

# Howard Watson Smith & Co.

Chartered Accountants  
Milton Keynes

## Tax Rates 2004/05



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## INCOME TAX RATES

2004/05		2003/04	
Band	Rate	Band	Rate
£	%	£	%
0 - 2,020	10	0 - 1,960	10
2,021 - 31,400	22*	1,961 - 30,500	22*
Over 31,400	40**	Over 30,500	40**

\* Except dividends (10%) and savings income (20%).

\*\* Except dividends (32.5%).

Other income taxed first, then savings income and finally dividends.

## INCOME TAX RELIEFS

		2004/05	2003/04
		£	£
Personal allowance	- under 65	4,745	4,615
	- 65 - 74*	6,830	6,610
	- 75 and over*	6,950	6,720
Married couple's allowance (relief at 10%)	- aged less than 75 and born before 6.4.35*	5,725	5,565
	- 75 and over*	5,795	5,635
	- min. amount	2,210	2,150
*Age allowance income limit		18,900	18,300
(reduce age allowance by £1 for every £2 of excess income over £18,900)			
Blind person's allowance		1,560	1,510

## TAX CREDITS

	2004/05	2003/04
	£	£
<b>Working tax credit (WTC)</b>		
Basic element		
- max.	1,570	1,525
Childcare element		
70% of eligible costs to a max. of £135 per week (£200 if two or more children)		
<b>Child tax credit (CTC)</b>		
Child element		
per child - max.	1,625	1,445
Family element	545	545
Baby addition	545	545

### Reductions in maximum rates

37% of income above £5,060\* p.a.

\*If only CTC is claimed, the threshold is £13,480 p.a. (£13,230). The family element of CTC is not reduced unless income is more than £50,000 p.a. when it is reduced by £1 for every £15 of additional income.

## PENSION PREMIUMS

	% of Net Relevant Earnings (NRE) 2004/05 and 2003/04	
Age at the beginning of the tax year	*Personal Pensions (including stakeholder)	Retirement Annuities
35 or less	17.5	17.5
36 - 45	20	17.5
46 - 50	25	17.5
51 - 55	30	20
56 - 60	35	22.5
61 - 74	40	27.5

\*Maximum contributions 2004/05 and 2003/04: higher of

- £3,600 (gross)

- % of NRE capped at £102,000 in 2004/05 (2003/04 £99,000)

## CAR AND FUEL BENEFITS

### Company cars 2004/05

CO <sub>2</sub> emissions (g/km) <small>(round down to nearest 5g/km)</small>	% of car's list price taxed	Fuel benefit (£14,400 x %) £
145	15	2,160
150	16	2,304
155	17	2,448
160	18	2,592
165	19	2,736
170	20	2,880
175	21	3,024
180	22	3,168
185	23	3,312
190	24	3,456
195	25	3,600
200	26	3,744
205	27	3,888
210	28	4,032
215	29	4,176
220	30	4,320
225	31	4,464
230	32	4,608
235	33	4,752
240	34	4,896
245 and above	35	5,040

### Company cars

- For diesel cars add a 3% supplement, but maximum still 35%.
- Discounts apply to certain environmentally friendly cars.
- For cars registered before 1.1.98 charge is based on engine size.
- The list price includes accessories and is subject to an upper limit of £80,000.
- List price is reduced for capital contributions made by the employee up to £5,000.
- Payments made by employees may reduce the benefits.

### Fuel benefits

- The fuel benefit charge is proportionately reduced if provision of private fuel ceases part way through the year.
- The fuel benefit is reduced to nil only if the employee pays for all private fuel.

### Van benefit per vehicle - 2004/05 and 2003/04

Vehicles under 4 years old £500	Vehicles at least 4 years old £350
<b>Notes</b>	
1. The age is determined at the end of the tax year.	
2. Van benefits include fuel for private use.	

## MILEAGE ALLOWANCE PAYMENTS

	2004/05 and 2003/04 Rate per mile	These rates represent the maximum tax-free mileage allowances for employees using their own vehicles for business. Any excess is taxable. If the employee receives less than the statutory rate, tax relief can be claimed on the difference.
<b>Cars and vans</b>		
Up to 10,000 miles	40p	
Over 10,000 miles	25p	
<b>Bicycles</b>	20p	
<b>Motorcycles</b>	24p	

## INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

	2004/05 and 2003/04	£
Overall investment limit - maxi ISA		7,000
- mini ISA		3,000
- mini cash ISA		3,000

## CORPORATION TAX

Years to 31.3.05 and 31.3.04

	Profits band	Rate
	£	%

Starting rate	0 - 10,000	0*
Marginal (starting) rate	10,001 - 50,000	23.75
Small companies rate	50,001 - 300,000	19
Marginal (small companies) rate	300,001 - 1,500,000	32.75
Full rate	Over 1,500,000	30
Starting rate fraction		19/400
Small companies fraction		11/400

\*With effect from 1 April 2004, minimum rate of 19% will apply when profits are distributed to non-company shareholders.

The profits limits are reduced for accounting periods of less than 12 months and for a company with associated companies.

## CAPITAL ALLOWANCES

### Writing Down Allowance

Plant and Machinery*	25%#(reducing balance)
Motor Cars**	25% (reducing balance) - £3,000 max
Industrial and Agricultural Buildings and Hotels	4% (straight line)

\* **For small businesses:** first year allowances (FYAs) of 40% on expenditure until 5.4.04 (31.3.04 for companies).

FYAs of 50% for 12 months from 6.4.04 (1.4.04 for companies). 100% FYAs between 1.4.00 and 31.3.04 on computers, software and internet-enabled mobile phones.

**For medium-sized businesses:** FYAs of 40%.

**For all businesses:** 100% FYAs on expenditure on energy saving plant and machinery from 1.4.01. \*\*100% FYAs on new cars with CO<sub>2</sub> emissions not exceeding 120 gm/km from 17.4.02.

#6% on certain long life assets.

## VALUE ADDED TAX

Standard Rate	17.5%
Lower Rate	5%
Annual Registration Limit - from 1 April 2004 (10.4.03 - 31.3.04 £56,000)	£58,000

VAT on private fuel - scale charge due per quarter per car for accounting periods beginning on or after 1 May 2004.

	Petrol		Diesel	
	Charge	VAT	Charge	VAT
Up to 1400cc	£232	£34.55	£216	£32.17
1401 - 2000cc	£293	£43.63	£216	£32.17
Over 2000cc	£432	£64.34	£273	£40.65

## CAPITAL GAINS TAX

	2004/05 £	2003/04 £
<b>Individuals</b>		
Exemption	8,200	7,900
Balance of gains (reduced by taper relief) charged as top slice of income (at savings rates - ie 10%, 20% or 40%)		
<b>Trusts</b>		
Exemption	4,100	3,950
Balance of gains (reduced by taper relief)	40%	34%

### Taper relief 2004/05 and 2003/04 disposals

Percentage relief depends on number of complete years asset owned after 5.4.98.

Years of ownership	1	2	3	4	5	6	7	8	9	10
Business assets (% relief)	50	75	75	75	75	75	75	75	75	75
Non-business assets* (% relief)	0	0	5	10	15	20	25	30	35	40

\*Add one extra year if asset owned before 17.3.98.

## INHERITANCE TAX

	<b>Death</b>	<b>Lifetime</b>	<b>Chargeable Transfers</b>
	<b>Rate</b>	<b>Rate</b>	<b>2004/05</b>
	%	%	<b>£'000</b>
	Nil	Nil	0 - 263
	40	20	Over 263
			<b>2003/04</b>
			<b>£'000</b>
			0 - 255
			Over 255
<b>Reliefs</b>			
Annual exemption	£3,000		Marriage - parent £5,000
Small gifts	£250		- grandparent £2,500
			- bride/groom £2,500
			- other £1,000

### Reduced charge on gifts within seven years of death

Years before death	0-3	3-4	4-5	5-6	6-7
% of death charge	100	80	60	40	20

## STAMP DUTY & STAMP DUTY LAND TAX

**Shares and securities** 0.5%

### Other property

Up to £60,000*	Nil
£60,001 - £250,000	1%
£250,001 - £500,000	3%
Over £500,000	4%

### Disadvantaged areas

#### Residential property:

exemption up to £150,000 from 30.11.01

#### Commercial property:

exemption up to £150,000 from 30.11.01 to 9.4.03

exemption without limit from 10.4.03

\*From 1.12.03 Nil rate upper threshold on commercial property increased to £150,000.

## NATIONAL INSURANCE

Class 1 (employed) Contracted in	2004/05 Rates	
Weekly earnings	Employer	Employee
Up to £91	Nil*	Nil*
£91.01 - £610	12.8%**	11%**
Over £610	12.8%**	£57.09 + 1%†

\* Entitlement to contribution-based benefits retained for earnings between £79.01 and £91 per week.

\*\* On earnings above £91.  
 † On earnings above £610.

<b>Class 1A (employers)</b>	12.8% on employee taxable benefits
<b>Class 1B (employers)</b>	12.8% on PAYE Settlement Agreements
<b>Class 2 (self-employed)</b>	flat rate per week £2.05 small earnings exception p.a. £4,215
<b>Class 3 (voluntary)</b>	flat rate per week £7.15
<b>Class 4 (self-employed)</b>	8% on profits between £4,745 and £31,720 plus 1% on profits over £31,720

## MAIN SOCIAL SECURITY BENEFITS

Weekly Benefit	2004/05	2003/04
<b>Basic Retirement Pension</b> - single person	£79.60	£77.45
- married couple	£127.25	£123.80
<b>Statutory pay rates</b> - average weekly earnings £79 (£77) or over		
Statutory Sick Pay	£66.15	£64.35
Statutory Maternity Pay		
First six weeks	90% of weekly earnings	
Next 20 weeks	£102.80*	£100.00*
Statutory Paternity Pay - two weeks	£102.80*	£100.00*
Statutory Adoption Pay - 26 weeks	£102.80*	£100.00*

\* Or 90% of weekly earnings if lower

## SELF ASSESSMENT: KEY DATES 2004/05

**31 July 2004** - Second payment on account for 2003/04.

**30 September 2004** - Deadline for submission of paper tax returns for Inland Revenue calculation; and where the taxpayer wants a balancing payment (below £2,000) collected through their 2005/06 PAYE code.

**5 October 2004** - Deadline for notifying Inland Revenue of new sources of income if no tax return has been issued for 2003/04.

**30 December 2004** - Deadline for submission of tax returns over the internet; and where the taxpayer wants a balancing payment (below £2,000) collected through their 2005/06 PAYE code.

**31 January 2005** - Deadline for filing tax returns for 2003/04. Balancing payment due for 2003/04. First payment due for 2004/05.

The information in this tax card is based upon the 2004 Budget and other earlier announcements and may be subject to amendment by the Finance Act.