

## 2003 / 2004

## Income Tax

Tax rates		Note	2003/04	2002/03
<b>Starting rate band to</b>			£1,960	£1,920
Tax rate			10%	10%
<b>Basic rate band - next</b>			£28,540	£27,980
Normal rate			22%	22%
Savings income rate			20%	20%
UK dividend income rate			10%	10%
<b>Higher rate - taxable income over</b>			£30,500	£29,900
Normal rate			40%	40%
UK dividend income rate			32.5%	32.5%
<b>Allowances that reduce taxable income</b>				
Personal allowance	under 65	1	£4,615	£4,615
	65 to 74	1,3	£6,610	£6,100
	75 and over	1,3	£6,720	£6,370
	Blind person's allowance		£1,510	£1,480
<b>Allowances that reduce tax</b>				
Married couple's allowance				
Tax reduction	69 to 74	1,2,3	£556.50	£546.50
	75 and over	1,2,3	£563.50	£553.50
Venture Capital Trusts max.		4	£100,000	£100,000
Enterprise Investment Scheme max.		4	£150,000	£150,000
Golden Handshake max.			£30,000	£30,000
Rent a Room - exempt on gross annual rent up to			£4,250	£4,250

## Notes

1. Ages are as the end of the tax year. Ages for the married couples allowance relate to the elder of husband or wife.
2. The married couple's allowance is available only to those couples where at least one spouse was born before 6 April 1935.
3. The higher rates of personal allowances are reduced by £1 for each £2 of excess income over £18,300 (2002/03 £17,900) until the basic allowance is reached. Similar limits apply to the married couple's allowance: the loss of tax reduction is 10p for each £2 of excess income (only the husband's income is taken into account) until the minimum of £215 (2002/03 £211) is reached.
4. Subscription for new ordinary shares - 20% income tax relief. Also such investments by subscription are eligible for deferral of capital gains tax on gains re-invested (up to £100,000 of gains for VCTs, unlimited for EIS).

## Capital Gains Tax

**Capital gains tax rates and bands are as follows:**

	2003/04	2002/03
<b>Taxed as top slice of savings income</b>		
<b>Annual exemption</b>		
- individual	£7,900	£7,700
- settlement	£3,950	£3,850
Transfers between husband and wife living together are exempt		
<b>Chattels exemption</b>		
(proceeds per item or set)	£6,000	£6,000
<b>Retirement relief</b>		
- exempt, first	£n/a	£50,000
- 50% exempt, next	£n/a	£150,000

## Taper Relief

For gains realised after 5 April 1998 by individuals or trustees, indexation allowance is frozen and the gain reduced by a tapering relief. The value of the taper relief depends on whether or not the asset is a business asset, and on the number of complete years the asset has been held after 5 April 1998 (with an additional "bonus" year for assets held on 16 March 1998).

No. of complete years after 5 April 1998	Business assets % of gain chargeable	Other assets % gain chargeable
0		
1	92.5	100
2	85	100
3	77.5	95
4	70	90
5	62.5	85
6	55	80
7	47.5	75
8	40	70
9	32.5	65
10 or more	25	60

For taper relief on the disposal of business assets only after 5 April 2000 the "bonus" year was withdrawn, but the rate of taper relief was accelerated:

No. of complete years after 5 April 1998	Business assets % of gain chargeable	
	Disposals 6/4/00 - 5/4/02	Disposals 6/4/02 onwards
	0	100
1	87.5	50
2	75	25
3	50	25
4	25	25

**Notes**

1. Transfers between husband and wife living together are exempt.
2. Capital gains are regarded as the top slice of savings income. Rates of 10%, 20% and 40% will therefore apply to gains taxed on individuals, as appropriate. Gains taxed on trustees are usually taxed at the special trust rate of 34%.

**Corporation Tax**

Corporation tax rates and bands are as follows:

Financial Year Commencing	1 April 2003	1 April 2002
Taxable profits		
First £10,000	0%	0%
Next £40,000	23.75%	23.75%
Next £250,000	19%	19%
Next £1,200,000	32.75%	32.75%
On profits over £1,500,000	30%	30%

<b>Main Capital Allowances</b>	
<b>Motor Cars</b>	
On reducing balance (max. £3,000 p.a. per car)	25%
<b>Plant and machinery</b>	
<i>Small and medium firms:</i>	
Allowance for the first year	40%
Writing down allowance on reducing balance	25%
<i>Large firms:</i>	
Writing down allowance only on reducing balance	25%
<b>Long Life Assets</b>	
Allowance for first year	6%
Writing down allowance for subsequent years on reducing balance	6%
<b>Energy Saving Technology</b>	
<i>All firms</i>	100%
<b>Low Emission Cars</b>	
Registered on or after 17 April 2002	100%
<b>Buildings</b>	
Industrial buildings and qualifying hotels	4% of cost p.a.
Commerical/Industrial buildings in an enterprise zone	100%
Agricultural buildings	4% of cost p.a.
<b>Scientific Research</b>	100%
<b>Know how on reducing balance</b>	25%
<b>Patent rights on reducing balance</b>	25%

**Note**

Capital allowances allow the cost of capital assets to be written off against taxable profits. They replace the charge for depreciation in the business accounts, which is not allowable for tax relief.

Value Added Tax

From	10 April 2003	25 April 2002
Standard rate	17.5%	17.5%
VAT fraction	7/47	7/47
<b>Taxable Turnover Limits</b>		
Registration - last 12 months or next 30 days over	£56,000	£55,000
Deregistration - next 12 months under	£54,000	£53,000
Cash accounting scheme - up to	£600,000	£600,000
Optional flat rate scheme - up to	£150,000	£100,000
<b>Quarterly Return – Scale figure for private use of fuel</b>		
	<b>From 1 May 2003</b>	
<b>Petrol</b>	<b>scale charge</b>	<b>VAT due per car</b>
Up to 1400cc	£237	£35.29
1401cc - 2000cc	£300	£44.68
Over 2000cc	£442	£65.82
<b>Diesel</b>		
Up to 2000cc	£225	£33.51
Over 2000cc	£283	£42.14

## Inheritance Tax

Transfers on or Within Seven Years Before Death		
	2003/04	2002/03
Nil rate band to	£255,000	£250,000
Rate of tax on balance	40%	40%
Chargeable lifetime transfers	20%	20%

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

Charge on Gifts Within 7 Years of Death					
Years before death	0-3	3-4	4-5	5-6	6-7
Tax reduced by	0%	20%	40%	60%	80%

Main Reliefs	
<b>Business property:</b>	
- business or interest therein	100%
- qualifying shareholders in unquoted* companies	100%
- land, buildings, machinery, or plant used by transferor's controlled company or partnership	100%
<b>Agricultural property</b>	50% or 100%
*Unquoted companies include those listed on AIM	

## Main Exemptions

1. To UK domiciled spouse - exempt.
2. To non UK domiciled spouse - £55,000.
3. Annual exemption - per donor - £3,000.
4. Small gifts per donee - £250 p.a.
5. Gifts in consideration of marriage to bride and/or groom of: up to £5,000 by a parent, up to £2,500 by a grandparent, or up to £1,000 by any other person.
6. Normal gifts out of income - no limit.
7. Charities - exempt

## Vehicle Benefits

Chargeable on employees earning £8,500 or over (including benefits), and directors.

### Car Benefit

The tax you pay on your company car is governed by four factors:

- the list price of the car, on the day before it was first registered, plus certain accessories,
- the rate at which the car emits carbon dioxide (CO<sub>2</sub>),
- the fuel type, (for most types of car, this is all the information you need to work out the taxable benefit)
- your highest rate of income tax.

You can find your taxable percentage for 2003/04 using the following table:

CO <sub>2</sub>		Taxable %		CO <sub>2</sub>		Taxable %		CO <sub>2</sub>		Taxable %	
in g/km		Petrol	Diesel	in g/km		Petrol	Diesel	in g/km		Petrol	Diesel
Less than 160		15%	18%	190 to 194		22%	25%	225 to 229		29%	32%
160 to 164		16%	19%	195 to 199		23%	26%	230 to 234		30%	33%
165 to 169		17%	20%	200 to 204		24%	27%	235 to 239		31%	34%
170 to 174		18%	21%	205 to 209		25%	28%	240 to 244		32%	35%
175 to 179		19%	22%	210 to 214		26%	29%	245 to 249		33%	35%
180 to 184		20%	23%	215 to 219		27%	30%	250 to 254		34%	35%
185 to 189		21%	24%	220 to 224		28%	31%	255 and over		35%	35%

How to find out how much CO<sub>2</sub> your company car emits – see:

- the car's V5 registration document
- your dealer
- the data pages of car magazines (current models)
- the Vehicle Certification Agency – [www.vca.gov.uk](http://www.vca.gov.uk)
- the website of the Society of Motor Manufacturers and Traders - [www.smmt.co.uk/co2/co2search.cfm](http://www.smmt.co.uk/co2/co2search.cfm)

Reliable emissions data is not widely available for cars registered before 1 January 1998. For them, the following taxable percentages apply, regardless of fuel type:

Engine capacity	Taxable %
Up to 1400cc	15%
1401 - 2000cc	22%
Over 2000cc	32%

Remember, too, that the rate of the taxable benefit will rise next year - for the comparative rates, simply deduct 10 from all the CO<sub>2</sub> figures in the table – and may well rise again in 2005.

## Van Benefit

	Van under 4 years old	Van 4 years old, or over
Benefit per vehicle	£500	£350

## Car fuel benefits

If the employee pays for the full cost of all fuel for private journeys (usually including home to work) there will be no car fuel benefit. In all other cases the full tax charge will be due.

The taxable car fuel benefit is, for 2003/04, calculated by multiplying £14,400 by the same percentage as applies (or would apply) for the car benefit.

Example: A company car driver has a car which, on the day before it was first registered, had a list price of £18,000. It runs on petrol, and emits 182 g/km of CO<sub>2</sub>.

If we assume the driver pays tax at 40%, the annual tax bill on the car is: £18,000 x 20% x 40% = £1,440

If the employer provides any fuel used for private journeys and is not re-imbursed for the cost, the 2003/04 tax bill for the fuel is: £14,400 x 20% x 40% = £1,152

## Mileage Allowances

### For Employees Using Their Own Transport

The approved maximum tax and national insurance free mileage allowances for employees using their own transport for business are as follows:

Flat Rate	First 10,000 Miles	Miles over 10,000
Car	40p	25p
Motorcycle	24p	24p
Bicycle	20p	20p

Income Tax and NICs are due when allowances exceed these rates. Employees can claim tax relief on any shortfall.

Rates of up to 5p per mile, per passenger, are also tax and NIC free when paid for the carriage of fellow employees on the same business trip.

### Fuel-Only Mileage Rates

Inland Revenue advisory mileage rates for employee private mileage reimbursement or employer reimbursement of business mileage are:

	Petrol	Diesel	LPG
Up to 1400cc	10p	9p	6p
1401cc - 2000cc	12p	9p	7p
Over 2000cc	14p	12p	9p

Income tax and NICs may be due on higher rates and tax relief may be due on lower rates.

**National Insurance Contributions**

<b>Class 1 (not contracted out)</b>	<b>Employer</b>	<b>Employee</b>
payable on weekly earnings		
£89.01 - £595	12.8%	11%
Over £595	12.8%	1%
Men 65 and over and women 60 and over	as above	Nil
<b>Class 1A (on relevant benefits)</b>	12.8%	Nil
<b>Class 2 (Self employed)</b>	£2.00 per week	
Limit of net earnings for exception	£4,095.00 per annum	
<b>Class 3 (Voluntary)</b>	£6.95 per week	
<b>Class 4 (* Self employed on profits)</b>		
£4,615 to £30,940		8%
Excess over £30,940		1%
*Exemption applies if state retirement age was reached by 6 April 2003.		

**Note**

For those earning between £77 per week and £595 per week, employers receive a rebate on the above rates of 1.0% on contracted out money purchase schemes or 3.5% on contracted out final salary schemes, and employees, a rebate of 1.6%.

## Pension Premiums

Saving tax on pension contributions.

	2003/04	
	% Limit of net relevant earnings	
Age at 6 April 2003	Personal Pensions	Retirement Annuities
35 or under	17.5	17.5
36-45	20	17.5
46-50	25	17.5
51-55	30	20
56-60	35	22.5
61-74	40	27.5
Subject to maximum earnings	£99,000	No limit
Term Assurance		
- for personal pensions, up to 10% of total premiums paid.		
- for retirement annuities, up to 5% of net relevant earnings, within above limits.		
Stakeholder - qualifying individuals can contribute up to £3,600 in 2003/04.		

### Notes

1. The contribution limits for personal pensions are calculated as a percentage of net relevant earnings with an earnings cap of £99,000.
2. The contribution limits for retirement annuities are calculated as a percentage of net relevant earnings with no earnings cap.
3. Where both types of policy are held, special rules apply.
4. Premiums on personal pension and stakeholder pension policies are payable net of basic rate tax relief at source. Higher rate relief, where available, is obtained via a claim on the self assessment tax return.
5. Personal pension premium earnings caps for earlier years are:

1995/96	£78,600
1996/97	£82,200
1997/98	£84,000
1998/99	£87,600
1999/00	£90,600
2000/01	£91,800
2001/02	£95,400
2002/03	£97,200

6. Additional Voluntary Contributions for members of occupational pension schemes (Free standing AVCs and AVCs) allow members of occupational schemes to provide for greater financial security in retirement. Total contributions to the occupational scheme and any free-standing scheme may be up to 15% of current-year remuneration, subject to the same cap on earnings as at (4) above.

## Charitable Giving

### Give As You Earn

1. Employees may authorise participating employers to deduct donations from their gross salary for forwarding to their nominated charities.
2. Employees receive tax relief in full on their donations.

### Gift Aid

3. Individuals are able to claim higher rate relief on cash gifts and payments to charities under gift aid. Basic rate tax is treated as having been deducted, so you must pay enough tax for the year to cover the tax withheld from your Gift Aid payment.
4. Special tax reliefs apply to gifts to charities of certain types of shares and securities.

## Savings and Investment

### Individual Savings Accounts (ISAs)

Maximum investment 2003/04: £7,000

#### Notes

1. Investment in a "maxi ISA" is subject to an overall limit of £7,000 in 2003/04. Of this, up to £3,000 can be in cash (National Savings, etc) and up to £1,000 can be in life insurance. The balance, up to the overall limit, can be invested in stocks and shares. Thus, for example, £500 could be invested in National Savings, £250 in life insurance, and the balance - up to £6,250 - could be invested in stocks and shares.
2. Investment in up to three "mini ISAs" is also subject to the £7,000 limit, but the amount which can be invested in each mini ISA is capped - £3,000 for cash, £1,000 for life insurance and £3,000 in stocks and shares.
3. Investments in ISAs are completely tax free and, in addition, benefit from the payment of a 10% tax credit on UK dividend income until 5 April 2004.

### Personal Equity Plans and TESSAs

Although PEPs and TESSAs are no longer available, sums already invested (and continuing investments in TESSAs to maturity) continue to score for tax breaks.

Tax breaks for PEP holdings are as for ISA investments.

Investment in TESSAs can continue to maturity, when the accrued interest will be free of tax.

The capital received on the maturity of a TESSA can be invested into an ISA without affecting the annual ISA investment limits.

<b>Tax Exempt Special Savings Accounts (TESSAs)</b>	<b>Investment limits</b>
Maximum first year deposit	£3,000
Maximum in years 2 to 4	£1,800
Maximum in year 5	£600 - £1,800
Maximum over five years	£9,000
Maximum re-investment on maturity (into an ISA)	£9,000 original capital

## Key Dates and Deadlines

<b>Income Tax (including Class 4 NIC)</b>	
31 July 2003	2002/03 second payment on account
31 January 2004	2002/03 balancing payment, and 2003/04 first payment on account
31 July 2004	2003/04 second payment on account
31 January 2005	2003/04 balancing payment, and 2004/05 first payment on account
<b>Capital Gains Tax</b>	
31 January 2004	2002/03 Capital Gains Tax
31 January 2005	2003/04 Capital Gains Tax
<b>Corporation Tax</b>	
9 months and one day after the end of the accounting period	
<b>Inheritance Tax</b>	
6 months after the end of the month of death or chargeable transfer.	
For chargeable lifetime transfers between 6 April and 30 September, due date is 30 April in the following year.	
<b>Latest Filing/Issuing Deadlines -2002/03 PAYE Returns</b>	
19 May 2003	P14, P35, P38, and P38A and C1S36
31 May 2003	Issue P60s to employees
6 July 2003	P9D, <a href="#">P11D</a> and P11Db - also issue copies to employees
<b>2002/03 Class 1A National Insurance on Relevant Benefits</b>	
19 July 2003	Payment due
<b>2003 Tax Return</b>	
31 January 2004	Last filing date

Some Useful Rates

	Weekly Benefit	
	2003/04	2002/03
<b>Basic Retirement Pension</b>		
Single person	£77.45	£75.50
Married couple	£123.80	£120.70
<b>Child Benefit</b>		
First eligible child	£16.05	£15.75
Each subsequent child	£10.75	£10.55
<b>Statutory Sick Pay (SSP)</b>		
Average weekly earnings £77 or over (2002/03 £75)	£64.35	£63.25
<b>Statutory Maternity Pay (SMP)</b>		
90% of average weekly pay	First 6 weeks	
Maximum £100. Minimum 90% average weekly pay	Next 20 weeks	
Minimum rate	£69.30	
<b>Adoption Pay (SAP)</b>	26 weeks	
<b>Paternity Pay (SPP)</b>	1 wk or fortnight	
<b>Both SAP and SPP</b>		
90% of average weekly pay	Max £100.00 Min £69.30	
<b>Example rates:</b>		
<b>Jobseekers Allowance</b>		
Single person	£54.65	£53.95
Married couple	£85.75	£84.65
<b>National Minimum Wage</b>		
From October 2002	£4.20 p.h.	
From October 2003	£4.50 p.h.	

## Stamp Duties

The rate of stamp duty / stamp duty reserve tax on the transfer of shares and securities is unchanged at 0.5 per cent for 2003/04.

### Stamp taxes from Budget day to 30 November 2003

<b>Transfers of property (consideration paid)</b>			
Rate (%)	All property	Disadvantaged areas	
		Residential	Non-residential
Zero	£0 - £60,000	£0 - £150,000	All
1	Over £60,000 - £250,000	Over £150,000 - £250,000	
3	Over £250,000 - £500,000	Over £250,000 - £500,000	
4	Over £500,000	Over £500,000	

<b>New leases (lease duty)</b>	
<b>Duty on rent</b>	
Term	Rate of charge on average annual rent
Not exceeding 7 years	1 per cent *
More than 7 years but not exceeding 35 years	2 per cent
More than 35 years but not exceeding 100 years	12 per cent
More than 100 years	24 per cent

\* applies only where the rent exceeds £5,000 per annum

Duty on premium is the same as for transfers of property (except special rules apply for premium where rent exceeds £600 annually)

### Stamp taxes from 1 December 2003 (implementation of stamp duty land tax)

<b>Transfers of property (consideration paid)</b>				
Rate %	All land in the UK		Land in disadvantaged areas	
	Residential	Non-residential	Residential	Non-residential
Zero	£60,000	£150,000	£150,000	All
1	Over £60,000 - £250,000	Over £150,000 - £250,000	Over £150,000 - £250,000	
3	Over £250,000 - £500,000	Over £250,000 - £500,000	Over £250,000 - £500,000	
4	Over £500,000	Over £500,000	Over £500,000	

Property that is not land, shares or interests in partnerships will no longer be subject to stamp duty.

New leases		
Proposed duty on rent*		
Rate %	Net present value of rent	
	Residential	Non-residential
Zero	£0 - £60,000	£0 - £150,000
1%	Over £60,000	Over £150,000
* Subject to consultation		

Duty on premium is the same as for transfers of land (except special rules apply for premium where rent exceeds £600 annually).

*The 2003/04 Tax Guide is for guidance only and professional advice should be obtained before acting on any information contained as no responsibility can be accepted for loss occasioned as a result of action taken or refrained from in consequence of the contents of this Tax Guide. The 2003/04 Guide is subject to confirmation by the 2003 Finance Act.*