

# Tax Rates 2007-2008

Keep up to date with tax developments and changes to legislation by signing up to receive our regular Business Alerts. For more information, go to the News & Views area on [www.scott-moncrieff.com](http://www.scott-moncrieff.com) and click on Business Alerts.

## Edinburgh

17 Melville Street  
Edinburgh EH3 7PH  
Telephone 0131 473 3500  
Fax 0131 473 3535

## Glasgow

25 Bothwell Street  
Glasgow G2 6NL  
Telephone 0141 567 4500  
Fax 0141 567 4535

Scott-Moncrieff ([www.scott-moncrieff.com](http://www.scott-moncrieff.com)) one of Scotland's leading independent professional services firms, provides audit, tax, business advisory and corporate consulting services for commercial, public sector, not-for-profit and private clients.

© Scott-Moncrieff Chartered Accountants 2007.

'Scott-Moncrieff' refers to Scott-Moncrieff Chartered Accountants, a member of Moore Stephens International Limited, a worldwide network of independent firms. Scott-Moncrieff Chartered Accountants is registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants of Scotland.

We believe the information in Tax Rates 2007/08 to be correct at the time of going to press, but we cannot accept any responsibility for any loss occasioned to any person as a result of action or refraining from action as a result of any item herein. The provisions announced in the Budget may be subjected to amendment during the passage or the Finance Bill 2007 through Parliament. 21 March 2007

## Business tax

### Corporation tax

Taxable profits (£)	Y/e 31.3.2008	Y/e 31.3.2007
1 to 300,000	20.00%	19.00%
300,001 to 1,500,000	32.50%	32.75%
Over 1,500,000	30.00%	30.00%
Marginal relief fractions:		
300,001 to 1,500,000	1/40	11/400

### Capital allowances

First year allowances	2007/08 %	2006/07 %
Small-sized business, plant & machinery	50	50
Medium-sized business, plant & machinery	40	40

First year allowances of 100% are available to all sizes of business in respect of specified types of expenditure.

Writing-down allowances	2007/08 %	2006/07 %
Long life plant and machinery	6 p.a. (1)	6 p.a. (1)
Plant and machinery for overseas leasing	10 p.a. (1)	10 p.a. (1)
Other plant and machinery	25 p.a. (1)(3)	25 p.a. (1)(3)
Industry/agricultural buildings, hotels & sports pavilions	4 p.a. (2)	4 p.a. (2)

Notes: (1) Reducing balance (2) Straight-line (3) For cars costing over £12,000, the allowance is limited to £3,000 p.a., unless low-emission.

## Indirect taxes

### Value added tax

	2007/08	2006/07
Standard rate	17.5%	17.5%
Annual turnover limits: Registration	£64,000	£61,000
Annual turnover limits: De-registration	£62,000	£59,000

### Stamp duty on sales

Intellectual property	NIL
Goodwill	NIL
Chattels	NIL
Shares and securities	0.5%

### Land, and lease premiums:

Residential:	
£125,000 or less (from 22 March 2006)	NIL*
£125,001-£250,000 (from 22 March 2006)	1%
£250,001-£500,000	3%
Over £500,000	4%
Non-residential or mixed:	
£150,000 or less	NIL*
£150,000-£250,000	1%
£250,001-£500,000	3%
Over £500,000	4%

Lease rentals (on grant): the current formula is in FA 2003, Sch 5

Notes: \* 1% on grant of lease, if rent exceeds £600 p.a., and net present value exceeds £125,000.

# Personal tax

## Income tax rates

Year	Taxable income (£)	Rate (%)	Cumulative tax (£)
2007/08	Up to 2,230	10	223
	2,231 to 34,600	22*	7,344
	Over 34,600	40	
2006/07	Up to 2,150	10	215
	2,151-33,300	22*	7,068
	Over 33,300	40	

Certain trusts taxed at 40%

\* Savings income taxable at 20% for basic rate payers

## Allowances and reliefs

	2007/08		2006/07	
Personal allowance (£)	5,225		5,035	
Blind person's allowance (£)	1,730		1,660	
<b>Age allowance</b>	<b>65-74</b>	<b>75+</b>	<b>65-74</b>	<b>75+</b>
Personal (£)	7,550	7,690	7,280	7,420
Married couples (£)	6,285*	6,365*	6,065*	6,135*
Income limit (£)	20,900	20,900	20,100	20,100

\* Tax relief restricted to 10%. One spouse must be 70 or more.

## Capital gains tax

	2007/08		2006/07	
Rates (individuals)	10%/20%/40%		10%/20%/40%	
Rate (UK trusts)	40%		40%	
Individual annual exemption	9,200		8,800	
Trusts annual exemption	4,600		4,400	

## Capital gains taper relief – Disposals after 5.4.2002:

Complete years of ownership after 5.4.98	Business assets		Non-business assets**	
	% of gain chargeable	Effective tax rate*(%)	% of gain chargeable	Effective tax rate*(%)
0	100	40	100	40
1	50	20	100	40
2	25	10	100	40
3	25	10	95	38
	No further reductions		Reduces by 5% p.a. until:	Reduces by 2% p.a. until:
10 or more	25	10	60	24

\* For higher rate payer

\*\* Add 1 bonus year if asset held at 17 March 1998

## Inheritance tax

Tax rate on death	2007/08	2006/07
Nil	£0-300,000	£0-285,000
40%	Over £300,000	Over £285,000

## Lifetime gifts

Most lifetime gifts are only charged to inheritance tax if made within 7 years before the donor's death. Subject to the nil rate band they are charged on the following scale:

Years before death	0-3	3-4	4-5	5-6	6-7
% of death charge	100	80	60	40	20
% effective rate	40	32	24	16	8

Certain other lifetime gifts (e.g. to discretionary trusts) are, subject to the nil rate band, chargeable at half the death rate increasing on the above scale on death within 5 years.

## National insurance contributions: From 6.4.2007

### Class 1 (employment) Employee's rates

Weekly earnings (£)	Not contracted out	Contracted out
First 87		NIL
88 to 100		NIL
101 to 670	11%	9.4%*
Earnings over 670	1%	1%

### Employer's rates

Weekly earnings (£)	Not contracted out	Contracted out	
		(1)	(2)
First 87		NIL	NIL
88 to 100		NIL	NIL
100 to 670	12.8%	9.3%**	11.8%***
Earnings over 670	12.8%	12.8%	12.8%

(1) Contracted out salary related schemes. (2) Contracted out money purchase schemes.

\*Employee's rebate 1.6%. \*\*Employer's rebate 3.7%. \*\*\* Employer's rebate 1.4%.

Class 1A (employer)

12.8% on most benefits in kind not within class 1.

Class 2 (self-employed)

Flat rate £2.20 p.w.

Class 3 (non-employed)

Voluntary. Flat rate £7.80 p.w.

Class 4 (self-employed)

8% on annual profits between £5,225 and £34,840

1% on annual profits above £34,840

## Registered pension contributions: tax relief

Employee contributions are limited to the higher of £3,600 and 100% of relevant UK earnings.

Employer contributions are not subject to such limits.

The combined annual total is capped at £225,000 for 2007/08.

The lifetime allowance at 2007/08 is £1,600,000.

## Venture capital trusts (VCTs)

	2007/08	2006/07
Investment qualifying for income tax relief	£200,000	£200,000
Income tax relief	30%	30%
Tax on dividends	NIL	NIL
Capital gains tax on VCT shares	NIL	NIL
Capital gains deferral by VCT investment	NIL	NIL

## Car benefits 2005/06 to 2007/08

### Petrol and diesel cars with approved CO<sup>2</sup> emissions registered after 31 December 1997\*\*

2005/06 to 2007/08	Price % taxable*	
CO <sup>2</sup> emissions (gms/km)	Petrol	Diesel***
140	15	18
145	16	19
Tax charge increases by 1% per each additional 5 gms/km until:		
220	31	34
225	32	35
230	33	35
235	34	35
240	35	35

Cars built by manufacturers after 31 December 1999 will have approved CO<sup>2</sup> emissions figures.

### Other cars

Reduced percentages apply to cars powered by gas or electricity and vary according to whether the car is purpose built or converted.

\* "Price" is normally UK list price on first registration, subject to £80,000 maximum, but for classic cars market value may apply if higher.

\*\*Price % taxable for petrol and diesel cars with no approved CO<sup>2</sup> emissions figure (registered before 1 January 1998, and certain custom cars and private imports) depends on engine size, petrol or diesel, and date first registered.

\*\*\*Diesel cars with Euro 4 approved engines - use petrol percentages, if registered before 1 January 2006.

## Car fuel benefits

	2007/08	2006/07
Same % used to calculate the car benefit	£14,400	£14,400

## Approved mileage rates (employee's own vehicle)

Rate per mile	2007/08	2006/07
Car or van: First 10,000 miles	40p	40p
Car or van: over 10,000 miles	25p	25p
Motorcycle	24p	24p
Bicycles	20p	20p
Additional passenger payment	5p	5p

Employer's payments for business use are free of tax and NIC if they do not exceed the above rates.

## Enterprise investment scheme (EIS)

	2007/08	2006/07
Investment qualifying for income tax relief	£400,000	£400,000
Income tax relief	20%	20%
Capital gains tax on EIS shares	NIL	NIL
Capital gains deferral by EIS investment	Unlimited	Unlimited

## Individual savings accounts (ISAs)

Maximum annual contributions up to £7,000 in total, but invest no more than £3,000 in cash.