

# TAX RATES AND ALLOWANCES

## 2010/11 *(updated following June Emergency Budget)*



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## Introduction

Our Tax Rates Centre provides a summary of some of the essential tax rates, dates and figures for 2010/11.

*2010/11 Tax Rates Centre 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 its contents.*

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### Income Tax

Income tax rates	Note	2010/11	2009/10
<b>Basic rate band - income up to</b>		£37,400	£37,400
Starting rate for savings		*10%	*10%
Basic rate		20%	20%
Dividend ordinary rate		10%	10%
<b>Higher rate - income over</b>		£37,400	£37,400
Higher rate		40%	40%
Dividend upper rate		32.5%	32.5%
<b>Additional rate - income over</b>		£150,000	-
Additional rate		50%	-
Dividend additional rate		42.5%	-
* Starting rate is for savings income up to the starting rate limit of £2,440 within the basic rate band. The rate applies to any balance of the limit remaining after allocating taxable non-savings income.			
<b>Trusts</b>			
For interest in possession trusts on all income, and other trusts on the first £1,000 of income ("standard rate band"):			
dividend ordinary rate	5	10%	10%
savings income	5	20%	20%
other income	5	20%	20%

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Income of other trusts above £1,000 is taxed at the special trust rates:				
rate applicable to trusts			50%	40%
dividend trust rate			42.5%	32.5%
<b>Personal allowance (PA)</b>				
	under 65	1,4	£6,475	£6,475
	65 to 74*	1,2,4	£9,490	£9,490
	75 and over*	1,2,4	£9,640	£9,640
	Blind person's allowance		£1,890	£1,890
<b>Married couple's allowance (MCA)</b>				
Either partner born before 6 April 1935 (relief restricted to 10%)		1,3,4	£6,965	£6,965
<b>Tax Shelters</b>				
Enterprise Investment Scheme (EIS) up to			£500,000	£500,000
Venture Capital Trust (VCT) up to			£200,000	£200,000
<b>Golden Handshake</b> max.			£30,000	£30,000
<b>Rent a Room</b> - exempt on gross annual rent up to			£4,250	£4,250
<b>Construction Industry Scheme deduction rate:</b>				
Standard (registered)			20%	20%
Higher (not registered)			30%	30%

**Notes**

1. Ages are as the end of the tax year. Ages for the MCA relate to the elder of spouse or civil partner
2. The higher rates of personal allowances are reduced by £1 for each £2 of excess income over £22,900 until the basic allowance is reached.
3. Similar limits apply to the married couple's allowance. The reduction in allowance is subject to a minimum level of £2,670. (For couples married before 5 December 2005, only the husband's income is taken into account. For those married on or after 5 December 2005 or

in a civil partnership, only the higher earner's income is taken into account).

4. For 2010/11 the personal allowance, including the minimum age-related allowance, is reduced by £1 for every £2 that net adjusted income exceeds £100,000.
5. Where there are several trusts created by the same settlor, the "standard rate band" is divided equally between them, subject to a minimum band of £200 for each trust.

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## Capital Gains Tax

Capital gains tax rates and bands for 2010/11		
On chargeable gains	From 23 June 2010	To 22 June 2010
Total taxable gains and income:		
up to £37,400	18%	18%
from £37,401	28%	18%
Annual exemption		
- individual	£10,100	£10,100
- most trustees	£5,050	£5,050
Chattels exemption		
(proceeds per item or set)	£6,000	£6,000

## Entrepreneurs' Relief

Qualifying gains from 23 June 2010 will be taxed at 10%. Prior to that the relief took the form of a 4/9 reduction of the gain.

Claims may be made on more than one occasion up to a "lifetime" total of £5 million (£2 million 6 April 2010 to 22 June 2010, £1 million prior to 6 April 2010).

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1. Transfers between husband and wife or civil partners living together are generally exempt.

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## Corporation Tax

Corporation tax rates and bands are as follows:

Financial Year to	31 March 2012	31 March 2011
Taxable profits		
First £300,000	20%	21%
Next £1,200,000	28.75%	29.75%
Over £1,500,000	27%	28%

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## Capital Allowances

### Plant and Machinery:

Energy saving and environmentally beneficial equipment, zero and low CO <sub>2</sub> emission (up to 110 g/km) cars, new and unused zero emission goods vehicles, natural gas/hydrogen refuelling equipment: first year allowance (FYA)	<b>100%</b>
Annual investment allowance (AIA) – on first £100,000 of investment (excludes cars and other expenditure already qualifying for 100% FYA)	<b>100%*</b>
Writing down allowance on expenditure not qualifying for AIA or FYA:	
Long-life assets, integral features of buildings, cars over 160g/km	<b>10%*</b>
Other plant and machinery	<b>20%*</b>
Industrial and agricultural buildings and hotels (on building cost)	<b>1%*</b>
Enterprise Zone allowance, conversion of parts of business premises into flats, business premises renovation: max initial allowance	<b>100%</b>

\* Transitional rules may apply

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### Value Added Tax

From	4 Jan 2011	1 Jan 2010
Standard rate	20%	17.5%
VAT fraction	1/6	7/47
Reduced Rate	5%	5%
Taxable Turnover Limits		
Registration - last 12 months or next 30 days over	£70,000 from 1 April 2010	
Deregistration - next 12 months under	£68,000 from 1 April 2010	
Cash accounting scheme - up to	£1,350,000	
Optional flat rate scheme - up to	£150,000	
Annual accounting scheme - up to	£1,350,000	

### VAT on fuel for private use in cars

Where businesses wish to reclaim the input VAT on fuel which has some degree of private use, they must account for output VAT on a scale charge.

The table shows the VAT chargeable for quarters commencing on or after 1 May 2010. The last column takes account of the change in the standard rate of VAT from 17.5% to 20% with effect from 4 January 2011.

CO <sub>2</sub> emissions (g/km)	Quarterly VAT	
	Fuel scale charge £	VAT on charge

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		£ (17.5%)	£ (20%)
120 and below	141	21.00	23.50
121 - 134	212	31.57	35.33
135 - 139	227	33.80	37.83
140 - 144	241	35.89	40.17
145 - 149	255	37.97	42.50
150 - 154	269	40.06	44.83
155 - 159	283	42.14	47.17
160 - 164	297	44.23	49.50
165 - 169	312	46.46	52.00
170 - 174	326	48.55	54.33
175 - 179	340	50.63	56.67
180 - 184	354	52.72	59.00
185 - 189	368	54.80	61.33
190 - 194	383	57.04	63.83
195 - 199	397	59.12	66.17
200 - 204	411	61.21	68.50
205 - 209	425	63.29	70.83
210 - 214	439	65.38	73.17
215 - 219	454	67.61	75.67
220 - 224	468	69.70	78.00
225 - 229	482	71.78	80.33
230 and above	496	73.87	82.67

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## Inheritance Tax

	2010/11	2009/10
Standard threshold	£325,000	£325,000
Combined threshold maximum for married couples and civil partners	£650,000	£650,000
<b>Rate of tax on balance:</b>		
Chargeable lifetime transfers	20%	20%
Transfers on, or within 7 years of, death	40%	40%

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. Tax attributable to such transfers is then reduced:

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 shareholdings in unquoted* companies	100%
- land, buildings, machinery, or plant used by transferor's controlled company or partnership	50%
<b>Agricultural property</b>	50% or 100%
*Unquoted companies include those listed on AIM	

### Main Exemptions

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1. Most transfers between spouses and civil partners.
2. The first £3,000 of lifetime transfers in any tax year plus any unused balance from previous year.
3. Gifts of up to but not exceeding £250 p.a. to any number of persons.
4. Gifts in consideration of marriage or civil partnership of: up to £5,000 by a parent, up to £2,500 by a grandparent, or up to £1,000 by any other person.
5. Gifts made out of income that form part of normal expenditure and do not reduce the standard of living.
6. Gifts to charities, whether made during lifetime or on death.

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## Vehicle Benefits

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

- [Car Benefit](#)
- [Car Fuel Benefits](#)
- [Company Vans](#)

### Car Benefit

The taxable benefit is calculated as a percentage of the list price of the car, on the day before it was first registered, plus certain accessories. This percentage depends upon the rate at which the car emits carbon dioxide (CO<sub>2</sub>), and the fuel type.

For cars which cannot produce CO<sub>2</sub> engine emissions under any circumstances when driven, the appropriate percentage is reduced to 0%, thereby reducing the car benefit charge to nil.

For cars emitting between 1 and 75g/km the appropriate percentage is reduced to 5% for 5 years from 6 April 2010.

You can find the appropriate percentage for 2010/11 using the following table:

CO <sub>2</sub> emissions (g/km)	Appropriate percentage	
	Petrol %	Diesel %
1 - 75	5	8
76 - 120	10	13

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121 - 134	15	18
135 - 139	16	19
140 - 144	17	20
145 - 149	18	21
150 - 154	19	22
155 - 159	20	23
160 - 164	21	24
165 - 169	22	25
170 - 174	23	26
175 - 179	24	27
180 - 184	25	28
185 - 189	26	29
190 - 194	27	30
195 - 199	28	31
200 - 204	29	32
205 - 209	30	33
210 - 214	31	34
215 - 219	32	35
220 - 224	33	35
225 - 229	34	35
230 and above	35	35

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

<ul style="list-style-type: none"> <li>• the car's V5 registration document</li> <li>• your dealer</li> <li>• the data pages of car magazines (current models)</li> </ul>	<ul style="list-style-type: none"> <li>• the Vehicle Certification Agency – <a href="http://www.vca.gov.uk">www.vca.gov.uk</a></li> <li>• the website of the Society of Motor Manufacturers and Traders - <a href="http://www.smmt.co.uk/co2/co2search.cfm">www.smmt.co.uk/co2/co2search.cfm</a></li> </ul>
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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%

### 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.

Fuel-Only Mileage Rates			
HMRC advisory mileage rates at the time of the Budget for employee private mileage reimbursement or employer reimbursement of business mileage in company cars are:			
	Petrol	Diesel	LPG
Up to 1400cc	12p	11p	8p
1401cc - 2000cc	15p	11p	10p
Over 2000cc	21p	16p	14p

The taxable car fuel benefit, for 2010/11, is calculated by multiplying £18,000 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 £21,000. It runs on petrol, and emits 177 g/km of CO<sub>2</sub>.

If we assume the driver pays tax at 40%, the 2010/11 tax bill on the car is: £21,000 x 24% x 40% = £2,016

If the employer provides **any** fuel used for private journeys and is not reimbursed for the cost, the 2010/11 tax bill for the fuel is: £18,000 x 24% x 40% = £1,728.

### Company vans

The taxable benefit for the unrestricted use of company vans is £3,000 (with no reduction for older vans) plus a further £550 of taxable benefit if fuel is provided by the employer for private travel.

Van and fuel charge	Van	Fuel	Total
Tax (20% taxpayer)	£600	£110	£710
Tax (40% taxpayer)	£1,200	£220	£1,420
Tax (50% taxpayer)	£1,500	£275	£1,775
Employer's class 1A NICs	£384	£70.40	£454.40

Van drivers can avoid a benefit charge if they agree not to use the van for personal journeys. Driving to and from work is acceptable so long as there is a reasonable amount of business use.

The flat rate of £3,000 is reduced to nil for vans which cannot produce CO<sub>2</sub> engine emissions under any circumstances when driven. There will be no fuel benefit for such vans.

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## Mileage Allowances

For Employees Using Their Own Transport		
The approved maximum tax free mileage allowances for employees using their own transport for business are as follows:		
Flat Rate	First 10,000 Miles	Thereafter
Car / Van	40p	25p
Motorcycle	24p	24p
Bicycle	20p	20p
Income Tax is due when allowances exceed these rates. Employees can claim tax relief on any shortfall.		

The approved national insurance free mileage allowances for employees using their own transport for business are as follows.

Vehicle Type	Rate per mile
Car / Van	40p
Motorcycle	24p
Bicycle	20p

Class 1 NICs are due on any excess of the total amount paid in the pay period over the NICs-free amount for the number of business miles travelled. There is no relief for payments less than the NICs-free amount.

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.

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<b>Fuel-Only Mileage Rates</b>			
HMRC advisory mileage rates at the time of the Budget for employee private mileage reimbursement or employer reimbursement of business mileage in company cars are:			
	<b>Petrol</b>	<b>Diesel</b>	<b>LPG</b>
Up to 1400cc	12p	11p	8p
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## National Insurance Contributions

Class 1 (not contracted out)	Employer	Employee
Payable on weekly earnings of		
Below £97 (lower earnings limit)	Nil	Nil
£97-£110 (earnings threshold)	0%	0%
£110.01 - £770 (upper accrual point)	12.8%	11%
£770.01 - £844 (upper earnings limit)	12.8%	11%
Over £844	12.8%	1%
Over state retirement age, the employee contribution is generally Nil		
<b>Class 1A (on relevant benefits)</b>	12.8%	Nil
<b>Class 1B (on PAYE settlement arrangement)</b>	12.8%	Nil
<b>Class 2 (Self employed)</b>	£2.40 per week	
Limit of net earnings for exception	£5,075 per annum	
<b>Class 3 (Voluntary)</b>	£12.05 per week	
<b>Class 4* (Self employed on profits)</b>		

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£5,715 - £43,875	8%
Excess over £43,875	1%
*Exemption applies if state retirement age was reached by 6 April 2010.	

**Note**

For those earning between £97 per week and £770 per week, employers receive a rebate of 1.4% on contracted out money purchase schemes or 3.7% on contracted out final salary schemes, and employees a rebate of 1.6% for either scheme.

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### Key Dates and Deadlines

Payment Dates	
Income Tax (including Class 4 NIC)	
31 July 2010	2009/10 second payment on account
31 January 2011	2009/10 balancing payment, and 2009/10 first payment on account
31 July 2011	2010/11 second payment on account
31 January 2012	2010/11 balancing payment, and 2011/12 first payment on account
Class 1A NICs	
19 July 2010	2009/10 payment due
Capital Gains Tax	
31 January 2011	2009/10 Capital Gains Tax
31 January 2012	2010/11 Capital Gains Tax
Corporation Tax	
9 months and one day after the end of the accounting period	
Inheritance Tax	
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.	
For chargeable lifetime transfers between 1 October and 5 April, due date is six months after the end of the month in which the transfer was made.	

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Latest Filing/Issuing Deadlines - 2009/10 PAYE Returns	
6 July 2010	P9D, P11D and P11Db - also issue copies to employees Form 42 (reporting of employment-related securities)
2010 Self Assessment Tax Return (SATR)	
31 October 2010	Last filing date - SATR Paper Version
30 December 2010	SATR Online if outstanding tax (less than £2,000) to be included in 2011-12 PAYE code
31 January 2011	Last filing date - SATR Online

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## Pension Premiums

There is no financial limit on the amount that may be contributed to a registered pension scheme. The maximum amount on which an **individual** can claim tax relief in any tax year is the greater of the individual's UK relevant earnings or £3,600.

If **total pension input** exceeds the **annual allowance** of £255,000 there is a tax charge at 40% on the excess. This limit does not apply in the year that full pension benefits are taken.

Maximum age for tax relief	74
Minimum age for taking benefits	55
Lifetime allowance charge – lump sum paid	55%
– monies retained	25%
on cumulative benefits exceeding	£1,800,000
Maximum tax-free lump sum	25%*

\*Subject to transitional protection for excess amount.

A charge may apply in respect of contributions where an individual has relevant income of £130,000 or more.

Note - Total pension input is the increase in value of the aggregate of all the individual's pension savings. The pension input period is usually the year to the anniversary date which falls within the relevant tax year.

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## Charitable Giving

### Gift Aid

1. 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.
2. Special tax reliefs apply to gifts to charities of certain types of shares and securities, or land and buildings.
3. Self-assessment now allows individuals to divert some or all of any tax repayment due to them for the year to a charity of their choosing, and to opt for this to be treated as a Gift Aid payment, both via entries on the tax return.
4. Individuals have the opportunity to make a claim for charitable donations made in one tax year to be treated as if they had been made in the previous tax year. For example, a request could be made for Gift Aid payments made between 6 April 2010 and the date that the 2010 return is filed to be treated as if they were made in the year to 5 April 2010. This would mean that a payment could rank for higher rate tax relief for 2009/10, even if the donor is liable at basic rate only in 2010/11. The request would normally be made by completing the relevant box in the 2010 tax return, and the opportunity to carry back donations is lost once that return has been filed (provided this is no later than 31 October 2010 or 31 January 2011, as appropriate). It is not possible to amend the 2010 tax return in order to carry back a donation.

### 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.

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## Savings and Investments

### ISAs

Individual Savings Accounts (ISAs)	
Overall investment limit	£10,200
Including cash maximum of	£5,100

### Notes

1. Investments in ISAs are free of income tax and capital gains.
2. Those aged 16-17 can invest in a cash ISA.
3. ISAs allow you to take your money out at any time without losing tax relief and furthermore you are not required to declare income and capital gains from ISA savings.

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### Some Useful Rates

	Weekly Benefit	
	2010/11	2009/10
<b>Basic Retirement Pension</b>		
Single person	£97.65	£95.25
Couple	£156.15	£152.30
<b>Child Benefit</b>		
First eligible child	£20.30	£20.00
Each subsequent child	£13.40	£13.20
<b>Statutory Sick Pay (SSP)</b>		
Average weekly earnings £97 or over (2009/10 £95)	£79.15	£79.15
<b>Statutory Maternity Pay (SMP)</b>		
90% of average weekly pay	First 6 weeks	First 6 weeks
Maximum £124.88 (2009/10 £123.06). Minimum 90% average weekly pay	Next 33 weeks	Next 33 weeks
Minimum rate	£87.30	£85.50
<b>Adoption Pay (SAP)</b>		
	39 weeks	39 weeks
<b>Paternity Pay (SPP)*</b>		
	2 weeks	2 weeks
<b>Both SAP and SPP</b>		

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- Stamp Taxes

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- Proposed Changes for 2011-12 and Beyond

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90% of average weekly pay		Max £124.88 Min £87.30	Max £123.06 Min £85.50
<b>Example rates:</b>			
<b>Jobseekers Allowance</b>			
Single person		£65.45	£64.30
Couple		£102.75	£100.95
<b>National Minimum Wage</b>		<b>From 1 October 2010</b>	<b>From 1 October 2009</b>
	22 and over**	£5.93 p.h.	£5.80 p.h.
	18 - 21**	£4.92 p.h.	£4.83 p.h.
	16 and 17	£3.64 p.h.	£3.57 p.h.
* Additional statutory paternity pay (ASPP) may be available on or after 3 April 2011.			
** Those aged 21 and over are included in the main adult rate from 1 October 2010. Apprentice rate of £2.50 also introduced from this date, applying to apprentices under 19, or those 19 and over in the first year of apprenticeship.			

# TAX RATES AND ALLOWANCES

## 2010/11 *(updated following June Emergency Budget)*



- Introduction

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- Income Tax

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- Capital Gains Tax

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- Vehicle Benefits

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- Key Dates & Deadlines

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## Stamp Taxes

The rate of stamp duty / stamp duty reserve tax on the transfer of shares and securities is generally payable at 0.5 per cent.

## Stamp Duty Land Tax

Transfers of property are subject to stamp duty land tax at the following rates:	
Value up to £125,000*	Nil
Over £125,000* to £250,000	1%**
Over £250,000 to £500,000	3%
Over £500,000	4%
* £150,000 for non-residential property and residential property in disadvantaged areas. Special rules apply for new zero-carbon homes.	
** First time buyers nil.	

## New Leases

Duty is charged according to the net present value of all the rental payments over the term of the lease (NPV), with a single rate of 1% on residential NPV's over £125,000 and on non-residential NPV's over £150,000.

VAT is excluded from treatment as consideration provided the landlord has not opted to charge VAT by the time the lease is granted.

## Lease premiums

# TAX RATES AND ALLOWANCES

## 2010/11 *(updated following June Emergency Budget)*



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- Key Dates & Deadlines

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## Proposed Changes for 2011-12 and Beyond

**Income tax** personal allowance for under 65s is set to increase by £1,000 to £7,475 in 2011-12. The basic rate band will be reduced so that higher rate tax payers do not benefit from the increase in the personal allowance.

**National insurance contributions** – All Class 4 and Class 1 rates will increase by 1%. The lower profits limit and the employees' earnings threshold will rise. The employers' earnings threshold will rise by an extra £21 per week above indexation. The upper earnings and profits limits will be reduced to maintain the alignment with the income tax basic rate limit.

**Corporation tax** main rate will be reduced to 27% for the year to 31 March 2012, reducing at 1% per annum to 24% by 1 April 2014. The small profits rate will be reduced to 20% from 1 April 2011.

**Basic state pension** will be uprated by a triple guarantee of earnings, prices or 2.5%, whichever is the highest.

The rates of **Child Benefit** will be frozen for 3 years.

The **ISA** limits will be increased in line with the Retail Price Index.

**Capital allowances** - from April 2012 annual investment allowance (AIA) reduces to £25,000, the 20% rate reduces to 18% and the 10% rate reduces to 8%.

**Pensions** – introduction of high income excess relief charge to be dropped and replaced with reduced annual allowance.

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- Stamp Taxes

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- Proposed Changes for 2011-12  
and Beyond
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