

# Budget 2008/09

The following information is based on proposals set out by the Chancellor in his Budget of 12 March 2008 but is subject to amendment in the Finance Bill.

## Income Tax

Rates	%	2008/09	%	2007/08
Starting	–	–	10	Up to £2,230
Basic	20	Up to £36,000	22	£2,231 to £34,600
Higher	40	Above £36,000	40	Above £34,600

Non-savings income is taxed as the first slice of income, followed by savings income and then dividends. Dividends falling into the basic rate band are taxed at 10%. The higher rate of tax for dividends is 32.5%. This is reduced by the dividend tax credit. Savings income falling into the first £2,320 of taxable income will be taxed at 10%. In 2007/08 savings income falling into the basic rate band was taxed at 20%.

Reliefs	2008/09	2007/08
Payment on loss of office	£30,000	£30,000
Enterprise Investment Scheme**	£500,000	£400,000
Venture Capital Trust***	£200,000	£200,000

\* Relief restricted to 20%.  
\*\* Subject to EU State Aid Approval.  
\*\*\* Relief available up to 30%.

Allowances	2008/09	2007/08
Personal allowance:		
Aged up to 64	£5,435	£5,225
Aged 65 to 74	£9,030	£7,550
Aged 75 or over	£9,180	£7,690
Income limit for higher levels of personal allowance	£21,800	£20,900

**Non-UK domiciled individuals**  
From 6 April 2008 a £30,000 levy applies to certain non-UK domiciled individuals wishing to use the remittance basis of taxation.

## National Insurance Contributions

Rates	2008/09	2007/08
<b>Class 1 (earnings related)</b>		
Lower earnings limit (LEL) (per week)	£90	£87
Upper earnings limit (UEL) (per week – employees only)	£770	£670
Earnings threshold (per week) for employees and employers	£105	£100
Employee rate:		
– between earnings threshold and UEL	11%	11%
– earnings above UEL	1%	1%
Employer rate:		
– between earnings threshold and UEL	12.8%	12.8%
– earnings above UEL	12.8%	12.8%
<b>Class 2 (self-employed flat rate)</b>		
Per week	£2.30	£2.20
Small earnings exception (per year)	£4,825	£4,635
<b>Class 3 (voluntary): per week</b>	£8.10	£7.80
<b>Class 4 (self-employed)</b>		
Lower profits limit LPL (per year)	£5,435	£5,225
Upper profits limit UPL (per year)		
Rate:	£40,040	£34,840
– between LPL and UPL	8%	8%
– above UPL	1%	1%

Reliefs	2008/09	2007/08
<b>Contracted out Class 1 relief</b> (between earnings threshold and UEL)		
Employee		
– Salary related / money purchase scheme	1.6%	1.6%
Employer		
– Salary related scheme	3.7%	3.7%
– Money purchase scheme	1.4%	1.4%

## Individual Savings Accounts (ISA)

Rates	2008/09	2007/08
Annual investment limit	£7,200	£7,000
Maximum cash investment	£3,600	£3,000

Income and gains on ISA investments are tax free.

## Inheritance Tax

Rates	2008/09	2007/08
Nil	Up to £312,000	Up to £300,000
40%	Above £312,000	Above £300,000

On death, any gifts made within the previous seven years will become taxable, but the tax payable will be reduced by tapering relief if the donor has survived at least three years. Where tax is payable on a lifetime gift (other than those taxable only because they are made within seven years of death), tax is charged at 20%. Any unused nil-rate band may be transferred to the deceased's spouse or civil partner where the second death occurs on or after 9 October 2007. Various reliefs and exemptions are available.

## Car and Car Fuel Benefits

**Cars**  
The taxable benefit in respect of a car provided by an employer is calculated by reference to the car's carbon dioxide emission rating, with the scale charge varying between 10% and 35% of the list price. There is a supplementary charge of 3% for diesel cars but not so as to take the total percentage beyond the maximum of 35% mentioned above.

**Car fuel**  
The taxable benefit in respect of fuel provided by an employer is the 'appropriate percentage' of £16,900 (2007/08 £14,400) where the appropriate percentage is the figure (from 10% to 35%) used to determine the taxable benefit in respect of the provision of the car.

Approved Mileage Allowance Payments	2008/09	2007/08
Own cars and vans		
Up to 10,000 miles (per mile)	40p	40p
Over 10,000 miles (per mile)	25p	25p

## Air Passenger Duty

From 1 November 2008 the reduced rate will not apply where there is only one class of travel and the seat pitch exceeds 40".

Specified European Destinations	2008/09	2007/08
Standard rate	£20	£20
Reduced rate for lowest class	£10	£10
Specified Other Destinations	2008/09	2007/08
Standard rate	£80	£80
Reduced rate for lowest class	£40	£40

## Insurance Premium Tax

	1 April 2008	1 April 2007
General rate	5%	5%
Higher rate (certain policies)	17.5%	17.5%

## Stamp Taxes

	Stamp Duty Land Tax		Stamp Duty / SDRT
Rate payable on chargeable consideration	UK land transactions*		Transfers of shares
	Residential**	Non-residential or mixed use	
Nil	£0-£125k***	£0-£150k	0.5%
1%	£125,001-£250k	£150,001-£250k	
3%	£250,001-£500k	£250,001-£500k	
4%	Above £500k	Above £500k	

\* Special rules apply to lease rentals.  
\*\* Relief from SDLT of up to £15,000 applies from 1 October 2007 for new zero-carbon homes and flats.  
\*\*\* The nil-rate band is £150,000 in disadvantaged areas.

## Capital Gains Tax

**Rates**  
Companies pay corporation tax on capital gains after indexation allowance at their normal rate. Gains and losses on sales of shareholdings of 10% or more in trading companies or trading groups are exempt, subject to certain exclusions. Gains realised by individuals from 6 April 2008 will be taxed at a flat rate of 18% reduced to an effective rate of 10% where Entrepreneurs' Relief is available. Gains realised prior to that date may be reduced by taper relief and indexation allowance; the resulting gain is taxed according to the level of taxable income at 10%, 20% or 40%. From 6 April 2008 a £30,000 levy applies to certain non-UK domiciled individuals wishing to use the remittance basis of taxation.

Reliefs	2008/09	2007/08
Annual gains exemption for individuals	£9,600	£9,200
Chattels proceeds exemption	£6,000	£6,000
Enterprise Investment Scheme*	100%	100%
Venture Capital Trust*	100%	100%
Principal private residence	100%	100%
Entrepreneurs' Relief (cumulative lifetime allowance)*	£1m	–

\* Subject to conditions.

## Pensions

	2008/09	2007/08
Annual contribution allowance 100% of salary up to	£235,000	£225,000
Permitted pension contribution (irrespective of salary)	£3,600	£3,600
Lifetime benefit allowance	£1,650,000	£1,600,000

## Value Added Tax

	2008/09	2007/08
Standard rate	17.5%	17.5%
Lower rate	5%	5%
Registration limit – annual turnover above	£67,000	£64,000
Simplified arrangements – annual turnover below	£1,350,000	£1,350,000

## Corporation Tax

	Year to 31 March	
	2009	2008
Main rate*	28%	30%
Small companies' rate**	21%	20%
Where profits**	£0-£300k	£0k-£300k
Marginal relief where profits**	£300k-£1,500k	£300k-£1,500k
Marginal relief fraction***	7/400	1/40
Profit threshold for quarterly instalment payments**	£1,500k	£1,500k

\* Ring fence profits are taxed at 30%.  
\*\* Reduced by reference to number of associated companies.  
\*\*\* Ring fence profits from UK oil extraction and rights are taxed at 19% with a marginal relief fraction of 11/400.

## Intangible Assets

Companies receive a deduction for expenditure on an accounts basis. Allowances at 4% p.a. are available by election.

## Research and Development Relief

Qualifying revenue expenditure on research and development attracts an additional deduction where it is incurred at a rate of not less than £10,000 p.a.

	Additional deduction	
	1 April 2008	1 April 2007
SMEs	75%*	50%
Non-SMEs	30%	25%

\* Subject to EU State Aid approval.

SMEs which make losses can surrender the deduction in exchange for a payment of up to 24% of the qualifying expenditure. If the higher rate of relief is approved HMRC have indicated that the payable credit would remain at the same level as at present.

## Capital Allowances

	2008/09	2007/08
Plant and machinery		
– general rate*	20%	25%
– long life assets*	–	6%
– special rate pool (incorporating long life assets and integral features within a building)*	10%	–
– energy saving / environmentally beneficial assets	100%	100%
– first year allowances		
– small business	–	50%
– medium business	–	40%
– 100% Annual investment allowance on expenditure up to****	£50,000	–
Motor cars		
– general rate***	20%	25%
– low emission cars	100%	100%
Industrial buildings, hotels, agricultural buildings***	3%	4%
Commercial or industrial building in an enterprise zone	100%	100%
Research and Development	100%	100%
Business Premises Renovation Allowance	100%	100%

\* Reducing balance.  
\*\* Maximum annual allowance of £3,000 for cars costing over £12,000.  
\*\*\* Allowances to be phased out over the period to March 2011.  
\*\*\*\* Balancing adjustments on disposal eliminated from 21 March 2007.  
\*\*\*\*\* Subject to conditions.

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