

Taxation and Allowances Guide 2012/13

Income tax

Bands	2012/13	2011/12
The first: £0-£34,370 (£0-£35,000)	20%	(20%)
£34,371-£150,000 (£35,001-£150,000)	40%	(40%)
Over: £150,000 (£150,000)	50%	(50%)

Dividends are taxed at 10% (10%), 32.5% (32.5%) or 42.5% (42.5%) as the top slice of total income.

Other savings income, primarily bank and building society interest, is taxed at 10 up to £2,710 (£2,560). This 10% rate is not available if taxable non-savings income exceeds £2,710 (£2,560).

There are special rules for trusts, and also for individuals with income assessable on the remittance basis.

From 6 April 2013, the 50% rate of income tax is expected to reduce to 45%. From 7 January 2013, an additional tax charge will apply to claw back child benefit where one income in a household exceeds £50,000.

Personal allowances

	2012/13	2011/12
Personal	£8,105	(£7,475)
Income limit for personal allowance (a)	£100,000	(£100,000)
Age allowance (age at end of tax year) (b):		
Personal: age 65-74	£10,500	(£9,940)
Personal: age 75 or over	£10,660	(£10,090)
Married couple's (c)	£7,705	(£7,295)
Income limit for age allowances	£25,400	(£24,000)
Blind person's allowance	£2,100	(£1,980)

- (a) The personal allowance is reduced by £1 for each £2 by which income exceeds £100,000, irrespective of age.
- (b) Age-related allowances first reduce by £1 for each £2 by which income exceeds the income limit, reducing to a minimum of the personal allowance. Such allowances can be reduced further under (a).
- (c) Relief is limited to 10%, and extends to civil partnerships. At least one spouse/partner must have been born before 6 April 1935. The allowance is reduced where income exceeds the income limit, subject to an absolute minimum of £2,960 (£2,800). In certain circumstances couples may determine how the allowance may best be used.

Pensions

	2012/13	2011/12
Lifetime allowance (a)	£1,500,000	(£1,800,000)
Equivalent to defined benefit pension	£90,000	(£90,000)
Maximum contribution annual allowance (b)	£50,000	(£50,000)
Tax on excess Marginal rate (marginal rate)		
Normal minimum pension age	55	(55)

- (a) Special rules can apply to individuals with larger benefits at 5 April 2006, and for those with benefits over £1,500,000 on 5 April 2012. Excess over the lifetime allowance may be subject to a 25% charge plus income tax on balances drawn, or 55% for lump sum benefits.
- (b) Unused allowances from the previous three years (by reference to a limit of £50,000 p.a.) may be carried forward, potentially increasing the current year's allowance in 2012/13 and subsequent tax years.

Company cars – annual benefits

The annual benefit is a percentage of list price, with the percentage dependent on the level of CO2 emissions. The minimum benefit is **5%** for emissions of **75g/km or less**. For emissions of over **75 and up to 99g/km**, the rate is **10%**. For emissions of **100-104g/km**, the rate is **11%** and increases by **1%** for each additional full 5g/km up to a maximum charge of **35%** for emissions of **220g/km** or more. Emission levels are rounded down to the nearest multiple of five. List price includes certain accessories, but is reduced for capital contributions of up to **£5,000**.

There is a diesel supplement of **3%** for all bands, subject to a maximum charge of **35%**.

For vans, the taxable benefit for significant private use is **£3,000** (£3,000). The benefit charge for electric cars and vans is nil until 5 April 2015. Fuel: if fuel is provided for private use in a company car, the car benefit percentage is applied to **£20,200** (£18,800).

The benefit for fuel provided for a van with significant private use is **£550** (£550).

National insurance contributions (NIC)

Class I employees:

Weekly earnings	Contracted in	Contracted out
Up to £107 (£102)	Nil (nil)	Nil (nil)
£107.01-£146 (£102.01-£139)	Nil (nil) Rebate	1.4% (1.6%)
£146.01-£770 (£139.01-£770)	n/a 10.6%	(10.4%)
£770.01-£817 (£770.01-£817)	n/a	12% (12%)
£146.01-£817 (£139.01-£817)	12%	(12%) n/a
Over £817 (over £817)	2% (2%)	2% (2%)

Class I employers:

Weekly earnings	Contracted in	Contracted out
Up to £107 (£102)	Nil (nil)	Nil (nil)
£107.01-£144 (£102.01-£136)	Nil (nil)	Rebate 3.4% (3.7%)
£144.01-£770 (£136.01-£770)	n/a 10.4%	(10.1%)
£770.01-£817 (£770.01-£817)	n/a 13.8%	(13.8%)
£144.01-£817 (£136.01-£817)	13.8%	(13.8%) n/a
Over £817 (over £817)	13.8% (13.8%)	13.8% (13.8%)

Other:

- Class IA** (employers only): **13.8%** (13.8%) based on the amounts of taxable benefits.
- Class IB** (employers only): **13.8%** (13.8%) in respect of amounts in a PAYE settlement agreement and the income tax thereon.
- Class 2** (flat rate for self-employed): **£2.65** (£2.50) per week.
- Class 3** (voluntary): **£13.25** (£12.60) per week.
- Class 4** (self-employed): **9%** (9%) of profits between **£7,605** (£7,225) and **£42,475** (£42,475) per annum and **2%** (2%) on profits above **£42,475** (£42,475).

Bank levy

Annual tax on certain short-term chargeable liabilities and long-term chargeable equity and liabilities above an aggregate of £20 billion of most UK based banks.

Short-term liabilities	0.078%
Long-term equity and liabilities	0.039%
Lower rates applied prior to 1 January 2012.	

From 1 January 2013, the rates will increase to 0.105% and 0.0525% for short-term liabilities and long-term equity and liabilities respectively.

Insurance premium tax

Standard rate	6%
Higher rate	20%

Capital gains tax

	2012/13	2011/12
For standard rate taxpayers	18%	(18%)
For trustees and higher/additional rate taxpayers	28%	(28%)
Annual exempt amount – individuals	£10,600	(£10,600)
Annual exempt amount – trusts	£5,300	(£5,300)
Entrepreneurs' relief lifetime limit	£10,000,000	(£10,000,000)
Entrepreneurs' rate	10%	(10%)

Inheritance tax

Nil rate band: up to £325,000	(£325,000) – 0%	(0%)
Over £325,000	(£325,000) – 40%	(40%).

Reduced charge on lifetime gifts within seven years of death applies.
A surviving spouse or civil partner may claim the unused proportion of an earlier deceased spouse's or civil partner's nil rate band up to the current nil rate band.

From 6 April 2012, a reduced rate of **36%** applies when **10%** or more of a net estate is left to charity.

Tax-efficient investments

	2012/13	2011/12
ISA investment limit	£11,280	(£10,680)
Cash ISA maximum investment	£5,640	(£5,340)
Junior ISA investment limit cash or shares (a)	£3,600	(£3,600)

(a) From 1 November 2011, for children aged under 18 without a Child Trust Fund.

Venture capital trusts (VCTs): income tax relief at up to **30%** on investment up to **£200,000**.

Enterprise investment scheme (EIS): income tax relief at up to **30%** on qualifying share subscription between **£500** and **£1,000,000** (£500,000).

Seed enterprise investment scheme (SEIS): income tax relief of **50%** on investment up to **£100,000**, together with rollover of gains made in 2012-13 into the subscription.

Corporation tax

From 1 April	2012	2011
Small profits rate	£0-£300,000 20%	(£0-£300,000 20%)
Marginal rate	£300,001-£1,500,000	25% (£300,001-£1,500,000 27.5%)
Main rate (a)	Over £1,500,000 24%	(Over £1,500,000 26%)

(a) The main rate will further decrease by 1% in each year until financial year 2014 when the main rate will be 22%.

Capital allowances

Expenditure on:	2012/13	2011/12
Plant and machinery: (a)	18%	(20%)
Plant and machinery in certain enterprise zones	100%	(n/a)
Motor cars on or after April 2009 – CO2 emissions < 110g/km	100%	(100%)
110g/km-160g/km (a)	18%	(20%)
> 160g/km (a)	8%	(10%)
Motor cars pre April 2009 (a) (b)	18%	(20%)
New and unused zero emission goods vehicles	100%	(100%)
Long life assets/integral features in buildings (a)	8%	(10%)
Patent rights and know-how (a) (c)	25%	(25%)
Mines, oil wells, mineral rights (a) (d)	25%	(25%)
Research and development	100%	(100%)
Energy-saving and water efficient plant and machinery	100%	(100%)
Renovation of premises (disadvantaged areas)	100%	(100%)

There is a 100% annual investment allowance on the first £25,000 (£100,000), per group of companies or related entities, of capital expenditure on plant and machinery including long life assets and integral features, but excluding cars.

- (a) These allowances are given on a reducing balance basis.
(b) Subject to a maximum allowance of £3,000 p.a. per vehicle.
(c) For expenditure from April 2002 accounting write downs (and not capital allowances) are allowable deductions for tax.
(d) Acquisition of mineral deposits and rights qualify for 10% p.a.

Stamp duties

	2012/13	2011/12
Stamp duty land tax on non-residential land and buildings (a) (b):		
£0-£150,000	0%	(0%)
£150,001-£250,000 (£150,001-£250,000)	1%	(1%)
£250,001-£500,000 (£250,001-£500,000)	3%	(3%)
Over £500,000 (over £500,000)	4%	(4%)
Stamp duty land tax on residential land and buildings (a) (b) (c):		
£0-£125,000 (£0-£125,000) (d) (e)	0%	(0%)
£125,001-£250,000 (£125,001-£250,000) (d) (e)	1%	(1%)
£250,001-£500,000 (£250,001-£500,000)	3%	(3%)
£500,001-£1,000,000 (£500,001-£1,000,000)	4%	(4%)
£1,000,001-£2,000,000 (over £1,000,000)	5%	(5%)
Over £2,000,000 (f)	7%	(5%)

- (a) All figures are calculated inclusive of any VAT. Rates apply to the full amount.
(b) On leases, the rate is (broadly) 1% of the discounted rental values under the lease over the £150,000/£125,000 limit.
(c) For new zero carbon homes, including flats, the 0% threshold extends to £500,000 until 30 September 2012; for such properties over £500,000 there is a £15,000 reduction.
(d) For residential property in disadvantaged areas, the 0% threshold extends to £150,000.
(e) The 0% threshold extended to £250,000 for first time buyers only for purchases where the date of completion was between 25 March 2010 and 24 March 2012.
(f) Rate applies from 22 March 2012. Where residential property over £2 million is purchased by a company (or similar entity), a 15% rate applies.

Stamp duty – shares and securities	0.5%	(0.5%)
Stamp duty reserve tax	0.5%/1.5%	(0.5%/1.5%)

Value added tax

Standard rate	20%
Lower rate	5%
Zero rate	0%

Registration threshold (changes from 1 April 2012): taxable supplies at the end of any month exceed **£77,000** (£73,000) in the past 12 months, or will at any time exceed **£77,000** (£73,000) in the next 30 days. These thresholds also apply for supplies from other EU Member States.

Air passenger duty

Air passenger duty is a departure tax levied on air travel. Rates per passenger:

	Reduced rate	Standard rate
From 1 April 2012 (a)		
Band A (0-2,000 miles from London) (b)	£13 (£12)	£26 (£24)
Band B (2,001-4,000 miles from London)	£65 (£60)	£130 (£120)
Band C (4,001-6,000 miles from London)	£81 (£75)	£162 (£150)
Band D (over 6,000 miles from London)	£92 (£85)	£184 (£170)

- (a) Flights from airports in the Scottish Highlands and Islands are exempt.
(b) Includes all long haul flights from Northern Ireland.

Climate change levy

Electricity 0.509p (0.485p) per kWh **Gas** 0.177p (0.169p) per kWh
Coal, lignite, coke and semi-coke 1.387p (1.321p) per kg **Liquid petroleum gas** 1.137p (1.083p) per kg

Climate change levy is a single stage tax on supplies of various fuels to industrial and commercial consumers.

Landfill tax

	2012/13	2011/12
Standard rate	£64/tonne	(£56/tonne)
Lower rate	£2.50/tonne	(£2.50/tonne)
The lower rate applies to inactive waste.		