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Budget 2011/12

The following information is based on proposals set out by the Chancellor in his Budget of 23 March 2011 but is subject to amendment in the Finance Bill.

Income Tax

Rates / Non-savings income

	%	2011/12	%	2010/11
Basic	20	Up to £35,000	20	Up to £37,400
Higher	40	£35,001 to £150,000	40	£37,401 to £150,000
Additional	50	Above £150,000	50	Above £150,000

Non-savings income is taxed as the first slice of income, followed by savings income and then dividends.

Dividends falling into the basic rate band are taxed at 10%. The higher rate of tax for dividends is 32.5% (2010/11 32.5%) and the additional rate is 42.5%. This is reduced by the dividend tax credit.

Savings income falling into the first £2,560 of taxable income (2010/11 £2,440) will be taxed at 10%.

Reliefs

	2011/12	2010/11
Payment on loss of office	£30,000	£30,000
Enterprise Investment Scheme*	£500,000	£500,000
Venture Capital Trust**	£200,000	£200,000

* Relief restricted to 30% (2010/11: 20%)

** Relief available up to 30%

Allowances

Personal allowance:	2011/12	2010/11
Aged up to 64*	£7,475	£6,475
Aged 65 to 74***	£9,940	£9,490
Aged 75 or over****	£10,090	£9,640

* Progressively withdrawn for income over £100,000, leading to a marginal tax rate of 60% on income in the band £100,000 to £114,950 (to £112,950 in 2010/11)

** Age-related element progressively withdrawn for income over £24,000 (2010/11: £22,900)

Non-UK domiciled individuals

A £30,000 levy applies to certain non-UK domiciled individuals wishing to use the remittance basis of taxation.

National Insurance Contributions

Rates

	2011/12	2010/11
Class 1 (earnings related)		
Lower earnings limit (LEL) (per week)	£102	£97
Upper earnings limit (UEL) (per week – employees only)	£817	£844
Upper accruals point (UAP)	£770	£770
Earnings threshold (per week) for		
– primary threshold	£139	£110
– secondary threshold	£136	£110
Employee rate:*		
– between earnings threshold and UEL	12%	11%
– earnings above UEL	2%	1%
Employer rate*		
– above earnings threshold	13.8%	12.8%
Class 2 (self-employed flat rate)		
Per week	£2.50	£2.40
Small earnings exception (per year)	£5,315	£5,075
Class 3 (voluntary): per week	£12.60	£12.05
Class 4 (self-employed)		
Lower profits limit LPL (per year)	£7,225	£5,715
Upper profits limit UPL (per year)	£42,475	£43,875
Rate:		
– between LPL and UPL	9%	8%
– above UPL	2%	1%

Reliefs

	2011/12	2010/11
Contracted out Class 1 relief (Between LEL and UAP)		
Employee		
– Salary related / money purchase scheme	1.6%	1.6%
Employer		
– Salary related scheme	3.7%	3.7%
– Money purchase scheme	1.4%	1.4%

Individual Savings Accounts (ISA)

Rates

	2011/12	2010/11
Annual investment limit	£10,680	£10,200
Maximum cash investment	£5,340	£5,100

Income and gains on ISA investments are tax free.

Inheritance Tax

Rates

	2011/12	2010/11
Nil	Up to £325,000	Up to £325,000
40%	Above £325,000	Above £325,000

Any unused nil-rate band may be transferred to the deceased's spouse or civil partner.

Certain lifetime gifts are subject to inheritance tax. In these cases tax is charged at 20%.

On death, any gifts made within the previous seven years will become taxable (at the rates shown in the table above), but the tax payable will be reduced by tapering relief if the donor has survived at least three years.

Car and Car Fuel Benefits

Cars

The taxable benefit in respect of a car provided by an employer is calculated by reference to the car's carbon dioxide emission rating, with the scale charge varying between 10% and 35% of the list price. There is a supplementary charge of 3% for diesel cars but not so as to take the total percentage beyond the maximum of 35% mentioned above. Electric vehicles are currently 0%.

Car fuel

The taxable benefit in respect of fuel provided by an employer is the 'appropriate percentage' of £18,800 (2010/11 £18,000) where the appropriate percentage is the figure (from 10% to 35%) used to determine the taxable benefit in respect of the provision of the car.

Approved Mileage Allowance Payments

	2011/12	2010/11
Own cars and vans		
Up to 10,000 miles (per mile)	45p	40p
Over 10,000 miles (per mile)	25p	25p

Air Passenger Duty

Destination Bands	Lowest Class **		Standard Rate	
	1 Nov 2011	1 Nov 2010	1 Nov 2011	1 Nov 2010
Band A (0-2000 miles*)	£12	£12	£24	£24
Band B (2001-4000 miles*)	£60	£60	£120	£120
Band C (4001-6000 miles*)	£75	£75	£150	£150
Band D (over 6000 miles*)	£85	£85	£170	£170

* Distance from London to capital city of destination country

** The lowest class rate does not apply where there is only one class of travel and the seat pitch exceeds 40"

Insurance Premium Tax

	1 Jan 2011	1 April 2010
General rate	6%	5%
Higher rate (certain policies)	20%	17.5%

Stamp Taxes

Rate payable on chargeable consideration	Stamp Duty Land Tax		Stamp Duty / SDRT
	UK land transactions		
	Residential	Non-Residential or mixed use	Transfer of shares
Nil	£0-£125k	£0-£150k	0.5%
1%	£125,001-£250k*	£150,001-£250k	
3%	£250,001-£500k	£250,001-£500k	
4%	Above £500k	Above £500k	
5% (from 6 April 2011)	Above £1m	N/A	

* Nil for first-time buyers before 25 March 2012

In addition rent is taxed at 1% of its Net Present Value, less £125,000 in the case of residential property and £150,000 in the case of non-residential and mixed-use property.

Capital Gains Tax

Rates

Companies pay corporation tax on capital gains after indexation allowance at their normal rate. Gains and losses on sales of shareholdings of 10% or more in trading companies or trading groups are exempt, subject to certain exclusions.

Gains realised by individuals are taxed at a flat rate of 18% (for basic rate taxpayers) or 28% (for higher or additional rate taxpayers). These rates are reduced to an effective rate of 10% where Entrepreneurs' Relief is available.

Reliefs

	2011/12	2010/11
Annual gains exemption for individuals	£10,600	£10,100
Chattels proceeds exemptions	£6,000	£6,000
Enterprise Investment Scheme*	100%	100%
Venture Capital Trust*	100%	100%
Principal private residence*	100%	100%
Entrepreneurs' Relief (cumulative lifetime allowance)*	£10m	£5m**

* Subject to conditions

** £2m before 23 June 2010

Pensions

	2011/12	2010/11
Annual contribution allowance		
100% of salary up to	£50,000	£255,000
Permitted pension contribution (irrespective of salary)	£3,600	£3,600
Lifetime benefit allowance	£1,800,000	£1,800,000

Value Added Tax

	1 April 2011	1 April 2010
Standard rate	20%*	17.5%
Lower rate	5%	5%
Registration limit – annual turnover above	£73,000	£70,000
Simplified arrangements – annual turnover below**	£1,350,000	£1,350,000

* From 4 January 2011

** For entry into simplified arrangements

Corporation Tax

	Year to 31 March	
	2012	2011
Main rate*	26%	28%
Small profits' rate**/***	20%	21%
Where profits**	£0-£300k	£0-£300k
Marginal relief where profits**	£300k-£1,500k	£300k-£1,500k
Marginal relief fraction***	3/200	7/400
Profit threshold for quarterly instalment payments**	£1,500k	£1,500k

* Ring fence profits are taxed at 30%

** Reduced by reference to number of associated companies

*** Ring fence profits from UK oil extraction and rights are taxed at 19% with a marginal relief fraction of 11/400

Intangible Assets

Companies receive a deduction for expenditure on an accounts basis. Allowances at 4% p.a. are available by election.

Research and Development

Qualifying revenue expenditure on research and development attracts an additional deduction where it is incurred at a rate of not less than £10,000 p.a.

	Additional deduction	
	1 April 2011	1 April 2010
SMEs	100%	75%
Non-SMEs	30%	30%

SMEs which make losses can surrender the deduction in exchange for a payment of up to 12.5% of the loss (14% in 2010/11).

Capital Allowances

	Year to 31 March	
	2012	2011
Plant and machinery		
Main writing down allowance rate*	20%	20%
Special rate pool (long life assets and integral features within a building)*	10%	10%
– energy saving / environmentally beneficial assets	100%	100%
– 100% Annual investment allowance on expenditure up to	£100,000	£100,000
Motor cars		
– low emission, 110g/km	100%	100%
– emissions less than or equal to 160g/km*	20%	20%
– emissions greater than 160g/km*	10%	10%
Commercial or industrial building in an enterprise zone**	100%	100%
Research and Development	100%	100%
Business Premises Renovation Allowance	100%	100%

* Reducing balance

** Current regime being phased out – transitional rules apply from April 2011

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