

A guide to BUDGET 2011 – Tax rates and allowances

A SIMPLE GUIDE TO THE TAX RATES AND ALLOWANCES ANNOUNCED IN THE BUDGET REPORT 2011

This is a basic guide, prepared by ACCA's Technical Advisory team, for members and their colleagues or clients.

It is an introduction only and should not be used as a definitive guide, since individual circumstances may vary. Specific advice should be obtained, where necessary.

Pre-Budget Report 2011

Full details of the Budget Report 2011 can be found on the HM Revenue & Customs (HMRC) website at:
<http://www.hmrc.gov.uk/budget2011/index.htm>



TAX RATES AND ALLOWANCES BUDGET REPORT 2011

	2011/12 £	2010/11 £	2009/10 £
Income tax rates - (non-dividend income)			
10% lower rate tax - savings rate only	Up to 2,560	Up to 2,440	Up to 2,440
20% basic rate tax	Up to 35,000	Up to 37,400	Up to 37,400
40% higher rate tax	35,000 - 150,000	37,401 - 150,000	above 37,400
50% additional rate tax	Above £150,000	Above £150,000	N/A
<i>10% starting rate applies to savings income only and will not apply if non-savings income exceeds threshold.</i>			
Income tax rates - (dividend income)			
10% rate	Up to 35,000	Up to 37,400	Up to 37,400
32.5% higher dividend rate	35,001 - 150,000	37,401 - 150,000	above 37,400
42.5% higher dividend rate	Above £150,000	Above £150,000	N/A
Personal allowances			
Personal allowance (age under 65)	7,475	6,475	6,475
Personal allowance (age 65 - 74)	9,940	9,490	9,490
Personal allowance (age 75 and over)	10,090	9,640	9,640
Married couple's allowance (age less than 75 and born before 6 April 1935)	N/A	N/A	N/A
Married couple's allowance (age 75 and over)	7,295	6,965	6,965
Married couple's allowance – minimum amount	2,800	2,670	2,670
Income limit for under 65 personal allowance	100,000	100,000	N/A
Income limit for age-related allowances	24,000	22,900	22,900
Blind person's allowance	1,980	1,890	1,890

Abatement of personal allowance will apply of £1 for every £2 of taxable income in excess income limit.

National insurance

Lower earnings limit, primary Class 1 (per week)	102	97	95
Upper earnings limit, primary Class 1 (per week)	817	844	844
Upper accrual point *	770	770	770
Primary threshold (per week)	139	110	110
Secondary threshold (per week)	139	110	110
Employee's primary Class 1 rate between primary threshold and upper earnings	12.00%	11.00%	11.00%
Employee's primary Class 1 rate above upper earnings limit	2.00%	1.00%	1.00%
Employee's contracted-out rebate - salary-related scheme	1.60%	1.60%	1.60%
Employee's contracted-out rebate - money-purchase scheme	1.60%	1.60%	1.60%
Married woman's reduced rate between primary threshold and upper earnings limit	5.85%	4.85%	4.85%
Married woman's rate above upper earnings limit	2.00%	1.00%	1.00%
Employer's secondary Class 1 rate above secondary threshold	13.80%	12.80%	12.80%
Employer's contracted-out rebate, salary-related schemes	3.70%	3.70%	3.70%
Employer's contracted-out rebate, money-purchase schemes	1.40%	1.40%	1.40%
Class 2 rate (per week)	2.50%	2.40	2.40
Class 2 small earning exception (per year)	5,315	5,075	5,075
Special Class 2 rate for share fishermen (per week)	3.15	3.05	3.05
Special Class 2 rate for volunteer development workers	5.10	4.85	4.75
Class 3 rate (per week)	12.60	12.05	12.05
Class 4 lower profits limit	7,225	5,715	5,715
Class 4 upper profits limit	42,475	43,875	43,875
Class 4 rate between lower profits limit and upper profits limit	9.00%	8.00%	8.00%
Class 4 rate above upper profits limit	2.00%	1.00%	1.00%

State pension/pension credit

State pension			
Category A or B basic pension	102.15	97.65	95.25
Category B basic pension (lower) - husband's insurance	61.20	58.50	57.05
Category C or D - non-contributory	61.20	58.50	57.05
Pension Credit			
Standard minimum guarantee - single	137.35	132.60	130.00
Standard minimum guarantee - couple	209.70	202.40	198.45

From 6 April 2011, grandparents and other family members will be able to gain credits towards the basic State Pension for caring for children aged 12 or younger for 20 hours per week or more.

Pensions

Annual allowance	50,000	255,000	245,000
Lifetime allowance (reducing to 1.5 million from April 2012)	1,800,000	1,800,000	1,750,000
Age at which annuity required	N/A	75	75

Relief's and incentives

Enterprise Investment Scheme (EIS) – maximum	500,000	500,000	500,000
Venture Capital Trust (VCT) – maximum	200,000	200,000	200,000
Enterprise Management Incentive Scheme (EMI) – employee limit	120,000	120,000	120,000
Income tax relief on EIS schemes	30%	20%	20%
Income tax relief on VCT Schemes	30%	30%	30%

From April 2012 EIS maximum will increase from £500,000 to £1 million.

From April 2012 size of company that qualifies for investment under EIS and VCT increases from gross assets less than £7 million , fewer than 50 employees, raising no more than £2 million a year to gross assets less than £15 million, fewer than 250 employees, raising no more than 10 million a year.

Individual Savings Account (ISA):

Individuals aged 50 years old or above during tax year:

- total maximum investment	10,680	10,200	10,200
- maximum cash element of ISA	5,340	5,100	5,100

Others:

- total maximum investment	10,680	10,200	10,200
- maximum cash element of ISA	5,340	5,100	3,600

Capital gains tax

Rate	- basic rate tax payer	18%	18%	18%
	- higher rate tax payer (from 23 June 2010)	28%	28%	
Individuals		10,600	10,100	10,100
Certain trusts for disabled persons		10,600	10,100	10,100
Other trusts		5,300	5,050	5,050
Entrepreneurs Relief lifetime limit		10,000,000	2,000,000	1,000,000
Entrepreneurs rate		10%	10%	10%

Entrepreneurs lifetime limit were £2,000,000 from 6 April to 22 June 2010 and £5,000,000 from 23 June 2010 to 5 April 2011.

Working and Child tax credits rates

Working tax credit

Basic element	1,920	1,920	1,890
Couple and lone parent element	1,950	1,890	1,860
30 hour element (16 hour element from April 2011)	790	790	775
Disabled worker element	2,650	2,570	2,530
Severe disability element	1,130	1,095	1,075
50+ return to work payment (16-29 hours)	1,365	1,320	1,300
50+ return to work payment (30+ hours)	2,030	1,965	1,935

Childcare element of the Working tax credit

Maximum eligible cost for one child (per week)	175	175	175
Maximum eligible cost for two or more children (per week)	300	300	300
Percentage of eligible costs covered	70.00%	80.00%	80.00%

Child tax credit

Family element	545	545	545
Family element, baby addition	nil	545	545
Child element	2,555	2,300	2,235
Disabled child element	2,800	2,715	2,670
Severely disabled child element	1,130	1,095	1,075

Income threshold and withdrawal rates

First income threshold	6,420	6,420	6,420
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First withdrawal rate	41%	39%	39%
Second income threshold	40,000	50,000	50,000
Second withdrawal rate	41%	6.67%	6.67%
First threshold for those entitled to Child tax credit only	15,860	16,190	16,040
Income disregard	10,000	25,000	25,000
Child benefit/Guardian's allowance rates			
Eldest/only child	20.30	20.30	20.00
Other children	13.40	13.40	13.20
Guardian's allowance	14.75	14.30	14.10

The child element of child tax credit will increase by £60 above indexation in April 2012. Families earning more than £40,000 per annum will have child tax credit reduced at a rate of 41% from April 2011.

Benefits and tax credits will be calculated using the Consumer Prices Index instead of the Retail Prices Index from April 2011

Inheritance tax

Single persons nil rate band	1 - 325,000 over	1 - 325,000 over	1 - 325,000 over
Single persons 40% band	325,000	325,000	325,000
Married couples or civil partnerships allowance nil rate band	650,000	650,000	650,000

From 6 April 2012 a reduced rate of IHT of 36% will be introduced where 10% or more of the net estate is left to charity.

Taxation of trusts

Trust tax rate excluding dividend income	50.00%	50.00%	40.00%
Dividend trust rate	42.50%	42.50%	32.50%
Basic rate trust income tax band	1,000	1,000	1,000

Corporation tax

Normal main rate (profits above £1,500,000)	26%	28%	28%
Small companies rate (profits below £300,000)	20%	21%	21%
Margin relief fraction	3/200	7/400	7/400

Capital Allowances

Main writing down allowance	20%	20%	20%
Special rate writing down allowance	10%	10%	10%
Temporary first year allowance	0%	0%	40%
Annual Investment Allowance	100,000	100,000	50,000
Capital allowances to be reduced to 18% and 8% from April 2012			
Annual Investment Allowance to be reduced to £25,000 from April 2012			

Research and Development Tax Credit Rates

SME Rate	200%	175%	175%
Large company rate	130%	130%	130%

VAT **01.01.10**
To
3.01.11 **31.12.08**
To
31.12.09

Standard rate (increased to 20% from 4 January 2011)	20%	17.5%	15%
Registration threshold	73,000	70,000	68,000
Deregistration threshold	71,000	68,000	66,000
Cash accounting scheme	1,350,000	1,350,000	1,350,000
Annual accounting scheme	1,350,000	1,350,000	1,350,000
Flat rate scheme	150,000	150,000	150,000
Flat rate scheme exit threshold	230,000	225,000	225,000

The standard rate increased to 20% from January 2011.

	From 06.04.11	01.01.10 To 05.04.11	03.09.08 To 31.12.09
Stamp duty land tax (SDLT)	0 -	0 -	0 -
0% residential	125,000	125,000	175,000
1% residential	125,001 - 250,000	125,001 - 250,000	175,001 - 250,000
3% residential	250,001 - 500,000	250,001 - 500,000	250,001 - 500,000
4% residential	500,001 - 1,000,000 over	over 500,000	over 500,000
5% residential	1,000,000 0 -	N/A 0 -	N/A 0 -
0% non-residential	150,000	150,000	150,000
1% non-residential	150,001 - 250,000	150,001 - 250,000	150,001 - 250,000
3% non-residential	250,001 - 500,000	250,001 - 500,000	250,001 - 500,000
4% non-residential	over 500,000	over 500,000	over 500,000

The 0% threshold will be doubled to £250,000 where the purchaser (or all of the purchasers) are first-time buyers, in respect of purchases whose completion date falls between 25 March 2010 and 24 March 2012 inclusive.

Stamp duty on shares and marketable securities remains at 0.5% for 2011/12.

Insurance Premium Tax

Standard rate	6.0%	5.0%	5.0%
Higher rate	20.0%	17.5%	17.5%

IPT increased to 6.0% and 20.0% from 4 January 2011.

This is a guide for ACCA members to assist in understanding the Budget Report 2011 and to provide assistance when dealing with clients or informing colleagues. This document has no regulatory status and provides an overview of the changes.

ACCA LEGAL NOTICE

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