

INCOME TAX

Personal Allowances increased:-

	2006/2007 £	2007/2008 £	Increase £
Personal Allowance	5,035	5,225	190
“ “ (age 65 - 74)	7,280	7,550	270
“ “ (75 & over)	7,420	7,690	270
Married Couple's allowance including Civil partnerships (Aged less than 75 born before 6/4/1935)* (75 & over)*	6,065	6,285	220
Minimum amount of MCA*	2,350	2,440	90
Blind person's allowance	1,660	1,730	70
Income limit for age-related allowance	20,100	20,900	800

* Tax relief given at the rate of 10%

Tax Rate Bands	2006/2007 £	2007/2008 £
Starting rate 10%	0 - 2,150	0 - 2,230
Basic rate 22%	2,151 - 33,300	2,151 - 34,600
Higher rate 40%	Over 33,300	Over 34,600



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INHERITANCE TAX

Increases in the inheritance tax threshold have already been announced as follows:-

- £300,000 for 2007/2008
- £312,000 for 2008/2009
- £325,000 for 2010/2011

The Chancellor has now indicated that the threshold will be increased to £350,000 in 2010/2011.

PERSONAL TAX

The Chancellor is proposing to modernise the system. The basic rate of tax will be reduced from 22% to 20% from 2008/2009. The 10% starting rate is to be abolished for earned income and pensions but will still be applied to savings income and capital gains. No changes are proposed to the rates applying to dividend income.



The age related personal allowances are shown separately in this newsletter but the Chancellor has proposed that these be increased by £1,180 over indexation in future.

For 2011/2012 the personal allowance for those aged 75 and over will be £10,000.

The Chancellor is also to align the figures of the upper earnings limit and the upper profits limit figures for National Insurance Contributions with the figure at which higher rate tax is payable. This is proposed to become effective as from 6 April 2009.

SELF-ASSESSMENT TAX RETURNS

Changes are proposed to the dates by which tax return forms have to be submitted to HM Revenue and Customs. The rules will apply to tax return forms issued on or after the 6 April 2008 and will relate to the 2007/2008 tax year and subsequent years.

For 2007/2008 paper returns have to be submitted to HM Revenue and Customs by 31 October 2008. For returns being submitted online, the date remains at the 31 January.

VAT

New figures have been introduced for registering and de-registering for VAT.

For registration purposes the turnover figure is increased from £61,000 to £64,000.

For de-registration, the figure is increased from £59,000 to £62,000.

Both these figures will be effective from 1 April 2007.

Changes are also introduced for fuel scale charges and figures are available on request.

TAX RETURNS

Legislation is being put forward to amend the date by which an Officer of HM Revenue and Customs has to take up a return for investigation. The changes will apply to income tax self-assessment returns for 2007/2008 and later years and company tax return forms for accounting periods ending after the 31 March 2008.

The proposal is that an enquiry should be undertaken by HM Revenue and Customs within twelve months of the date of the receipt of the tax return form. This means that if returns are submitted early, then the enquiry window will close at a much earlier date than under the present legislation.

CAPITAL ALLOWANCES

The first year allowance of 50% for small enterprises is to be extended for another twelve months.

A new annual investment allowance for the first £50,000 of expenses on plant and machinery in the pool is to be introduced from April 2008. No further details are available at present and this is subject to consultation.

The writing down allowance for plant and machinery in the general pool is to be reduced from 25% to 20% from 2008/2009.

Writing down allowances on industrial and agricultural buildings is to be phased out with final withdrawal of both by 2010/2011. The phasing out will start from 2008/2009.

CAPITAL GAINS TAX

The personal exemption figure for 2007/2008 will be £9,200. Most Trusts will have an exemption figure of £4,600.



CORPORATION TAX

The main rate of 30% is to be reduced to 28% from 1 April 2008.

The rate of corporation tax for small companies is to be increased from 19% to 20% from 1 April 2007. The marginal small companies' relief will be calculated at 1/40th. The profit limits will remain as before.

It is proposed that the small companies' rate will be increased to 21% for 2008/2009 and further increased to 22% for 2009/2010.

COMPANY BUSINESS STATIONERY

New rules have been introduced for business stationery operative from 1 January 2007. The company name must be shown quite clearly on all stationery, whether on paper, electronic or any other form. This includes the company's business letters, order forms, cheques, invoices, receipts and its website.

On all the business letters and order forms the company name must also show clearly and also the following information:- The place of registration, the company registered number and the registered office address. If the company is being wound up, this fact should also be stated.

All of the above also applies to limited liability partnerships.



CONSTRUCTION INDUSTRY SCHEME

All contractors and sub-contractors within the construction industry should be aware of the new scheme coming in as from 6 April 2007.

HM Revenue and Customs have already issued literature about this over the last few months. Lists have recently been sent to contractors showing the names of known sub-contractors paid recently by that contractor. The list indicates how payment should be made – either gross or net of tax at 20% (from 6 April 2007).

Some of the main points of the new scheme are as follows:

1. Each month the contractor needs to confirm that the status of the sub-contractor has been considered.
3. Returns are required each month of payments made to sub-contractors, whether paid gross or net. NIL returns will also be required, where appropriate.
4. A statement should be issued to each contractor at monthly intervals or more frequently to show either the date of payment, or the following fifth of the month to show the gross amount of payment, the cost of any materials and the tax deducted.

If you require any further information regarding the new scheme, please contact us.

NATIONAL INSURANCE CONTRIBUTIONS

The figures for 2007/2008 were put forward by the Chancellor in the pre-Budget statement in November.

The 2007/2008 lower earnings limit for primary class 1 contributions is £87 per week and the upper earnings limit is £670 per week. The primary and secondary thresholds are £100 each and the rate of class 1 contributions between the primary threshold and the upper earnings limit is 11%. After the upper earnings limit has been reached, National Insurance Contributions, Class 1, are charged at 1% of further income.

The Class 2 rate for 2007/2008 is £2.20 per week.

Class 4 National Insurance Contributions for 2007/2008 are charged at 8% between profits of £5,225 for the year and £34,840 profit for the year. Profits in excess of £34,840 are charged to Class 4 National Insurance Contributions at 1%.

The upper earnings limit for employees Class 1 National Insurance Contributions for 2008/2009 will be increased by £75 per week above indexation. The Class 4 National Insurance upper profits limit for self-employed persons will also be increased by the same amount.

For 2009/2010 the basic rate limit will be increased by a further £800 above indexation and both the upper earnings limit and the upper profits limit will be aligned with the point at which higher rate of tax becomes payable, after personal allowances are taken into account.

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IMPORTANT ISSUES

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BUDGET

APRIL 2007

BUDGET – 2007

Gordon Brown delivered his Budget on Wednesday, 21 March 2007. This was his eleventh Budget and is widely believed to be his final one.

Defence spending is to be increased by an additional £86 million pounds. Additional funds are to be made available to the National Health Service of £8 billion pounds.

Public investment in science is to rise to £6.3 billion pounds by 2010/2011.

Some of this money will be recovered by the sale of assets owned by the Government.

Money is to be made available to pensioners who have lost their pensions because the employer became insolvent.

There will be increases in child-benefits and tax credits.

Tax is to be imposed on a sliding scale on casino winnings.

The cost of cigarettes is to be increased by 11p for a packet of 20 from 21 March 2007. There

will be a reduced VAT rate for products to help people stop smoking.

The cost of beer is to be increased by 1p per pint from 26 March 2007 and wine is to be increased by 5p a bottle from the same date. There is no increase in the duty on spirits.

Motoring costs will be increased as the cost of petrol is to be increased by 2p per litre from 1 October 2007. There are also changes in the vehicle excise duties with an increase to £400 on the larger gas-guzzling vehicles.

The car benefit rates and threshold figures are frozen for 2009/2010. The car fuel benefit charges multiplier will remain at £14,400 for 2007/2008.

There are increases in the amounts of monies held in an ISA. The total is to be increased to £7,200 from 6 April 2008 of which £3,600 can be held in a cash ISA.

