

2004 / 2005

Income Tax

| Tax rates | | Note | 2004/05 | 2003/04 |
|--|--------------------------|-------|---------|----------|
| Starting rate band to | | | £2,020 | £1,960 |
| Tax rate | | | 10% | 10% |
| Basic rate band - next | | | £29,380 | £28,540 |
| Normal rate | | | 22% | 22% |
| Savings income rate | | | 20% | 20% |
| UK dividend income rate | | | 32.5% | 10% |
| Higher rate - taxable income over | | | £31,400 | £30,500 |
| Normal rate | | | 40% | 40% |
| UK dividend income rate | | | 32.5% | 32.5% |
| Trusts | | | | |
| Tax rate | | | 40% | 34% |
| UK dividend rate | | | 32.5% | 25% |
| Allowances that Reduce Taxable Income | | | | |
| Personal allowance | under 65 | 1 | £4,745 | £4,615 |
| | 65 to 74 | 1,3 | £6,830 | £6,610 |
| | 75 and over | 1,3 | £6,950 | £6,720 |
| | Blind person's allowance | | £1,560 | £1,510 |
| Allowances that reduce tax | | | | |
| Married couple's allowance | | | | |
| Tax reduction | 69 to 74 | 1,2,3 | £572.50 | £556.50 |
| | 75 and over | 1,2,3 | £579.5 | £563.50 |
| The age-related allowances are progressively withdrawn if income exceeds | | | £18,900 | £18,300 |
| Minimum PA | | | £4,745 | £4,615 |
| Venture Capital Trusts max. | | | 4 | £200,000 |
| Enterprise Investment Scheme max. | | | 4 | £200,000 |
| Golden Handshake max. | | | | £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 £18,900 (2003/04-£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 £221 (2003/04-£215, 2002/03-£211) is reached.
4. Subscription for new ordinary shares - 20% income tax relief for EIS, 40% for VCT. Also such investments by subscription for EIS are eligible for deferral of capital gains tax on gains re-invested.

Capital Gains Tax

Capital gains tax rates and bands are as follows:

| | 2004/05 | 2003/04 |
|---|---------|---------|
| Taxed as top slice of savings income | | |
| Annual exemption | | |
| - individual | £8,200 | £7,900 |
| - settlement | £4,100 | £3,950 |
| Transfers between husband and wife living together are exempt | | |
| Chattels exemption | | |
| (proceeds per item or set) | £6,000 | £6,000 |

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 |

Duffy Regan and Company Tax Data

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 | 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 2004 | 1 April 2003 |
|----------------------------|--------------|--------------|
| 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% |

*For 2004-05 profits distributed to individuals - minimum 19%

| Main Capital Allowances | |
|---|-----------------|
| Motor Cars | |
| On reducing balance (max. £3,000 p.a. per car) | 25% |
| Plant and machinery | |
| <i>Small firms:</i> | |
| Allowance for the first year | 50% |
| Writing down allowance on reducing balance | 25% |
| <i>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% |
| Long Life Assets | |
| Allowance for first year | 6% |
| Writing down allowance for subsequent years on reducing balance | 6% |
| Energy Saving Technology | |
| <i>All firms</i> | 100% |
| Low Emission Cars | |
| Registered on or after 17 April 2002 | 100% |
| Buildings | |
| Industrial buildings and qualifying hotels | 4% of cost p.a. |
| Commercial/Industrial buildings in an enterprise zone | 100% |
| Agricultural buildings | 4% of cost p.a. |
| Scientific Research | 100% |
| Know how on reducing balance | 25% |
| Patent rights on reducing balance | 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 | 1 April 2004 | 10 April 2003 |
|--|-----------------|------------------|
| Standard rate | 17.5% | 17.5% |
| VAT fraction | 7/47 | 7/47 |
| Taxable Turnover Limits | | |
| Registration - last 12 months or next 30 days over | £58,000 | £56,000 |
| Deregistration - next 12 months under | £56,000 | £54,000 |
| Cash accounting scheme - up to | £660,000 | £600,000 |
| Optional flat rate scheme - up to | £150,000 | £150,000 |

| Quarterly Return - Scale figure for private use of fuel | | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| | From 1 May 2004 | | From 1 May 2003 | |
| | Scale Charge | VAT due per car | Scale charge | VAT due per car |
| Petrol | | | | |
| Up to 1400cc | £232 | £34.55 | £237 | £35.29 |
| 1401cc - 2000cc | £293 | £43.63 | £300 | £44.68 |
| Over 2000cc | £432 | £64.34 | £442 | £65.82 |
| Diesel | | | | |
| Up to 2000cc | £216 | £32.17 | £225 | £33.51 |
| Over 2000cc | £273 | £40.65 | £283 | £42.14 |

Inheritance Tax

| Transfers on or Within Seven Years Before Death | | |
|---|----------|----------|
| | 2004/05 | 2003/04 |
| Nil rate band to | £263,000 | £255,000 |
| Rate of tax on balance | 20% | 40% |
| Chargeable lifetime transfers | 40% | 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 | |
|---|-------------|
| Business property: | |
| - 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% |
| Agricultural property | 50% or 100% |
| *Unquoted companies include those listed on AIM | |

Main Exemptions

- 1 Most transfers between spouses
- 2 The first £3,000 of lifetime transfers in any tax year (husband and wife each have own exemption) up to £6,000 if 2003-04 transfers less than £3,000
- 3 Gifts of up to but not exceeding £250 p.a. to any number of persons
- 4 Gifts made out of income that form part of normal expenditure and do not reduce the standard of living
- 5 Gifts in consideration of marriage to bride and/or groom of up to £5,000 by a parent, £2,500 by a grandparent, or £1,000 by any other person
- 6 Gifts to charities, whether made during lifetime or on death

Vehicle Benefits

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

Car Benefit

Car benefit charges are calculated on a percentage of the list price of the car appropriate to the level of the car's CO₂ emissions, as follows:

- 15% of the list price of cars emitting up to 165 g/km in 2002-03, 155 g/km in 2003-04, 145 g/km in 2004/05 (emissions of carbon dioxide per kilometre);
- increased by 1% per 5 g/km over the 165/155/145 limit;
- capped at 35% of the list price

If the exact CO₂ emissions figure does not end in 0 or 5, it should be rounded down to the nearest 5 g/km

There is a 3% supplement on diesel cars (subject to a 35% cap) and discounts for cars using alternative fuels and technologies.

| CO ₂ emissions in grams per kilometre (g/km) | | Percentage of Cars Price to Be taxed | | Notes |
|---|-----------|--------------------------------------|---|-------|
| 2003 - 04 | 2004 - 05 | | % | |
| 155 | 145 | 15 | 1 | |
| 160 | 150 | 16 | 1 | |
| 165 | 155 | 17 | 1 | |
| 170 | 160 | 18 | 1 | |
| 175 | 165 | 19 | 1 | |
| 180 | 170 | 20 | 1 | |
| 185 | 175 | 21 | 1 | |
| 190 | 180 | 22 | 1 | |
| 195 | 185 | 23 | 1 | |
| 200 | 190 | 24 | 1 | |
| 205 | 195 | 25 | 1 | |
| 210 | 200 | 26 | 1 | |
| 215 | 205 | 27 | 1 | |
| 220 | 210 | 28 | 1 | |
| 225 | 215 | 29 | 1 | |
| 230 | 220 | 30 | 1 | |
| 235 | 225 | 31 | 1 | |
| 240 | 230 | 32 | 1 | |
| 245 | 235 | 33 | 2 | |
| 250 | 240 | 34 | 3 | |
| 255 | 245 | 35 | 4 | |

Diesel Supplement Notes

4. Add 3% if car runs solely on Diesel
5. Add 2% if car runs solely on Diesel
6. Add 1% if car runs solely on Diesel
7. Maximum charge, so no diesel supplement.
8. Budget 2003 announced that the level of CO₂ emissions qualifying for the minimum charge in 2005-06 will be reduced to 140 g/km

How to find out how much CO₂ your company car emits – see:

- car’s V5 registration document
- dealer
- data pages of car magazines (current models)
- the Vehicle Certification Agency – www.vca.gov.uk
- the website of the Society of Motor Manufacturers and Traders - 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 CO₂ 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 2004/05, 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 CO₂.

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

| | 2004/2005 | | 2003/2004 | |
|--|------------------|----------|---------------------|----------|
| | Employer | Employee | Employer | Employee |
| Class 1 (not contracted out) | | | | |
| payable on weekly earnings | | | | |
| £91.01 - £610 | 12.8% | 11% | 12.8% | 11% |
| Over £610 | 12.8% | 1% | 12.8% | 1% |
| Men 65 and over and women 60 and over | as above | Nil | as above | Nil |
| Class 1A (on relevant benefits) | 12.8% | Nil | 12.8% | Nil |
| Class 2 (Self employed) | £2.05 per week | | £2.00 per week | |
| Limit of net earnings for exception | £4,215 per annum | | £4,095.00 per annum | |
| Class 3 (Voluntary) | £7.15 per week | | £6.95 per week | |
| Class 4 (*Self employed on profits) | | | | |
| £4,615 to £30,940 | | 8% | | 8% |
| Excess over £30,940 | | 1% | | 1% |

*Exemption applies if state retirement age was reached by 6 April 2003.

Key Dates and Deadlines

| Income Tax and Class 4 NIC | | 2004-05 | 2003-04 |
|-----------------------------------|---|----------------|----------------|
| 1st payment on account | 31 January | 2005 | 2004 |
| 2nd payment on account | 31 July | 2005 | 2004 |
| Balancing payment | 31 January | 2005 | 2004 |
| Capital Gains Tax | 31 January | 2006 | 2005 |
| Corporation Tax | 9 months after the end of the accounting period | | |

2003-04 Returns Filing and Issuing Deadlines

| | |
|-----------------|--|
| 19 May 2004 | P14, P35, P38, P38A and CIS36 |
| 31 May 2004 | Issue P60s to employees |
| 6 July 2004 | P9D, P11D, and P11Db - and appropriate copies to employees |
| 31 January 2005 | Self Assessment Tax Return |

2003-04 Class 1A NICs on Relevant Benefits

| | |
|--------------|-------------|
| 19 July 2004 | Payment due |
|--------------|-------------|

Pension Premiums

Saving tax on pension contributions.

| | 2004/05 | |
|---|----------------------------------|----------------------|
| | % Limit of net relevant earnings | |
| Age at 6 April 2004 | 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 | £102,000 | 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 2004/05 | | |

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 2004/05: £7,000

Notes

1. Investment in a "maxi ISA" is subject to an overall limit of £7,000 in 2004/05. 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.

| Tax Exempt Special Savings Accounts (TESSAs) | Investment limits |
|---|--------------------------|
| 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 |

Some Useful Rates

| | Weekly Benefit | |
|---|---------------------------|---------------------------|
| | 2004/05 | 2003/04 |
| Basic Retirement Pension | | |
| Single person | £79.60 | £77.45 |
| Married couple | £127.25 | £123.80 |
| Child Benefit | | |
| First eligible child | £16.50 | £16.05 |
| Each subsequent child | £11.05 | £10.75 |
| Statutory Sick Pay (SSP) | | |
| Average weekly earnings £77 or over (2002/03 £75) | £66.15 | £64.35 |
| Statutory Maternity Pay (SMP) | | |
| 90% of average weekly pay | First 6 weeks | |
| Maximum £100. Minimum 90% average weekly pay | Next 20 weeks | |
| Minimum rate | £71.10 | £69.30 |
| Adoption Pay (SAP) | | |
| | 26 weeks | |
| Paternity Pay (SPP) | | |
| | 1 wk or fortnight | |
| Both SAP and SPP | | |
| 90% of average weekly pay | Max £102.80 Min £71.10 | Max £100.00 Min £69.30 |
| Example rates: | | |
| Jobseekers Allowance | | |
| Single person | £55.65 | £54.65 |
| Married couple | £87.30 | £85.75 |
| National Minimum Wage | | |
| From 1 October 2002 | £4.20 p.h. | |
| From 1 October 2003 | £4.50 p.h. | |
| From 1 October 2004 | £4.85 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 2004/05.

Stamp taxes from Budget day to 30 November 2003

| Transfers of property (consideration paid) | | | | |
|--|--------------------------|--------------------------|---------------------|--|
| 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 | | | |
| 4 | Over £500,000 | | Over £500,000 | |

| New leases (lease duty) | |
|--|---------------------------------------|
| Duty on rent | |
| 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)

| Transfers of property (consideration paid) | | | | |
|---|--------------------------|--------------------------|-----------------------------|-----------------|
| 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 | | | |
| 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 |

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

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