £25,220	6%  £1,074.60 max	

<b><u>MAIN SOCIAL SECURITY BENEFITS</u></b>		
	<b>Weekly Benefit</b>	
	<b>1998/99</b>	<b>1997/98</b>
<b>Basic Retirement Pension</b>	<b>£</b>	<b>£</b>
-Single person	64.70	62.45
-Married couple	103.40	99.80
<b>Jobseekers Allowance(typical rates)</b>		
-Single person	50.35	49.15
-Married couple	79.00	77.15
<b>Child benefit</b>		
Eldest eligible child	11.45	11.05
Each subsequent child	9.30	9.00
<b>Statutory Sick Pay (SSP)</b>		
Average weekly earnings £64 or over	57.70	
<b>Statutory Maternity Pay (SMP)</b>		
Average weekly earnings £64 or over:		
Higher weekly rate (first 6 weeks)	90% of weekly earnings	
Lower weekly rate (next 12 weeks)	57.70	

<b><u>CORPORATION TAX</u></b>		
<b>Year Commencing</b>	<b>1 April 1998</b>	<b>1 April 1997</b>
Full Rate	31%	31%
Small companies rate	21%	21%
Effective marginal rate	33.5%	33.5%
ACT (Year commencing 6 April)	1/4	1/4
Small companies' rate to	£300,000	£300,000
Marginal rate on next	£1,200,000	£1,200,000

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### **MAIN CAPITAL ALLOWANCES**

Motor cars - 25% of reducing balance (max £3,000 p.a. per car)

Plant and machinery - 25% of reducing balance. Small/medium firms' first year allowance - 50% to 1 July 1998 - 40% to 1 July 1999.

Industrial buildings - 4% of cost

Enterprise zone buildings - 100% initial allowance

Agricultural buildings - 4% of cost

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<b><u>VALUE ADDED TAX</u></b>		
	<b>From 1 April 1998</b>	<b>From 1 Dec 1997</b>
<b>Standard Rate</b>	17.5%	17.5%
<b>Vat Fraction</b>	7/47	7/47
<b>Taxable Turnover Limits</b>	-	-
Registration	-	-
- last 12 months or coming 30 days over.	£50,000	£49,000
Deregistration		
- coming year under	£48,000	£47,000
Cash accounting scheme		
- coming year up to	£350,000	£350,000

**Quarterly Return - Scale Figure for Private Use of Fuel**

	<b>Petrol</b>	<b>Diesel</b>
Up to 1400 cc	£212	£196
1401 - 2000 cc	£268	£196
Over 2000 cc	£396	£248

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<b>CAPITAL GAINS TAX</b>		
	<b>1998/99</b>	<b>1997/98</b>
Rate	Taxed as top slice of income (non savings rates)	
Annual exemption		
- individual	£6,800	£6,500
- settlement	£3,400	£3,250
Chattels exemption(proceeds)	£6,000	£6,000
Retirement relief		
- exempt, first	£250,000	£250,000
- 50% exempt, next	£750,000	£750,000

Transfers between husband and wife living together are exempt.

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<b><u>INHERITANCE TAX</u></b>		
	1998/99	1997/98
<b>Transfers on or within 7 years before death</b>		
Nil rate band to	£223,000	£215,000
Rate of tax on balance	40%	40%
<b>Chargeable lifetime transfers</b>	20%	20%

All lifetime transfers not covered by exemptions are made within 7 years of death will be added back into the estate for the purpose of calculating the tax payable at the rate at death. This may then be reduced by taper relief.

**Reduced charge on gifts within 7 years of death**

Years before death	0-3	3-4	4-5	5-6	6-7
% of death charge	100%	80%	60%	40%	20%

**Main Exemptions**

Most transfers between husband and wife \* The first £3000 of lifetime transfers in any tax year (husband and wife both have own exemption) \* Gifts of up to but not exceeding £250 p.a. to any number of persons \* Gifts made out of income that form part of normal expenditure and do not reduce the standard of living \* Gifts in consideration of marriage to bride and/or groom as follows: up to £5000 by a parent, £2500 by a grandparent, or £1000 by any other person \* Gifts to charities, whether made during lifetime or on death.

**KEY DATES AND DEADLINES**

		<b>1998/99</b>	<b>1997/98</b>
<b>Income Tax and Class 4 NIC</b>			
1st payment on account	31 January	1999	1998
2nd payment on account	31 July	1999	1998
Balancing payment	31 January	2000	1999
<b>Capital Gains Tax</b>	31 January	2000	1999
<b>Corporation tax</b>	9 months after the end of accounting period		

<b>Latest Filing Deadlines</b> (Automatic penalties apply)	<b>1997/98 PAYE Returns</b>
19 May 1998	P14, P35, P38, and P38A  Issue P60s to employees  P9D and P11D - also issue copies to employees
31 May 1998	
6 July 1998	

**1997/98 Class 1A National Insurance on Car and Car Fuel Benefits**

<b>19 July 1998</b>	<b>Payment due</b>
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Based on 1998 budget - subject to confirmation by Finance Act. For further advice on the above information please refer to the office.