



SCOTT-MONCRIEFF

EDINBURGH AND GLASGOW

## Tax Rates 2008-2009



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We believe the information in Tax Rates 2008/09 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 of the Finance Bill 2008 through Parliament. 12 March 2008

# Personal tax

## Income tax rates

Year	Taxable income (£)	Rate (%)	Cumulative tax (£)
2008/09	Up to 34,800	20**	6,960
	Over 34,800	40	
2007/08	Up to 2,230	10	223
	2,231 to 34,600	22*	7,344
	Over 34,600	40	

Certain trusts taxed at 40%

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

\*\* Savings income up to £2,320, taxable at 10%

## Allowances and reliefs

	2008/09		2007/08	
Personal allowance (£)	6,035		5,225	
Blind person's allowance (£)	1,800		1,730	
<b>Age allowance</b>	<b>65-74</b>	<b>75+</b>	<b>65-74</b>	<b>75+</b>
Personal (£)	9,030	9,180	7,550	7,690
Married couples (£)	6,535*	6,625*	6,285*	6,365*
Income limit (£)	21,800	21,800	20,900	20,900

\*Tax relief restricted to 10%. One spouse must be born before 6 April 1935.

## Capital gains tax

	2008/09		2007/08	
Rates (individuals)	18%		10%/20%/40%	
Rate (UK trusts)	18%		40%	
Individual annual exemption	9,600		9,200	
Trusts annual exemption	4,800		4,600	

## Capital gains taper relief† – Disposals 6.4.02 to 5.4.08:

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

† Abolished for disposals after 5 April 2008. Entrepreneurs' Relief on disposals of a business after 5 April 2008 is 4/9 of the gains up to £1 million (effective rate 10%)

## Inheritance tax

Tax rate on death	2008/09		2007/08	
Nil	£0-312,000*		£0-300,000*	
40%	Over £312,000		Over £300,000	

\* Deaths after 8 October 2007: may be increased by unused proportion attributable to predeceased spouse.

## 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 to relevant property 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 6.4.08

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

Weekly earnings (£)	Not contracted out	Contracted out
First 90		NIL
91 to 105		NIL*
106 to 770	11%	9.4%
Earnings over 770	1%	1%

### Employer's rates

Weekly earnings (£)	Not contracted out	Contracted out	
		(1)	(2)
First 90		NIL	NIL
91 to 105		NIL**	NIL***
105 to 770	12.8%	9.1%	11.4%
Earnings over 770	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 £2.30 p.w.

Class 3 (non-employed) Voluntary. Flat rate £8.10 p.w.

Class 4 (self-employed) 8% on annual profits between £5,435 and £40,040  
1% on annual profits above £40,040

## 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 £235,000 for 2008/09.

The lifetime allowance at 2008/09 is £1,650,000.

## Venture capital trusts (VCTs)

	2008/09	2007/08
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

# Personal tax

## Car benefits 2008/09

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

CO <sup>2</sup> emissions (gms/km)	Price* percentage taxable	
	Petrol	Diesel***
120 or lower	10	13
121	15†	18
140	16†	19
145	17†	20
Tax charge increases by 1% per each additional 5 gms/km until:		
215	31†	34
220	32†	35
225	33†	35
230	34†	35
235	35†	35

\* "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.

† Reduce by 2 if car runs on E85 fuel.

## Other cars

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

## Car fuel benefits (not electric cars)

	2008/09	2007/08
Same % used to calculate the car benefit	£16,900	£14,400

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

Rate per mile	2008/09	2007/08
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)

	2008/09	2007/08
Investment qualifying for income tax relief	£500,000	£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 to 2008/09: Up to £7,200 in total, but invest no more than £3,600 in cash.

# Business tax

## Corporation tax

Taxable profits (£)	Y/e 31.3.2009	Y/e 31.3.2008
1 to 300,000	21.00%	20.00%
300,001 to 1,500,000	29.75%	32.50%
Over 1,500,000	28.00%	30.00%
Marginal relief fractions:		
300,001 to 1,500,000	7/400	1/40

## Capital allowances

First year allowances	2008/09 %	2007/08 %
All businesses, Plant & Machinery, first £50,000	100	-
Small-sized business, plant & machinery	Nil	50
Medium-sized business, plant & machinery	Nil	40

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

Writing-down allowances	2008/09 %	2007/08 %
Integral fixtures	10 p.a. (1)	25 p.a. (1)
Long life plant and machinery	10 p.a. (1)	6 p.a. (1)
Plant and machinery for overseas leasing		10 p.a. (1)
Other plant and machinery	20 p.a. (1)	25 p.a. (1)(3)
Industry/agricultural buildings, hotels & sports pavilions	3 p.a. (2)	4 p.a. (2)

Notes: (1) Reducing balance (2) Straight-line. Phased abolition by 2010/11 (3)

For cars costing over £12,000, the allowance is limited to £3,000 p.a., unless low-emission.

# Indirect taxes

## Value added tax

	2008/09	2007/08
Standard rate	17.5%	17.5%
Annual turnover limits: Registration	£67,000	£64,000
Annual turnover limits: De-registration	£65,000	£62,000

## Stamp taxes on sales

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

## Land and lease premiums:

<b>Residential:**</b>	
£125,000 or less	NIL
£125,001-£250,000	1%
£250,001-£500,000	3%
Over £500,000	4%
<b>Non-residential or mixed:**</b>	
£150,000 or less	NIL
£150,000-£250,000	1%
£250,001-£500,000	3%
Over £500,000	4%

Lease rentals (on grant): The Net Present Value (NPV) is charged at 1% on the excess over £125,000 for residential, and 1% on the excess over £150,000 for non-residential.

Notes: \* From 12 March 2008, for new leases, rates on premiums are the same as for land. \*\* From 12 March 2008, special rules apply to rates on premiums where annual rent exceeds £1,000.