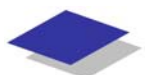
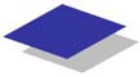


**Budget  
2007**

# **The 2007 Budget Report**

**The Budget  
proposals from  
Gordon Brown, the  
Chancellor of the  
Exchequer,  
announced on 21  
March 2007**





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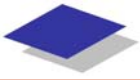
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## Introduction

Today, Gordon Brown delivered his eleventh (and surely his final) Budget. In due course, it will lead to yet another thick Finance Act. He is expected to focus on environmental measures and education. He is also expected to announce the toughest spending limits for government departments in nearly a decade. Since Gordon Brown came into office as Chancellor of the Exchequer in 1997:

-  He famously refused to wear a black tie for his Mansion House speech but had a new red budget box made by apprentices;
-  He invented tax credits but everyone has become confused with them;
-  He has maintained stable interest rates and low inflation;
-  He has, according to The Daily Telegraph, hit families with 99 tax increases since he became Chancellor - homebuyers, homeowners and the estates of deceased taxpayers pay more tax whilst pension schemes also pay more tax following their inability to reclaim dividend tax credits. Employers and employees pay more national insurance than before.

Today, *The Daily Telegraph* warned of interest rate hikes and the worrying impact of that old spectre – rising inflation.

Although previous Chancellors from Lawson to Lamont to Clarke had toyed with the idea of making the Bank of England independent, Gordon Brown was the one who did it.

Gordon Brown may be Britain's longest continuously serving chancellor in modern times, but whether he will follow the previous record holder, Lloyd George, and go on to become Prime Minister is something we won't know until later in the year.

## What we already knew...

In his pre-Budget report last December, the Chancellor confirmed that Individual Savings Accounts (ISAs) will continue beyond 2010. The tax break on Venture Capital Trusts (VCT) was reduced from 40% to 30%. The thresholds for income tax and national insurance for the 2007-2008 tax year were set (roughly in line with inflation) in the 2006 pre-Budget report.

In the 2006 Budget, a new higher rate of vehicle excise duty (VED) was introduced and high-polluting cars, such as some 4x4 vehicles, are now taxed at a new higher rate of road tax, at £210 a year. Owners of 4x4 vehicles were expecting more increases in this year's Budget. Fuel duty was already increased by 1.25p in the pre-Budget report but further rises were expected.

The Chancellor has already announced that so-called "zero-carbon homes" will not be subject to stamp duty land tax.

The clamour for improvements in inheritance tax (IHT) was not expected to result in changes as the IHT thresholds have already been set for the next few years. The number of estates subject to IHT has grown significantly mainly as a result of the growth in house prices which has pushed the value of more people's estates above the IHT threshold.

There have been calls for the threshold at which Stamp Duty Land Tax is paid to be raised - at present, most property sold over £125,000 is subject to the tax with a higher rate of tax for higher-value property.

The increase in the state pension for next year has already been announced. At present, increases are linked to inflation. The pension credit minimum guarantee has already been announced and will rise by £5 a week for single people over 60 and £7.65 a week for couples on 6 April 2007. At the same time, benefit payments for the poorest children will rise to £64 a week and child benefit is to be paid to expectant mothers in the last few months of pregnancy, to help them cope with the financial costs of childbirth.



## How things have changed...

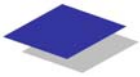
The first regular tax levied in England was that introduced in 991 AD by Ethelred the Unready - set at two shillings (10p) a year per man for the defence of the realm.

The first attempt to draw up a national budget (though not by that name) was in 1362 under Edward III. It was essentially a balance sheet for the nation and showed a deficit of £55,000.



An engraving of Ethelred (artist unknown)

*The Royal Collection © 2006, Her Majesty Queen Elizabeth II*

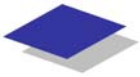


## Quick Overview

- ◆ Gordon Brown said his Budget would "expand prosperity and fairness for British families";
- ◆ Grants of £300 to £4,000 for pensioners installing insulation and central heating in their homes;
- ◆ Until 2012, all new zero carbon homes up to £500,000 will be exempt from stamp duty;
- ◆ Beer will rise by 1p a pint from midnight Sunday 25 March 2007, cider by 1p a litre, wine by 5p a bottle and sparkling wine by 7p. Duty on spirits will be frozen;
- ◆ The price of cigarettes is to rise by 11p a packet. VAT on nicotine patches is to be cut from 17.5% to 5%;
- ◆ The exemption limit for inheritance tax will rise from £285,000 in 2006/7 to £350,000 in 2010/11;
- ◆ The basic rate of income tax will fall from 22% to 20% and the 10% starting rate of income tax will be abolished, from April 2008;
- ◆ The income tax threshold from which the higher tax rate (40%) is payable will rise to £43,000 from April 2009;
- ◆ The ISA subscription limit is increased to £3,600 per year (cash ISA) and £7,200 per year for a stocks/shares ISA;
- ◆ The main rate of corporation tax will be cut from 30% to 28% from April 2008;
- ◆ The tax rate on small companies is to be raised in three stages from 20% this year to 22% in 2009;
- ◆ Capital allowances relief (tax reliefs for asset depreciation) is to be modernised by recalibrating a series of depreciation allowances (or changing the rates at which companies can offset the costs of the deterioration of assets against their tax charges);
- ◆ The annual tax exemption for capital gains will rise from £8,800 to £9,200 (£18,400) for married couples;
- ◆ Child benefit, for a first child, will rise from £17.45 a week to £20 a week by 2010;
- ◆ 50,000 16 to 17-year-olds who sign activity and learning agreements will receive a training wage in return for gaining skills;
- ◆ All 125,000 people who lost their pensions because of company insolvency will get help with a financial assistance scheme increased from £2bn to £8bn;
- ◆ Tax-free allowance for pensioners under 75 will rise in three stages from £7,280 to £9,770 in 2011. For over-75s, the tax free allowance will rise annually from £7,420 to £10,000 by 2011;
- ◆ The Chancellor said the British economy was growing faster than all the other G7 economies. Growth is stronger than the Euro area, Japan and America;
- ◆ Inflation will be on target in 2008 and 2009, according to forecasts;
- ◆ In the last year, investment has grown by 6%, business investment by 7%, and inward investment by 10%. Business investment is forecast to rise again by more than 7% this year;
- ◆ In the last year employment has risen, with 220,000 more men and women in work;
- ◆ In 2008, Britain's growth will be the highest in the G7, between 2.5% and 3%;
- ◆ Britain's net borrowing, which in the early 1990s went as high as 8% of national income is this year just 2.7%. It will fall to 1.4% by 2012;
- ◆ Asset sales will rise from £18bn to £36bn, with the sale of Spectrum, a £6bn sale of the student loan book, and further financial and corporate sales at home and overseas;
- ◆ Investment in schools, hospitals, security and defence and infrastructure will rise from £43bn this year to £60bn by 2012;
- ◆ Total government spending will rise to £674bn by 2010/11;
- ◆ An extra £400m to be allocated to the Ministry of Defence to cover overseas commitments in Iraq, Afghanistan and elsewhere;
- ◆ Investment in the NHS in England will rise by £8bn this year;
- ◆ Public investment in science will rise from £5bn this year to £6.3bn by 2010-11;
- ◆ The Government is to provide £50m for a 10-country initiative across central Africa to prevent the destruction of the second largest rain forest in the world;
- ◆ £800m is to be provided to the Environmental Transformation Fund, jointly run by the international development and environment secretaries;

### HM Treasury

Details of the Chancellor's Budget Report are available from the HM Treasury website, in Adobe Acrobat Portable Document Format (PDF) at:  
[www.hm-treasury.gov.uk/budget/budget\\_07/bud\\_bud07\\_ind\\_ex.cfm](http://www.hm-treasury.gov.uk/budget/budget_07/bud_bud07_ind_ex.cfm)



## The Budget in Detail

### Income Tax Rates and Allowances

The Chancellor announced that the income tax starting rate limit and basic rate limit are to increase in line with indexation. The taxable bands are uprated each year by indexation unless legislation is passed to override this.

### National Insurance Contributions

National insurance contribution (NIC) rates and thresholds for 2007/8 were announced in the 2006 Pre-Budget Report.

The starting point for employers', employees' and self-employed NICs in 2007/8 will increase in line with inflation. NICs are not paid on earnings or profits below this amount. The upper earnings and profits limits for NICs will increase from April 2007 in line with inflation.

For the self-employed, the rate of Class 2 contributions will also be increased in line with inflation.

### Modernising the Personal Tax System

These proposals will affect all taxpayers and payers of National Insurance Contributions (NICs).

#### *General description of the measure*

The basic rate of income tax will be reduced to 20% from 2008-9.

The starting rate will be removed for earned income and pensions but will continue to be available for savings income and capital gains. There are no changes to the rates applicable to dividends.

Age related Personal allowances for those aged 65 to 74 and 75 and over will be increased by £1,180 over indexation. The personal allowance for those aged 75 and over will increase to £10,000 in 2011-12.

The Upper Earnings Limit (UEL) for employee's Class 1 NICs for 2008-09 will be increased by £75 per week (£3,900 for the year) above indexation. The Class 4 National Insurance Upper Profits Limit (UPL) for the

self employed will also be increased by the same amount.

The following year, the Basic Rate Limit will be increased by a further £800 above indexation, and both the UEL and the UPL will be aligned with the new point at which the higher rate of tax becomes payable after personal allowances have been taken into account.

#### *Operative date*

The changes will come into effect for 2008-09, with the final increase in the BRL and alignment of the UEL/UPL becoming effective from 2009-10. The increase to £10,000 for the personal allowance for those aged 75 and over will be made in 2011-12.

#### *Current law and proposed revisions*

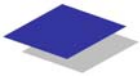
The basic rate of income tax up to and including 2007-08 is 22%. For 2007-08, it is payable between the starting and basic rate limits of £2,230 and £34,600. The basic rate will be changed to 20% in Finance Bill 2008.

The starting rate of income tax is 10% up to and including 2007-08. It is the first rate of income tax charged on all income types after personal allowances have been deducted. The starting rate limit for 2007-08 is £2,230.

Finance Bill 2008 will remove the starting rate of tax from earned income and pensions. It will continue to be available for savings income and capital gains. There are no changes to the rates applicable to dividends.

Personal allowances are increased in line with price inflation each year, unless the increase is overridden in the Finance Act. There are three levels of personal allowance: the basic level for those under 65 and two higher levels, for those aged 65 to 74 and 75 or more. Finance Bill 2008 will increase the amount of the two higher levels by £1,180 over the indexation figure. Finance Bill 2011 will increase the personal allowance for those aged 75 and over to £10,000. Indexed rises will be maintained in the intervening two Finance Bills.

Current Social Security legislation requires the maximum UEL to be less than seven and a half times the Primary Threshold. The Primary Threshold is the point at which Class 1 NICs become due. Changes to the UEL below this amount are made by Regulations annually. Any change to the UEL above this maximum requires primary legislation in a



NICs Programme Bill. The UPL is aligned annually with the UEL by the Re-rating Order.

The first step in the alignment of the UEL and the UPL with the amount at which higher rate tax is payable will be made in 2008 by Regulations and the Re-rating Order respectively. The second step for the UEL alignment will be made in a NICs Programme Bill in time for a start date of April 2009. The UPL will continue to be aligned with these rates via the annual re-rating process. The amount of the aligned figure for income tax purposes will be achieved for 2009-10 by increasing the amount of the basic rate limit by £800 above indexation in Finance Bill 2009.

### Capital Gains Tax (CGT)

The capital gains tax annual exempt amount is increased in line with statutory indexation to £9,200 for the tax year 2007/8 for individuals, personal representatives of deceased persons and trustees of certain settlements for the disabled. The annual exempt amount for most other trustees is increased to £4,600.

Every husband, wife, civil partner and child has his/her own £9,200 annual exempt allowance.

Gains arising on disposal of a principal private residence will continue to be exempt from capital gains tax.

The amount chargeable to CGT is added to the individual's income liable to income tax and treated as the top part of that total. For 2007/8, CGT up to the starting limit will be charged at 10%, between the starting rate and basic rate limits at 20% and above the basic rate limit at 40%.

### Inheritance Tax

The inheritance tax threshold is increased beyond statutory indexation to £300,000 for 2007/8. The value of estates above the threshold is taxed at 40%. This will increase each year to reach £350,000 by 2010/11.

### Non-Payable Dividend Tax Credit

Budget 2007 announces that the Government will simplify the system of taxation for individuals who own foreign shares.

There is currently a one ninth non-payable dividend tax credit available for UK

individuals receiving dividends from UK resident companies. This credit will, from April 2008, be extended to dividends from non-UK resident companies, subject to certain conditions. A person will qualify for the non-payable dividend tax credit if they have less than a 10% shareholding in the distributing non-UK resident company and in total they receive less than £5,000 per year in dividends from non-UK resident companies.

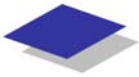
Higher rate taxpayers, who are liable to tax at 32.5%, will in practice only owe 25% (of the net dividend) because part of the tax liability will be covered by the tax credit. Lower and basic rate taxpayers, who are liable to tax at 10%, will in practice not pay any tax on dividends from non-UK companies because the tax liability will be entirely covered by the tax credit.

The Government is also considering whether it is possible, without creating scope for abuse, to deliver a more general extension of the non-payable tax credit for the small minority of individuals in receipt of dividends from non-UK resident companies who do not meet the conditions outlined above

### Changes to the Venture Capital Schemes and Enterprise Management Incentives

This change will affect investors under the Enterprise Investment Scheme (EIS), the Corporate Venturing Scheme (CVS) and the Venture Capital Trust (VCT) scheme, companies attracting investment under those schemes, VCTs and companies using Enterprise Management Incentives (EMI).





For EIS, VCTs and CVS: New qualifying company rules will set limits on the numbers of employees allowed and the amount of capital a company can raise in any 12 month period. A change will also be made to extend the meaning of a “qualifying 90% subsidiary”.



For VCTs: A change will be made to the 70% qualifying holdings condition to deal with cash realisations. Also, provision will be made for Regulations on ‘inadvertent’ breaches of the VCT approval conditions;



For EIS: The investment period in which a manager has to invest 90% of the funds raised by an approved EIS fund is extended from 6 months to 12 months;



For EIS, VCTs, CVS and EMI: A change will be made to allow the transfer of the qualifying trade of exploiting relevant intangible assets (RIAs) around a group of companies.

The measures will have effect on or after 6 April 2007 except that:



The change to the investment period for EIS approved funds will apply for funds that closed after 6 October 2006;



The employee test and investment limits will not apply in relation to investments made out of funds raised by VCTs before 6 April 2007, nor to EIS or CVS shares issued before the date on which the Finance Bill receives Royal Assent.

### ***EIS, VCTs, CVS: The employee test***

Under current rules there is no restriction on the number of employees of a company raising money under the venture capital schemes (EIS, VCT and CVS).

New rules will require that a company (or group of companies) raising money under the schemes must have fewer than 50 full-time employees (or their equivalents) at the date on which the relevant shares or securities are issued.

### ***EIS, VCTs, CVS: The investment limit***

A new investment limit will apply to a company raising money under the venture capital schemes. For an “investment” to qualify for relief under the EIS or CVS, or be treated as a qualifying holding of a VCT, the company (or group of companies) must have raised no more than £2 million under any or all of the schemes in the 12 months ending

on the date of the relevant investment. If the limit is exceeded, none of the shares or securities within the issue that causes the condition to be breached will qualify for relief under the EIS or CVS, or rank as a qualifying holding for a VCT.

For the purpose of this test an “investment” will be any investment made by a VCT from funds raised on or after 6 April 2007. For EIS and CVS the new limit will apply to shares issued after the date on which the Finance Bill receives Royal Assent.

### ***EIS, VCTs, CVS: 90% subsidiaries***

Current rules require that where a qualifying trade is carried on by a subsidiary company that company must be a direct qualifying 90% subsidiary of the parent company.

Changes will be introduced to allow a qualifying trade to also be carried on by subsidiaries that are 100% subsidiaries of direct 90% subsidiaries of the parent, or 90% subsidiaries of direct 100% subsidiaries. This change will have effect on or after 6 April 2007.

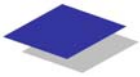
### ***VCTs: The 70% qualifying holdings rule***

Section 274 of the Income Tax Act 2007 (ITA) imposes a requirement that a VCT must at all times have at least 70% by value of its investments in qualifying holdings to retain approval. In some cases a VCT may be unable to dispose of a holding without breaching this condition.

A new rule will be introduced so that when, on or after 6 April 2007, a VCT makes a cash realisation on the disposal of an investment that has been part of its qualifying holdings for at least 6 months, the disposal will be ignored for the next 6 months for the purpose of the 70% test. This will give the VCT up to 6 months to reinvest or distribute the disposal proceeds.

### ***VCTs: Non-withdrawal of approval***

Section 274 ITA requires a VCT to meet various conditions in order to gain and retain approval. The tax reliefs available to investors in VCTs are dependent on approval being retained.



A new power will be introduced to enable HM Revenue & Customs to make Regulations in respect of the non-withdrawal of approval in certain circumstances where those conditions are not met. These Regulations will be laid before Parliament and will replace the current “inadvertent breach” guidance.

### ***EIS: Approved funds***

If an EIS fund is approved under section 251 ITA, investors can claim EIS income tax relief on their subscriptions as if those subscriptions had been made on the date the fund closed. Under current rules this is conditional on funds being at least 90% invested within 6 months of the closing date.

For approved funds with a closing date on or after 7 October 2006 this 6 month period will be extended to 12 months.

### ***EIS, VCTs, CVS and EMI: Relevant intangible assets***






The current rules restrict the transfer of a qualifying trade of exploiting relevant intangible assets (RIAs) around a group of companies.

New rules will be introduced to align the rules relating to the transfer of that trade with those currently relating to other qualifying trades so that RIAs can be moved around within groups without investors losing tax relief and EMI companies losing their qualifying status. This change will take effect from 6 April 2007.

## **Customs and Excise**

### ***Alcohol Duty Rates***

Legislation in Finance Bill 2007 will provide for the Annual Setting of Duty Rates for Alcohol. The rate changes are as follows:

-  Duty on beer will increase in line with inflation, adding 1 penny to a pint of beer;
-  Duty on wine and made-wine will increase in line with inflation, adding 5 pence to a 75cl bottle of wine or made-wine;
-  Duty on still cider will increase in line with inflation, adding 1 penny to a litre of still cider;
-  Duty on sparkling cider will increase in line with inflation, adding 5 pence to a 75cl bottle of sparkling cider;
-  Duty on spirits is frozen;



Duty on sparkling wine will increase in line with inflation, adding 7 pence to a 75cl bottle of sparkling wine;



The Small Brewers Relief scheme will continue to provide 50% duty relief to the smallest brewers;

The revised rates take effect from Monday 26 March 2007.

### ***Tobacco Products: Changes in Duty Rates***

The rates of duty on tobacco products imported into, or manufactured in, the United Kingdom will be increased in line with inflation.

The new rates of duty are:



Cigarettes: An amount equal to 22 per cent of the retail price plus £108.65 per thousand cigarettes;



Cigars: £158.24 per kilogram;



Hand-rolling tobacco: £113.74 per kilogram;



Other smoking tobacco and chewing tobacco: £69.57 per kilogram.

The rate changes will have effect from 6pm on 21 March 2007.

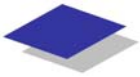
### ***Gaming Duty bands and rates***

From 1 April 2007: the 2.5% starting rate of gaming duty is abolished; the 12.5% rate increases to 15%; and a new rate of 50% is introduced on gross yield from gaming in excess of £10 million per accounting period.

These changes remove the anomaly of a 2.5% starting rate of Gaming Duty and increase the effective rate of duty on the majority of casinos to 15%, in line with the rate applied to other parts of the betting and gaming industry. In addition, a new top rate of tax of 50% helps to ensure that this vibrant and expanding sector continues to make a fair contribution to tax receipts.

### ***Gaming Duty: Remote Gaming***

Legislation will be included in Finance Bill 2007 to introduce a new duty of excise on the gaming profits of remote gaming operators. Remote gaming refers to playing a game of chance for a prize by the use of remote communication - for example, the internet, telephone or television.



The rate of duty will be 15%.

Remote Gaming Duty will be brought into effect by order and timed to align with the full implementation of the Gambling Act 2005, which is expected to be on 1 September 2007.

The provision of remote gaming is not captured by the existing gambling duties because, with a few very limited exceptions, it has not previously been permitted under social law. The Gambling Act 2005 provides for remote gaming licences to be offered in the UK and is expected to come into force from 1 September 2007.

This new legislation provides a structure to tax remote gaming by amending the Betting and Gaming Duties Act 1981. It includes details of interpretation, the rate of duty, registration, accounting and enforcement. It also makes provision for some aspects of the operation and administration of the duty to be dealt with in regulations.

### **Hydrocarbon Oils: Duty Rates**

From 1 October 2007, excise duty on main road fuels will increase by 2 pence per litre (ppl). These rates will be increased by a further 2 ppl on 1 April 2008 and 1.84 ppl on 1 April 2009.

From 1 October 2007 duty rates for unleaded petrol, for leaded petrol, for aviation gasoline and for other heavy oil used as road fuel will be increased by the same percentage as the main road fuels. Decisions on duty rates for these fuels in future years will be taken following consideration of the scope for simplifying the duty rate structure.

From 1 October 2007 effective rates of duty (that is, the relevant duty minus the relevant rebate) for non-road fuels will be increased by 2 ppl to maintain the differential between rebated oils and main rates. These rates will be increased by the same percentage as the main road fuels on 1 April 2008 and 1 April 2009.

The current duty differential of 20 ppl for biofuels will be extended until 2009/10, in line with the alternative fuels framework.

The duty rate for blends of rebated gas oil with biodiesel will be set in 2008 following the assessment of the results of current and

planned pilot trials. This will be a reduction from the current rate of 54.68 ppl.

The duty rate for natural gas will increase to maintain the differential with main road fuels in pence per litre equivalents up to 2009/10. The duty rate for liquefied petroleum gas will increase to reduce the differential with main road fuels by the equivalent of 1ppl a year up to 2009/10, in line with the alternative fuels framework.

The duty differential applicable to biogas, equivalent to 40.88 ppl, will remain at least at its current level until Budget 2012.



The above will have effect on and after midnight on 30 September 2007; midnight on 31 March 2008; and midnight on 31 March 2009.

The Hydrocarbon Oil Duties Act 1979 will be amended by the Finance Bill to implement those changes to come into effect on 30 September 2007.

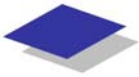
### **VAT: Increased Turnover Limits for Registration and Deregistration**

This affects all businesses whose taxable turnover is close to the current VAT thresholds for registration and deregistration.

The measure increases the annual taxable turnover limit which determines whether a person must be registered for VAT from £61,000 to £64,000. This means that a person will have to apply for registration if:

-  at the end of any month, the value of the taxable supplies made in the past 12 months or less has exceeded £64,000; or
-  at any time there are reasonable grounds for believing that the value of the taxable supplies to be made in the next 30 days alone will exceed £64,000.





If at the end of any month, a person's taxable turnover in the past 12 months or less exceeds £64,000 but HMRC is satisfied that it will not exceed £62,000 in the next 12 months, that person will not have to be registered.

The VAT taxable turnover limit which determines whether a person may apply for deregistration will be increased from £59,000 to £62,000. The existing conditions for determining entitlement or liability to cancellation remain unchanged.

The registration and deregistration limits for acquisitions from other European Union Member States will also be increased from £61,000 to £64,000.

The changes will come into effect on 1 April 2007.

### ***VAT: Reform of VAT Fuel Scale Charges***

This will affect any business which recovers input tax on fuel used for private motoring.

This measure changes the basis of the existing Value Added Tax (VAT) private use charge from engine size to carbon dioxide emissions. This change aligns the basis of the VAT private use charge with that for direct taxation, although in line with underlying VAT principles the charge still reflects expenditure on fuel used for private motoring.

Businesses must use the new scales from the start of their next prescribed accounting period beginning on or after 1 May 2007.

### **Corporation Tax**

Budget 2007 announces that in 2007-08 the Small Companies rate will increase from 19% to 20%. All bands and other rates remain unchanged in 2007-08.

In 2008-09, the Small Companies rate will increase from 20% to 21% and in 2009-10 from 21% to 22%.

The main rate of corporation tax will decrease from 30% to 28% from 1 April 2008.

### **Capital Allowances**

#### ***General***

The temporary 50% rate of first-year allowances for small enterprises will be extended for a further 12 months (until 31 March 2008).

A new annual investment allowance for the first £50,000 of expenditure on plant and machinery in the general pool will be introduced from 2008-09. The detailed design and scope of this allowance will be the subject of consultation.

From 2008-09 the rate of writing-down allowances for plant and machinery in the general pool will be reduced from 25% to 20%.

From 2008-09 the rate of writing-down allowances on long-life asset expenditure will increase from 6% to 10%.

From 2008-09 writing-down allowances on industrial and agricultural buildings will be gradually phased out, with final withdrawal of both regimes by 2010-11. To prepare the way for final abolition, most balancing adjustments, and the recalculation of writing-down allowances on sale, will effectively be withdrawn from 21 March 2007.

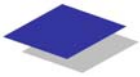
From 2008-09 the rate of writing-down allowances on certain fixtures integral to a building will be set at 10%. The detailed design and scope of the integral fixtures provisions will be the subject of consultation.

From 2008-09 a payable tax credit for losses resulting from capital expenditure on certain designated "green technologies" will be introduced. The detailed design and scope of the tax credit will be the subject of consultation.

North Sea oil and gas ring fence activities will retain their existing capital allowances treatment.

#### ***Reforms affecting Car Leasing Allowances for Cars***

As part of the Government's commitment to reducing the administrative burden in the tax system, the Budget announced further detail on options for simplifying the rules for capital allowances on cars (this will also apply to leasing costs). The Government proposes to remove the expensive car rules (cars costing over £12,000), and replace them



with a simpler system of writing down allowances based on cars' CO<sub>2</sub> emissions.

### **Biofuels Plant**

The Government will move forward with the proposed Enhanced Capital Allowance for the cleanest biofuels plant and will introduce a payable enhanced capital allowance for companies not in taxable profit to ensure that both profit making and loss making firms have an incentive to invest in the cleanest biofuels plant.



### **Business Premises Renovation Allowance**






This applies to any individual or company, who incurs capital expenditure on bringing qualifying business premises (owned or let) back into business use.

Finance Act 2005 introduced a scheme enabling people or companies, who own or lease property that has been vacant for a year or more in designated disadvantaged areas of the UK, to claim full tax relief on their capital spending on the conversion or renovation of the property, in order to bring it back into business use. Implementation was to take place from an appointed day – a Treasury Order has been laid and the scheme will come into effect for qualifying expenditure incurred on and after 11 April 2007.

Business Premises Renovation Allowance (BPRA) will provide 100% initial allowance for capital expenditure on the renovation or conversion of business properties that have been vacant for a year or longer in designated disadvantaged areas of the UK. It will provide an enhanced rate of allowance for expenditure that currently qualifies for capital allowances, and new relief for renovation expenditure on commercial buildings (such as offices and shops), which do not currently qualify for any capital allowances.

Since the scheme was first announced two changes have been made. Disadvantaged areas are now defined as Northern Ireland and the areas specified as development areas by the Assisted Areas Order 2007. Secondly, excluded from scheme are any premises that are refurbished by, or used by, businesses engaged in the following trades:

-  Fisheries and aquaculture
-  Shipbuilding

-  The coal industry
-  The steel industry
-  Synthetic fibres
-  The primary production of certain agricultural products; and
-  The manufacture of products which imitate or substitute for milk or milk products

## **Research and Development Tax Credits**

From 2008-09 the enhanced deduction available to SMEs in respect of qualifying research and development expenditure will increase from 150% to 175%. The value of the payable credit will remain broadly at its current value (24% of qualifying expenditure).

From 2008-09 the enhanced deduction available to large companies in respect of qualifying research and development expenditure will increase from 125% to 130%.

The consultations will commence in the summer and further details will be made available at that time.

## **Film Tax Relief**

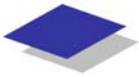
This affects companies incurring expenditure on the production of films other than for the cinema (for example, television productions).

Finance Act 2006 (FA 2006) introduced new tax rules for the production of films by companies. Legislation will be introduced in Finance Bill 2007 to allow companies to opt out of these rules and into general tax treatment. A company will be able to make an election that it is not a film production company in respect of any future films and of all films that started principal photography in the previous two years.

The measure will allow elections to be made on or after the date that Finance Bill 2007 receives Royal Assent.

Finance Act 2006 sets out rules for the taxation of companies making films both for the cinema and for other media (such as television). It sets out a set of basic tax rules for films, treating each "film" as a separate trade, and brings into account the costs and income of the film. It also provides additional tax relief (film tax relief) to production companies making British cinema films.





The new rules enable companies (including those not making films for the cinema and therefore not entitled to the additional Schedule 5 relief) to elect not to be within the FA 2006 rules, but to be taxed instead according to general tax rules. A company will be able to do this by making an election in its tax return. Once made, such an election will apply to films starting principal photography in the period to which the return relates, as well as any later films. It will not be possible to reverse an election after the time limit for amending the return has passed.

### **Stamp Duty Land Tax**

The rates and thresholds for stamp duty land tax (SDLT) remain unchanged. For residential land and property, the rates are 0% for transactions in consideration of £125,000 or less, 1% for consideration over £125,000 to £250,000, 3% for consideration over £250,000 to £500,000 and 4% on consideration over £500,000. The 0% band for residential transfers in designated disadvantaged areas extends to £150,000. For non-residential land and property, the rates are 0% for transactions in consideration of £150,000 or less, 1% for consideration over £150,000 to £250,000, and thereafter the same as for residential land and property.

### ***Exchanges of Property between Connected Persons***

Legislation will be introduced in Finance Bill 2007 to amend the stamp duty land tax (SDLT) treatment of exchanges of property by providing that, where an exchange of property takes place between 'connected persons', the two legs are not 'linked' with each other for determining the rate of SDLT.

The new treatment will apply where any land transaction which is part of an exchange takes place on or after the date that Finance Bill 2007 receives Royal Assent.

### ***New Zero-Carbon Homes***

The relief will benefit most buyers of new zero carbon homes from 1 October 2007.

As announced in the 2006 Pre-Budget Report, a regulation-making power will be introduced in Finance Bill 2007 to bring in a new time limited relief from stamp duty land tax (SDLT) for the vast majority of new zero carbon homes in the UK.

Qualifying criteria for the relief, which will be set out in regulations to be laid before Parliament by the end of the Summer Recess, will require zero carbon emissions from all energy use in the home over a year. To achieve this, the fabric of the home will be required to reach a very high energy efficiency standard and to be able to provide onsite renewable heat and power.

There will be a certification process for all new homes and qualification for the exemption which will be dependant on homebuyers having a certificate. Detailed arrangements for the certification process will be issued in due course.

The relief will be time limited for 5 years and will therefore expire on 30 September 2012.

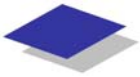
New homes which are liable to SDLT on the first sale will be eligible to qualify. The relief will provide complete removal of SDLT liabilities for all homes up to a purchase price of £500,000. Where the purchase price of the home is in excess of £500,000 then the SDLT liability will be reduced by £15,000. The balance of the SDLT will be due in the normal way.

The aim of the relief is to ensure that on average over the course of a year the homes are zero carbon. In other words, they will not be required to be zero carbon the whole time, but the import of grid power and export of renewable power should at least balance over the course of a year.

It will also be necessary to ensure that the fabric of the building significantly exceeds the standards currently required by Part L of the Building Regulations 2000 (as amended). The requirement will be that the "Heat Loss Parameter" (covering the walls, windows, air tightness and other elements of the building design) is no more than 0.8W/m<sup>2</sup>K. This standard will mean that space heating requirements are no more than 15kWh/m<sup>2</sup> per annum.

### ***Relief for Shared Ownership Trusts***

This will affect individuals seeking affordable housing, especially those trying to buy properties that are in commonhold provided by qualifying bodies.



Legislation included in Finance Bill 2007 will extend the same tax benefits for stamp duty land tax that are currently available for shared ownership leases to shared ownership trusts.

The relief will apply to all transactions involving shared ownership trusts provided by qualifying bodies the “effective date” of which is on or after the date on which Finance Bill 2007 receives Royal Assent.

### **Surplus School Land**

This measure will affect governing bodies, foundation bodies and trustees of foundation, voluntary and foundation special schools, local education authorities (LEAs) and their agents.

Repeal of obsolete stamp duty and stamp duty land tax relief for transfers of surplus school land - a Treasury Order will be made to bring such transfers within the general stamp duty land tax relief for statutory reorganisations.

Repeals will be operative from the date on which Finance Bill 2007 receives Royal Assent. The Order will come into force on 25 May 2007, in line with amended provisions for transfers of surplus school land introduced by the Education and Inspections Act 2006.

### **Stamp Duty Reconstruction Relief**



This affects companies acquiring either the whole or part of a business of another company or the entire share capital of another company where either company has purchased and holds some of its own shares.

The effect of the measure will be that a company that holds some of its own shares will in future be able to claim relief from stamp duty and stamp duty land tax in respect of certain reconstructions and acquisitions without the need to cancel those shares


## **ISA – Increased Subscription Limits**

The changes increase the amount that you can subscribe to an ISA. You will be able to subscribe up to £3,600 per tax year to a cash ISA, and up to £7,200 per tax year into a stocks and shares ISA, subject to an overall annual subscription limit of £7,200 to both ISAs. The increased limits will have effect from 6 April 2008

At the moment an individual can subscribe:



-  £3,000 per tax year to a cash mini ISA;
-  £4,000 per tax year to a stocks and shares mini ISA,

with the same or different providers. Or:

-  £7,000 to a maxi ISA with a single provider, of which up to £3000 may be in cash.

In April 2008, the ISA will be restructured to remove the distinction between mini and maxi ISAs. After this date, an individual will be able to subscribe to a cash ISA, a stocks and shares ISA or both. Draft regulations are published today.

From 6 April 2008 the subscription limits to the ISA will also be increased, which will mean that an individual can subscribe:

-  up to £3,600 per tax year to a cash ISA; and/or
-  up to £7,200 per tax year into a stocks and shares ISA,

subject to an overall limit of £7,200 subscribed to both ISAs in a tax year.

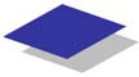
## **Tackling Avoidance and Protecting Tax Revenues**

### **Tackling managed service companies**

The Government announced at Pre-Budget Report 2006 action to tackle Managed Service Company (MSC) schemes that are used to avoid paying employed levels of tax and NICs.

From 6th April 2007 for income tax, and - subject to Finance Bill Royal Assent - from 6th August 2007 for National Insurance, income received by workers in MSCs in relation to services provided through the MSC will be subject to employed levels of tax and NICs. The Government will also address the problem of MSCs escaping payment of tax and NICs due by allowing the recovery of these debts from appropriate third parties.

The consultation on the draft legislation showed widespread support for action to tackle MSCs. The Government is responding to key concerns raised, as described in the summary of consultation responses published on 21 March 2007 by amending the definition of an MSC to give greater certainty; narrowing the scope of the debt transfer provision; and delaying its application to certain third parties.



### ***Disclosure Regime - tackling non-compliance***

Budget 2004 introduced a disclosure regime that has enabled the Government to respond to avoidance more swiftly and in a more targeted way. In order to ensure that the regime functions consistently, the Government is introducing new powers for HMRC to investigate a scheme where there are reasonable grounds to believe that a promoter has failed to comply with its statutory disclosure obligations.

The Government has consulted on the draft legislation and will publish the final legislation in this year's Finance Bill.

### ***Insurance Premium Tax - amending the definition of "premium"***

The Government today announced a measure to prevent avoidance of Insurance Premium Tax (IPT). With effect from 22 March 2007, the IPT definition of "premium" is amended in order to clarify that it includes payments for a right to require an insurer to provide insurance cover.

### ***Loss-Buying***

Legislation will be introduced in Finance Bill 2007 to prevent companies buying the trading losses of corporate members of Lloyd's who are leaving the market and with which they have no previous economic connection.

This measure will have effect for changes in the ownership of the loss-making company taking place on or after 21 March 2007.

### ***Sale of Lessor Companies***



This measure will affect companies carrying on a trade of leasing plant or machinery.

Legislation will be introduced in Finance Bill 2007 to counteract various arrangements that are designed to reduce or cancel the effect of the Sale of Lessor Companies legislation introduced in Finance Act 2006.



The measure will counteract some schemes with effect from 22 November 2006 and other schemes with effect from 21 March 2007.

Legislation introduced in Schedule 10 to Finance Act 2006 was intended to deter the sale of a lessor company when the sale was tax motivated by bringing into charge an amount of income and an expense calculated by reference to the balance sheet value of the leased asset where a change in the ownership or control of a lessor company occurred. The income amount is brought into charge in the selling group and the expense benefits the buying group.

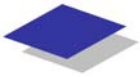
HM Revenue & Customs have received disclosures which reveal that groups have been undermining the effect of the Schedule by either:

-  exploiting a mismatch between two concepts of control, that used in Schedule 10 and that used in section 343 Income and Corporation Taxes Act 1988, allowing groups to transfer a leasing business outside the Schedule 10 grouping while enjoying the benefits of tax neutrality under section 343; or
-  manipulating the accounting value of leased assets to reduce or eliminate the charge.



The Government announced on 22 November 2006 that it would take action to prevent this with immediate effect. Draft legislation was published at 2006 Pre-Budget Report to ensure that:

-  section 343(2) will not apply to the transfer of assets as part of the transfer of a business or part of a business of leasing, unless the predecessor and successor companies share the same principal company for the purposes of Schedule 10; and
-  contrived changes to balance sheet values will be prevented from affecting the operation of the Schedule.

This restriction on the effect of section 343(2) was confined to companies that are 75% subsidiaries. Information received subsequently by HM Revenue & Customs has indicated that artificial structures involving lessor companies owned by consortia and companies carrying on a leasing business in partnership are also being created to take advantage of mismatches in these definitions of control.



A new draft of the legislation is published (21 March 2007) which deals with consortium companies and partnerships. The effect of the changes to the draft ensures that section 343 will not apply where:

-  either of the predecessor or successor companies is a consortium company carrying on a leasing business, unless the principal companies and the interests they hold in the companies are exactly matched; and
-  the predecessor or successor company carries on a leasing business in partnership unless the transfer is a transfer of the whole of a leasing business carried on by the predecessor company in partnership.

These changes will be brought into effect from 21 March 2007. The counter-measures announced on 22 November 2006 will continue to have effect from that date.

### ***Employee benefit trusts (EBTs) - closure of an avoidance scheme***

The Government announced a measure, effective from 21 March 2007, to confirm that employers cannot sidestep the existing EBT anti-avoidance provisions by declaring a trust over assets that they already control. It also confirms that any other action which has the effect of creating or enhancing the value of employee benefit contributions are subject to the same anti-avoidance provisions.

The effect of the measure will be to prevent an employer from obtaining a deduction for tax purposes in respect of any such contributions until they are paid to employees in a form on which income tax and NIC are due.

### ***Life Assurance Companies***

Legislation will be introduced in Finance Bill 2007 to impose a tax charge where financing arrangements are used by life insurance companies to generate untaxed profits. This measure will be effective for periods of account beginning on or after 1 January 2007

### ***Sale and repurchase agreements (repos)***



A new accounts based regime for taxing repo agreements for companies will be introduced to replace the current mechanical rules. The new regime will take effect from a date to be determined by Treasury Order, following further consultation with business and representative bodies on the detail.

### ***Life insurances policies and commission arrangements - closure of avoidance schemes***

The Government today announced a measure, effective from 21 March 2007 that tackles schemes that use life insurance policies and commission arrangements to avoid tax on investment income. The schemes are typically marketed by advisers to individuals with significant sums to invest; this measure targets the larger premium, relatively short-term policies used in such schemes.

### ***Corporate Capital Gains and Losses***

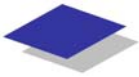
Measures to counter avoidance of corporation tax on capital gains were announced today. These include:

-  amendments to a targeted anti-avoidance rule announced at PBR 2005. This measure follows a further disclosure and is effective from today; and
-  a measure that will stop an avoidance scheme that exploits the interaction between the rules for transfer of assets within groups of companies and that for options. This change was announced on, and is effective from, 6 March 2007.

### ***Tax Avoidance Involving Financial Products - closure of avoidance schemes***

Measures to counter schemes that use financial products to avoid corporation tax were announced by the Government, and with one exception became effective, on 6 March 2007. Schemes included:

-  artificially obtaining a tax-free income stream through the manipulation of the settlements legislation;
-  circumventing tax being charged under the loan relationship rules as they apply to shares;
-  creating artificial losses as a result of arrangements being put in place guaranteed from the outset to cause the value of a Collective Investment Scheme to depreciate;
-  deferring or restricting the tax charge involving derivative contracts; and
-  banks/financial traders circumventing limits on offsetting foreign tax against UK corporation tax through 'Authorised Investment Funds' (effective from 7 March 2007, amending regulations effective from 6 December 2006).



The Government also introduced various measures (effective from 6 March 2007) to clarify the scope of the rules on structured financing arrangements.

### ***Partnerships and Sideways Loss Relief - closure of avoidance schemes***

A measure to counter the avoidance of tax through the use of sideways loss relief was announced on 2 March 2007, with effect from that date.

### ***Schemes designed to avoid stamp duty land tax***

Bill 2007 will include provisions replacing, with amendments, the Stamp Duty Land Tax (Variation of the Finance Act 2003) Regulations 2006 (2006 SI No 3237)

This change will have effect for any transaction the “effective date” of which is on or after the date on which Finance Bill 2007 receives Royal Assent. The effective date is normally the date of completion, not the date of exchange, of contracts. However, the effective date may be earlier than the date of completion if the contract is “substantially performed”, for example, if the purchaser takes possession or pays the purchase price in advance of completion. Most residential contracts will not be “substantially performed” in advance of completion.

On 6 December 2006 HM Treasury made the Stamp Duty Land Tax (Variation of the Finance Act 2003) Regulations 2006 (2006 SI No 3237) to counter SDLT avoidance schemes. The Regulations were approved by the House of Commons on 15 January 2007. However the Regulations have effect only for 18 months from the date they were made. The Government has therefore decided to replace the Regulations by permanent provision in Finance Bill 2007

### ***CGT: A Targeted Anti-Avoidance Rule***

This is aimed at persons who take part in contrived schemes or arrangements to obtain a tax advantage from capital losses, including companies, individuals, trustees and personal representatives.

A targeted anti-avoidance rule (TAAR) will be introduced in Finance Bill 2007 to counter schemes to create and use artificial capital losses to avoid tax. The measure will ensure that allowable capital losses are restricted to those arising from genuine commercial transactions.

The changes will take effect in relation to capital losses arising on disposals on or after 6 December 2006, except in relation to corporation tax where an equivalent rule already has effect.

### ***Life Assurance Policies and Commission Arrangements***

This is aimed at persons who invest premiums exceeding £100,000 in any year into short to medium-term life insurance policies, capital redemption policies or life annuity contracts where commission is passed on or reinvested in the policy by an intermediary.

Legislation will be introduced in Finance Bill 2007 to clarify that, where a policy or contract is held for less than a specified period, the amount of premium allowed in calculating gains on these large, short-term, policies and contracts is restricted to the true cost to the policyholder, taking into account the benefit to the policyholder of any commission rebate.

The legislation will target policies that are used in schemes to avoid tax on investment income. The legislation will give HM Treasury the power to change the premium limits and the specified holding period through Treasury Orders.

The measure has effect for all policies and contracts made on or after 21 March 2007. It also applies to all existing policies and contracts into which a policyholder chooses to pay further premiums on or after 21 March 2007.

## **Islamic Finance**

To help widen the investment opportunities that are available to all and support substantial market innovation in Britain, the Government is, from 21 March 2007:

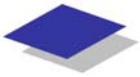


introducing a new regime for sukuk (Islamic securitisations) giving comparable tax treatment to conventional securitisations; and



giving clarity through guidance on the treatment of diminishing musharaka (partnership share) and takaful (insurance) products.

These changes will ensure that British Muslims can get competitive financial services and the City remains at the forefront of developments in financial markets around the world.



### Lone Parents and Work

Helping lone parents move into work is a key Government objective. The Budget announces an extension of the £40 per week In-Work Credit for lone parents in the current pilot areas until June 2008. This means that over 250,000 eligible lone parents will continue to benefit from improved financial gains to work.

The Budget also announces that the In-Work Credit will be increased from £40 to £60 in London to reflect higher living and childcare costs for lone parents in the capital.

### Maximising Effectiveness of the New Deal

The New Deal has been fundamental to the success of the Government's labour market policies. Over the last decade, the New Deal has found over 1.9 million jobs for people, including over 850,000 for young people and nearly 300,000 for unemployed adults. This success has contributed to a nearly two-thirds reduction in long-term claimant unemployment since 1997.

To maximise the effectiveness of the New Deal, today's Budget announces that the Government will pilot reforms that will strengthen the training offered to young people on the New Deal, encourage more to take up subsidised employment, which has proved to be the most successful of the full-time options, and create a seamless link from New Deal to in-work training through Train to Gain.

### Local Employment Partnerships

Five leading employers in the retail sector - Asda, B&Q, Marks & Spencer, Sainsbury's, and Tesco - and the British Retail Consortium have announced their commitment to work in partnership with Jobcentre Plus to support long-term benefit claimants into work, building on the successful approaches these retailers have already established.

The support retailers have offered is set out in the Local Employment Partnerships agreement signed by the Chief Executives of the five retailers, the Chancellor and the Secretary of State for Work and Pensions (available at: [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)). The Government estimates that the level of support offered by these five employers, if rolled out across the retail sector more widely, could provide help for 100,000 people to find employment over the next five years. The British Retail

Consortium has offered to help engage other major retailers to make this happen.

### English as a Second or Other Language (ESOL)

Speaking English can be an important step towards getting a job. For parents, not being able to speak English increases the chances their children will be in poverty. The Government intends to trial short, work-focused approaches for English as a second or other language (ESOL) courses in the London Cities Strategy pathfinders for parents on benefits or tax credits.

### Housing Benefit

Budget 2007 announces further enhancements to the IT links between Jobcentre Plus, The Pension Service and local authorities to speed up the processing of Housing Benefit (HB) applications and reduce fraud and error. It also announces the Government's intention to reform the subsidy to local authorities for HB for temporary accommodation. These new measures will help to further simplify the system, and improve the work incentives, choices and mobility of HB claimants.

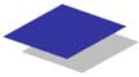
### National Minimum Wage

Working Tax Credit (WTC) and the National Minimum Wage (NMW) work together to provide a guaranteed income in work, achieving fairness combined with labour market flexibility.

Following the Low Pay Commission's recommendations on 1 March 2007, the adult rate of the National Minimum Wage will rise to £5.52 per hour, the youth rate, for workers aged between 18 to 21, to £4.60 and the development rate, for 16 and 17 year olds to £3.40 from October 2007.

### Tackling Worklessness in London

There has been strong growth in the number of jobs and in the level of employment in London since 1997, but London's employment rate remains lower than both the national rate and that of every other UK country and region. Employment opportunity for all: tackling worklessness in London, published alongside Budget 2007, recommends: policies to relieve the congestion in London's low-skilled labour market; a more strategic approach to



identifying the most appropriate employment programmes to address the needs of Londoners; a clearer focus on the employment needs of parents in London; and consideration of the institutional arrangements best suited to implementing these changes.

### **Financial Assistance Scheme**

To assist those who lost significant amounts when their pension schemes started winding up as a result of the sponsoring employer becoming insolvent, the Government will now extend the Financial Assistance Scheme further so that all members of affected pension schemes receive assistance of 80 per cent of the core pension rights accrued in their scheme. The cap on maximum assistance will be increased to £26,000 and the de minimis rule that excludes those whose FAS payment would be £10 or less a week will be removed. This includes an additional 85,000 people, ensuring all 125,000 who lost their pensions will benefit, bringing total long-term expenditure to £8 billion.

### **Asset Management**

In order to ensure that the UK is a place in which asset management can continue to flourish, the Government today lays out a framework, developed with industry, which will take forward the issue of the taxation of Authorised Investment Funds investing in property.

### **Investment Manager's Exemption**

To give fund managers greater scope in their investment activities on behalf of non-resident funds, the Chancellor announced today an extension to the Investment Manager's Exemption (IME), bringing carbon trading instruments into the Exemption.

### **HMRC Criminal Investigation Powers**

The Government today announces plans to update HMRC's criminal investigation powers and accompanying safeguards. Under the new approach, HMRC's investigatory powers in England, Wales and Northern Ireland will be based on the Police and Criminal Evidence Act (PACE). Consistent

provisions will be introduced for Scotland, where PACE does not apply.

### **Penalties for Incorrect Returns**

Budget 2007 announces a new approach to penalties for incorrect tax returns and accompanying safeguards. The new approach introduces a single penalty structure for incorrect returns for income tax; corporation tax; Pay As You Earn (PAYE) and National Insurance Contributions (NICs); and VAT. It will apply to returns covering periods starting on or after 1 April 2008 and filed after 31 March 2009.

### **Securitisation Companies**

This is likely to affect large companies involved in securitisations or issuance of debt. Legislation will be introduced in Finance Bill 2007 to amend legislation in Finance Act (FA) 2005 relating to the taxation of securitisation companies.

The measure will have effect for periods of account ending on or after the date that Finance Bill 2007 receives Royal Assent.

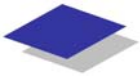
FA 2005 allows securitisation companies to be taxed on the basis of accounting standards in force before the introduction of International Accounting Standards, for periods of account ending before 1 January 2008. This measure will allow for the regime to be extended by regulation.

FA 2005 introduced a regulation-making power to enable permanent tax rules for securitisation companies to be introduced at a later date. This measure will modify this regulation-making power to cover a wider range of securitisations.

### **Pension Tax – Technical Improvements**

This will affect members, beneficiaries and administrators of registered pension schemes, their ex-employers and sponsoring employers.

Legislation will be introduced in Finance Bill 2007 to the pension tax rules. Minor benefits provided by former employers for retired former employees will be excluded from taxation. The inheritance tax (IHT) pension rules will be amended to allow the exemption from IHT charges to operate within the same time frame as permitted by the rules of a



registered pension scheme for payment of lump sum benefits following the death of a scheme member.

Two anti-avoidance rules will be introduced. The first will ensure that the payment of unauthorised member and employer payments cannot be structured to reduce the overall tax charge on the scheme and the member or employer. The second will ensure that flexibilities which are being introduced in Finance Bill 2007 on scheme pensions paid early on ill-health grounds do not prevent the existing anti-avoidance arrangements from applying.

The change to the pension tax rules will have effect on and after 6 April 2006. The IHT change will have effect for lump sum death benefits paid from registered pension schemes or section 615(3) scheme on or after 6 April 2006.

### **Tax Relief on Personal Term Assurance**

Term assurance policies are life insurance policies that only pay benefits on the death or critical illness of insured persons. When taken out outside of a pension, there is no tax relief on premiums and no tax to pay on lump sum benefits. As part of pensions tax simplification, the previous limits on the provision of death benefits through registered pension schemes were removed from 6 April 2006. This enabled a term assurance policy to be sold with pension tax relief so long as the policy terminated before the 75th birthday of the insured individuals.

The member gets tax relief on contributions under the scheme that are used to pay for the term assurance policy but if the member dies and the insurance policy pays out the death benefits these will not normally be taxable but may be subject to the lifetime allowance charge if, when aggregated with other benefits from registered pensions schemes, the lump sum death benefit exceeds £1.5m in 2006-07 (£1.6m in 2007-08).

The measures now proposed will affect scheme administrators, members of registered pension schemes and their dependants, insurance companies and financial advisers.

The measure removes an individual's entitlement to tax relief on any pension contributions they pay that are used to fund personal term assurance policies. It does not affect the relief available for contributions paid by employers.

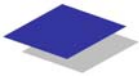
For contributions under occupational registered pension schemes, this measure will have effect for all contributions made on or after 1 August 2007 in respect of personal term assurance policies, unless the insurer received the application for the policy before 29 March 2007 and the policy was taken out as part of the pension scheme before 1 August 2007.

For contributions under other registered pension schemes, it will take effect for all contributions made on or after 6 April 2007 in respect of personal term assurance policies, unless the insurer received the application for the policy before 14 December 2006 and the policy was taken out as part of the pension scheme before 6 April 2007.

Where relief remains available for contributions paid on or after 1 August 2007 (for occupational schemes) or on or after 6 April 2007 (for other schemes), the individual will cease to be entitled to relief if the policy to which the contribution relates is varied outside its original terms so as to increase the sum assured or lengthen the term. However, if there is an option under the policy which is then exercised this will not affect the relief due.

The change to be introduced in Finance Bill 2007 will mean that individuals will no longer get tax relief on pension contributions that are used to pay premiums under personal term assurance policies. A term assurance policy will be regarded as personal to the individual if it terminates the first time an insured person dies, as with all single life policies and most joint life policies, or if all the insured individuals are members of the same family.

The Finance Bill legislation will also provide new powers to pass secondary legislation which will enable the Government to act quickly to remove relief from new products sold with a view to avoiding the new restrictions on tax relief. This supplements existing powers that provide for specified types of payment by registered pension schemes to be treated as unauthorised payments.



### Home Abroad Owned by a Company

This affects directors who have use of an overseas property owned by a company whose sole activity is to hold that property.

The Government announced its intention to bring forward legislation in Finance Bill 2008 which will ensure that individuals who have bought or will buy a home abroad, will not face a benefit in kind tax charge for any private use of the property if purchased through a company.

Some UK resident individuals have set up or acquired companies to own a property abroad, generally for holiday use. Where they direct the company's affairs (whether through an agent or not) they can be within the scope of the living accommodation charge, although they may not have been aware of this or may have considered that no tax or NICs charge arose in these circumstances (and have not, therefore, reported the matter to HM Revenue & Customs (HMRC)).

This measure will remove that tax charge where certain qualifying conditions are satisfied.

The legislation will ensure that all those who come within its scope will not face the benefit in kind tax charge – however long they have owned the property through a company.

### Company Cars: E85 Fuel

This measure is aimed at employees provided with a company car available for their private use and employees who are provided with a company car who receive free fuel for private travel. Employers who bear Class 1A National insurance on the taxable benefit of providing a car and any fuel for it.

A Treasury order will be laid before Parliament, before the summer recess, to introduce a 2% discount for company car drivers who drive a car which is capable of being run on E85 fuel.

The company car fuel figure for 2007/08 will be maintained at the current level.

The company car fuel multiplier will have effect on and after 6 April 2007. The company car tax E85 discount will have effect on and after 6 April 2008.

### Changes to Tax Enquiry Windows and Other Administration Matters

The changes to enquiry windows will affect individuals, trustees and partnerships who complete Income Tax self assessment tax returns and most companies who complete company tax returns.

The changes to the regulation making powers to require online filing and electronic payment will, subject to regulations being laid, ultimately affect most businesses.

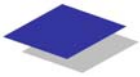
The changes to the effective date of payment by cheque will, subject to regulations being laid, affect businesses that pay Corporation Tax and/or VAT by cheque.

Finance Bill 2007 will introduce the legislation needed to implement Lord Carter of Coles' recommendations from his report on the "Review of HMRC Online Services".



The changes to enquiry windows will link the period during which HMRC can enquire into Income Tax self assessment tax returns and most companies' tax returns to the date the return is received by HMRC.

The changes to the regulation making powers to require online filing and electronic payment will provide a single set of regulation making powers that apply to all taxes and duties for which HMRC is responsible.

The ability to make regulations that change the effective date of payment by cheque will enable regulations to be made that allow cheque payments of VAT and corporation tax to be treated as made at the point that funds have cleared into HMRC's account. HMRC expects to make regulations that will apply this rule to all payments of VAT and corporation tax from the time that the requirements to pay electronically start to be phased in.



The changes to tax enquiry windows will apply to:

-  Income Tax self assessment tax returns for 2007/08 and subsequent tax years: and
-  Company tax returns for accounting periods ending after 31 March 2008.

HMRC will have the power to make regulations concerning online filing and electronic payment, including the regulation making powers for changes to the effective date of payment by cheques, on and after the date on which Finance Bill 2007 receives Royal Assent. Regulations under these powers will be published in draft alongside Finance Bill 2007, and, subject to consultation, will be laid in September this year.

The requirement to file PAYE in-year forms online will be introduced in phases from 2009; the requirements to file online and pay electronically for VAT are expected to be phased in from 2010 and for CT from 2011.

### **Cleared Funds Requirement**

Under Section 70A of the Taxes Management Act 1970 and Section 59 of the Value Added Tax Act 1994, HMRC currently deem payment to have been made as soon as HMRC receive the cheque. The legislation being introduced will allow for changes to be made to the current position by regulation. The regulations will then be able to provide that, where a business pays VAT or corporation tax by cheque, HMRC will deem payment to have been made only once the funds have cleared into HMRC's account. HMRC expects to make regulations that will apply this rule to all payments of VAT and corporation tax from the date that the requirements to pay electronically start to be phased in.

### **Changes to Self Assessment Tax Return Filing Dates**

This will affect individuals, trustees and partnerships who complete Income Tax self assessment tax returns.

Legislation will be included in Finance Bill 2007 introducing different filing dates for paper and online self assessment tax returns.

Lord Carter of Coles, in his report on the "Review of HMRC Online Services"

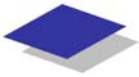
published at Budget 2006, recommended changes to the self assessment tax return filing date. Lord Carter subsequently reviewed the responses to the Partial Regulatory Impact Assessment published with his original report, considered further representations from tax practitioners and revised his recommendation. Lord Carter's revised recommendation was accepted by the Government in July 2006.

Currently tax returns are required by notices issued under sections 8, 8A or 12AA Taxes Management Act 1970 to be filed by 31 January after the end of the tax year to which the return relates. For 2007-08 tax returns and those for subsequent years, there will be two separate filing dates. For paper returns, there will be a new date of 31 October (for tax year 2007-08 that will be 31 October 2008). For returns filed online, the date will remain at 31 January (for tax year 2007-08 that will be 31 January 2009). For taxpayers filing paper returns who want HMRC to calculate their tax liability for them, the cut off date will move from 30 September to 31 October to align with the new paper return filing deadline. A calculation of tax liability is automatically provided when a return is filed online.

Consequential changes will also be made to revise the period during which a return can be amended. Currently, the latest possible date is linked to the first anniversary of the filing date. The introduction of differential filing dates for different methods of filing a return would advance this date for those filing by paper. To avoid disadvantaging those who file early, the amendment window date will be linked to the 31 January anniversary date for all paper and online returns.

Where the notice to make a return is issued after 31 October following the tax year, a period of 3 months is currently allowed for completion of that return and the period during which a return can subsequently be amended runs from this later date. A number of consequential changes will be made to retain this minimum period of 3 months and the amendment window links.

Changes will also be made to provisions that have time limits linked to the current return filing dates. These changes ensure the existing dates referred to within these provisions are retained in all circumstances.



There is a tiny minority of self assessment tax return filers (including registered pension schemes set up under trust) for whom facilities to file online are not yet available. HMRC will allow extra time (until the 31 January deadline) for those taxpayers to file paper returns. HMRC is continuing to look at ways of extending its online tax return filing service to include all self assessment customers.

### **Other Measures**

#### ***Changes to Alternatively Secured Pension Rules***

Legislation will be included in Finance Bill 2007 to tighten up the provisions for the operation of members' and dependants' alternatively secured pension (ASP) funds. This includes the introduction of a requirement to draw a minimum income from an ASP fund and a tax charge where ASP funds remaining on the death of a member are transferred to the pension funds of other members in the scheme. The Finance Bill measures will also include provisions for schemes with members with money purchase arrangements that they have been unable to trace by age 75.

#### ***Pre-Owned Assets: late Elections***

Where someone benefits from assets that are subject to the POA income tax charge, they can elect instead for those assets to be treated as forming part of their estate for inheritance tax (IHT) purposes. Legislation being introduced in Finance Bill 2007 will allow HMRC to accept elections for IHT treatment that would otherwise be too late.

The measure will take effect from 21 March 2007 but, because it enables late elections to be accepted from that date, it may also apply to elections that were late before then.

#### ***Definitions: "Recognised Stock Exchange" and "Listed"***

This affects operators of investment exchanges that are, or may in the future be, recognised by the Financial Services Authority (FSA).

Shareholders who may qualify for any of the reliefs that depend on whether shares are listed or dealt in on a recognised stock exchange (such as ISA-eligibility or employee share acquisitions) or are not listed (for example Enterprise Investment Scheme or Capital Gains Tax business asset taper relief).

Legislation will be introduced in Finance Bill 2007 to allow HM Revenue & Customs to designate as a recognised stock exchange for tax purposes any investment exchange designated as a recognised investment exchange (RIE) by the FSA. This will ensure equal tax treatment for FSA-listed shares, regardless of which RIE is used as the primary market for the shares.

At the same time, the measure will put in place a definition of the term "listed", and update references used in conjunction with "listed" and "stock exchange" to reflect regulatory and market changes.

The measure will have effect on and after the date that Finance Bill 2007 receives Royal Assent.

#### ***Private sector landlords with service charges and sinking funds held on trust.***

Legislation included in Finance Bill 2007 will extend to all landlords, an existing relief from the special trust rate of tax, for service charges and sinking funds held on trust by Registered Social Landlords and other social landlords. The extension of the relief will apply to income arising on service charges and sinking funds held on trust by private sector landlords in respect of properties situated in the United Kingdom.

The change will take effect for income arising on or after 6 April 2007.

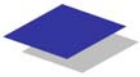
#### ***Increase to Gift-Aid Benefits***

This will affect Charities and Community Amateur Sports Clubs (CASCs) who provide benefits to recognise donations in excess of £1,000 and the individuals and companies who make those donations.

For donations to charities to remain eligible for Gift Aid tax relief, there are proportional and overriding limits on the value of benefits that individuals and companies may receive as a result of making those donations.

Legislation will be introduced in Finance Bill 2007 to double the proportional limit for donations in excess of £1,000, subject to the overriding limit which will also be doubled.

The new measures have effect on and after 6 April 2007.



### ***Charitable Lottery Tax Relief***

This affects Charities which raise funds by holding charitable lotteries.

Legislation will be introduced in Finance Bill 2007 to ensure that charities continue to benefit from the existing relief from tax on the profits from certain lotteries in a new regulatory framework.

Certain lotteries are exempt from tax when the profits accrue to a charity. This relief is given in tax law by reference to the Lotteries and Amusements Act 1976 (LAA). The relevant provisions of that Act will shortly be repealed by the Gambling Act 2005. The Finance Bill legislation will amend tax law to refer to the equivalent sections of the 2005 Act.

The 2005 Act brings in a new licencing regime for some large lotteries. Where this licencing regime applies, relief will not be given for lotteries which do not have the required licence, as the lottery would be unlawful.

This measure is effective from 1 September 2007, the date from which the relevant sections of the Gambling Act 2005 come into force.

### ***VAT and Transfer of Going Concern***

Record-keeping requirements for businesses transferred as a going concern will be brought into line with other tax and regulatory regimes so that the seller retains his records, except in the few cases where the buyer retains the seller's VAT number.

This change will have effect on and after 1 September 2007.

### ***Landfill Tax***

Legislation will be included in Finance Bill 2007 to increase the standard rate of landfill tax from £21 to £24 per tonne, and then to increase it further to £32 per tonne.

Legislation will also be included in Finance Bill 2007 to increase the lower rate of landfill tax from £2 to £2.50 per tonne. The lower rate applies to inactive wastes disposed at landfill that are listed in the Landfill Tax (Qualifying Material) Order 1996.

The £24 per tonne standard rate will apply to any standard rated disposal of waste made, or treated as made, on or after 1 April 2007.

The £32 per tonne standard rate and the £2.50 per tonne lower rate will apply respectively to any standard rated and any lower rated disposal of waste made, or treated as made, on or after 1 April 2008.

### ***Landlord's Energy Savings Allowance***

This is aimed at landlords who let residential properties and pay income tax or corporation tax. As announced at 2006 Pre-Budget Report, legislation will be introduced in Finance Bill 2007 to extend the current Landlords Energy Saving Allowance (LESA). Floor insulation will be added to the energy saving items which qualify for the allowance; a deduction of up to £1,500 will be available for each property rather than for each building; and the allowance will be available until 2015.

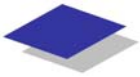
LESA will also be made available to corporate landlords who let residential properties, subject to state aid approval from the European Commission.

Extensions to the existing LESA affecting landlords paying income tax will be made available for expenditure incurred on or after 6 April 2007.

The allowance will be made available to landlords paying corporation tax on expenditure incurred after state aid approval is received.

### ***Climate Change Levy***

Legislation in Finance Bill 2007 will increase the rates of climate change levy for 2008-09 broadly in line with inflation.



## Tax Tables

On this and on the following pages, you will find Tax Tables - they will provide a useful reference source throughout the 2007/8 tax year.

### Personal Allowances

All income tax allowances will increase in line with inflation.

#### PERSONAL ALLOWANCES

£ per year (unless stated)	2006-07	Change	2007-08
Personal allowance (age under 65)	£5,035	+£190	£5,225
Personal allowance (age 65-74)	£7,280	+£270	£7,550
Personal allowance (age 75 and over)	£7,420	+£270	£7,690
Married couple's allowance* (aged less than 75 and born before 6/4/1935)	£6,065	+£220	£6,285
Married couple's allowance* (age 75 and over)	£6,135	+£230	£6,365
Married couple's allowance* (minimum amount)	£2,350	+£90	£2,440
Income limit for age-related allowances	£20,100	+£800	£20,900
Blind person's allowance	£1,660	+£70	£1,730

\*Married couple's allowance is given at the rate of 10%

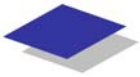
#### INCOME TAX: TAXABLE BANDS

Rate	2006-07	2007-08
Starting rate 10% *	£0 - £2,150	£0 - £2,230
Basic rate 22% *	£2,151 - £33,300	£2,231 - £34,600
Higher rate 40%	Over £33,300	Over £34,600

\*The rate of tax applicable to savings income in Section 1A ICTA 1988 remains at 20% for income between the starting and basic rate limits. The rates applicable to dividends are 10% for income up to the basic rate limit and 32.5% above that. There are separate rules for future changes to the availability of the non-repayable dividend tax credit for individuals who own foreign shares.



***Gordon Brown is cutting the basic rate of income tax by 2% to 20% from April 2008***



## Child and Working Tax Credit Rates and Child Benefit

Child Benefit is raised in line with inflation. The child element of Child Tax Credit (CTC) is to be unchanged from 6 April 2007.

The disabled child element and severely disabled elements rise with inflation. The family element (normal and baby addition) remains frozen at £545 per year. The income threshold for CTC rises to £14,495 per year. The income threshold for CTC family element only remains unchanged at £50,000 per year.

The maximum eligible childcare costs remains unchanged at £175 for one child and £300 for two or more children. The percentage of eligible childcare costs is also unchanged at 80 per cent.

### WORKING TAX CREDIT

£ per year (unless stated)	2006-07	Change	2007-08
Basic element	£1,665	+ £65	£1,730
Couple and lone parent element	£1,640	+ £60	£1,700
30 hour element	£680	+ £25	£705
Disabled worker element	£2,225	+ £85	£2,310
Severe disability element	£945	+ £35	£980
50+ Return to work payment (16-29 hours)	£1,140	+ £45	£1,185
50+ Return to work payment (30+ hours)	£1,705	+ £65	£1,770

### CHILDCARE ELEMENT OF WORKING TAX CREDIT

£ per year (unless stated)	2006-07	Change	2007-08
Maximum eligible cost for one child	£175 per week	Unchanged	£175 per week
Maximum eligible cost for two or more children	£300 per week	Unchanged	£300 per week
Percentage of eligible costs covered	70%	+ 10%	80%

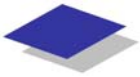
### CHILD TAX CREDIT

£ per year (unless stated)	2006-07	Change	2007-08
Family element	£545	Unchanged	£545
Family element, baby addition	£545	unchanged	£545
Child element	£1,765	+ £80	£1,845
Disabled child element	£2,350	+ £90	£2,440
Severely disabled child element	£945	+ £35	£980

### INCOME THRESHOLDS AND WITHDRAWAL RATES

£ per year (unless stated)	2006-07	Change	2007-08
First income threshold	£5,220	Unchanged	£5,220
First withdrawal rate (per cent)	37%	Unchanged	37%
Second income threshold	£50,000	Unchanged	£50,000
Second withdrawal rate (per cent)	6.67%	Unchanged	6.67%
First threshold for those entitled to Child Tax Credit only	£14,155	+ £340	£14,495
Income disregard	£25,000	Unchanged	£25,000

The disregard in Tax Credits for increases in income between one tax year and the next remains unchanged at £25,000.



## Child Benefit and Guardian's Allowance

The rates of Child Benefit and Guardian's Allowance for 2007-08 will be as set out opposite.

### CHILD BENEFIT AND GUARDIAN'S ALLOWANCE

£ per week	2006-07	Change	2007-08
Eldest/only child	£17.45	+ £0.65	£18.10
Other children	£11.70	+ £0.40	£12.10
Eldest/only Child (Lone Parent Rate)	£17.55	Abolished	Abolished
Guardian's Allowance	£12.50	+ £0.45	£12.95

## Pensions

On 6 April 2006 (known as A-Day) new tax rules for all pensions came into force. These new rules are intended to encourage us all to save more for our retirement.

Amongst the changes that came in on 6 April 2006 are significant increases in the maximum amount an individual can put into a pension without tax penalty (the Annual Allowance), and a lifetime allowance being the value of pension savings anyone can draw in their lifetime without a tax penalty.

The table opposite show the allowance levels from A-Day up to 2010/11.

There are also changes to the amount that can be taken as a tax free lump sum at retirement (from A-Day it will be basically 25% of total pension benefits) and the minimum age for taking pension benefits (from A-Day it is 50, increasing to 55 from 6 April 2010).

### PENSIONS - ANNUAL AND LIFETIME ALLOWANCES

Tax Year	Annual Allowance	Lifetime Allowance
2006/07	£215,000	£1,500,000
2007/08	£225,000	£1,600,000
2008/09	£235,000	£1,650,000
2009/10	£245,000	£1,750,000
2010/11	£255,000	£1,800,000

## VAT

The announcements affecting VAT rates and registration/de-registration limits are as follows:

### VALUE ADDED TAX

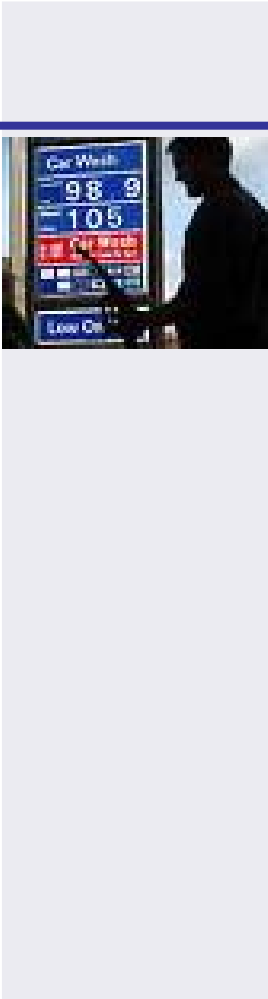
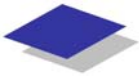
	Rates etc from 1 April 2007
Standard rate	17.50%
VAT fraction	7/47ths
Registration limit at	£64,000
Deregistration limit at	£62,000
Cash accounting turnover limit (was £660K)	£1.35m
Annual accounting turnover limit	£1.35m

## Tax Shelters

There were no announcements affecting existing tax shelters (except an extension in the life of ISAs) which for 2007/08 are as follows:

### TAX SHELTERS 2007/8

Venture Capital Trusts - investment limit and rate of tax relief (maximum)	£200,000 (relief at 30%)
EIS - relief at 20%	£400,000
Tax-free employment termination	£30,000
Tax-free "rent-a-room" income	£4,250
ISAs	£7,000



## Capital Gains Tax

The Chancellor made no new announcements on the rates of taper relief on business assets which remain as follows:

### CAPITAL GAINS TAX TAPER RELIEF

Whole years asset held from 6 April 1998	Percentage of gain charged to tax	Effective rate of tax for higher rate taxpayer (%)
Less than 1	100	40
1	50	20
2	25	10

### CAPITAL GAINS TAX EXEMPT AMOUNT

	Annual exempt amount for individuals	Annual exempt amount for trustees
2006/7	£8,800	£4,400
2007/8	£9,200	£4,600

## Cars

The Chancellor made no new announcements about tax on car benefits which are:

### CAR BENEFIT READY RECKONER

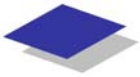
CO <sub>2</sub> emissions in grams per km	2005-2006 to 2007-2008	2008-2009
120 or lower	N/A	10%
125-135	N/A	15%
140	15%	16%
145	16%	17%
150	17%	18%
155	18%	19%
160	19%	20%
165	20%	21%
170	21%	22%
175	22%	23%
180	23%	24%
185	24%	25%
190	25%	26%
195	26%	27%
200	27%	28%
205	28%	29%
210	29%	30%
215	30%	31%
220	31%	32%
225	32%	33%
230	33%	34%
235	34%	35%
240	35%	35%
245	35%	35%
250	35%	35%
255	35%	35%

### CAR FUEL ADJUSTMENTS

Type of fuel	Code	Standard adjustment	Other adjustments
Petrol	P	none	none
Diesel (not Euro IV)	D	supplement: 3% (see note 1)	none
Diesel (Euro IV) first registered on or before 31 December 2005	L	cancel type D supplement, above	none
Diesel (Euro IV) first registered on or after 1 January 2006	L	supplement: 3% (as type D; see note 1)	none
Electric only	E	reduction: 6%	none
Hybrid electric	H	reduction: 3%	none
Gas only	B	reduction: 2%	none
Bi-fuel with CO <sub>2</sub> emissions figure for gas (note 2)	B	reduction: 2%	use lowest CO <sub>2</sub> figure
Bi-fuel conversion, or other bi-fuel not within type B	C	none	none

#### Notes

- Subject to the overall maximum appropriate percentage of 35%.
- Cars which were type approved as bi-fuel cars and were first registered on or after 1 January 2000. These cars have two approved CO<sub>2</sub> emissions figures, one each for petrol and gas (though only one may appear on the Vehicle Registration Certificate, V5C). Supplements and reductions only apply to cars first registered on or after 1 January 1998. They apply to all such cars, whether or not they have an approved CO<sub>2</sub> emissions figure.



## VEHICLE EXCISE DUTY: Private and Light Goods Vehicles Pre-graduated VED (registered before March 2001)

Cubic Capacity	Change	New Rate
1549cc and below	+ £5	£115
Above 1549cc	+ £5	£180

## GRADUATED VEHICLE EXCISE DUTY: Private Vehicles (registered from March 2001)

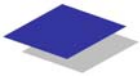
VED Band	CO <sub>2</sub> (g/km)	Alternative Fuel cars	Petrol cars	Diesel cars
A	100 and below	£0	£0	£0
B	101-120	£15	£35	£35
C	121-150	£95	£115	£115
D	151-165	£120	£140	£140
E	166-185	£145	£165	£165
F	186-225	£190	£205	£205
G*	Over 226	£285	£300	£300

\*new cars registered from 23/3/06

## VEHICLE EXCISE DUTY: Light Goods Vehicles (registered after March 2001)

Rate	Change	New Rate
Euro IV incentive rate*	+ £5	£115
Standard rate	+ £5	£175

\*for Euro IV compliant vans registered between 1/3/03 and 31/12/06new cars



## Corporation Tax

The rates of tax that companies pay from 1 April 2007 were announced in the Budget and are shown in the Table below.

The profits limits may be reduced for a company that is part of a group or has associated companies. The lower rates and marginal reliefs do not apply to close investment holding companies.

### CORPORATION TAX RATES: YEAR TO 31 MARCH 2008

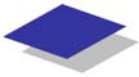
<b>Companies earning under £300,000</b>	From £1 to £300,000 @ 20% (previously 19%)
<b>Companies earning between £300,000 and £1.5million:</b>	
First £300,000	20%
Upper Marginal rate (excess over £300,000)	32.50% (previously 32.75%)
<b>Companies earning over £1.5million:</b>	
Main rate	30%

## Stamp Duty

With the exception of relief for zero-carbon homes, the Chancellor made no new announcements on the stamp duty land tax rates which were last increased on 23 March 2006 as shown in the Table below.

### STAMP DUTY LAND TAX RATES FROM 23 MARCH 2006

Rate	Land in disadvantaged areas		All other land in the UK	
	Residential	Non-residential	Residential	Non-residential
0%	Up to £150,000	Up to £150,000	Up to £125,000	Up to £150,000
1%	More than £150,000 but not more than £250,000	More than £150,000 but not more than £250,000	More than £120,000 but not more than £250,000	More than £150,000 but not more than £250,000
3%	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000	More than £250,000 but not more than £500,000
4%	More than £500,000	More than £500,000	More than £500,000	More than £500,000



## Inheritance Tax (IHT)

The Chancellor has already announced the thresholds for IHT until 2009/10 but has now announced the threshold for 2010/11:

### INHERITANCE TAX (IHT) THRESHOLDS

Year	Nil Rate Band
2006-07	£285,000
2007-08	£300,000
2008-09	£312,000
2009-10	£325,000
2010-11	£350,000

### IHT MAIN EXEMPTIONS

	Exempt Amount
Annual gifts per donor	£3,000 per year
Small gifts to same person	£250
To non-domicile spouse	£55,000 for life
To UK domicile spouse	unlimited gifts
On marriage by either party to the marriage	£2,500
On marriage by parent of either party	£5,000
On marriage by remoter ancestor of either party	£2,500
On marriage by any other person	£1,000
To charities	all gifts
To political parties	all gifts

### IHT CHARGE ON GIFTS WITHIN SEVEN YEARS OF DEATH

Years between gift and death	Percentage of death rate charge applied to gift
0 to 3	100%
3 to 4	80%
4 to 5	60%
5 to 6	40%
6 to 7	20%

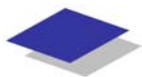
## National Insurance

The NI Contribution thresholds and rates from 6 April 2007 are set out in the Table below.

### NATIONAL INSURANCE CONTRIBUTIONS

#### 2007-08

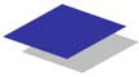
Lower earnings limit, primary class 1	£87 a week
Upper earnings limit, primary class 1	£670 a week
Primary threshold	£100 a week
Secondary threshold	£100 a week
Employees' primary class 1 rate	11% on £100 to £670 a week
	1% above £670 a week
Employees' contracted-out rebate	1.60%
Married women's reduced rate	4.85% on £100 to £670 per week
	1% above £670 a week
Employers' secondary class 1 rate	12.8% on earnings above £100 a week
Employers' contracted-out rebate, salary-related schemes	3.70%
Employers' contracted-out rebate, money-purchase schemes	1.4%
Class 2 rate	£2.20 a week
Class 2 small earnings exception	£4,635 a year
Special class 2 rate for share fishermen	£2.85 a week
Special class 2 rate for volunteer development workers	£4.35 a week
Class 3 rate	£7.80 a week
Class 4 rate	8%
Class 4 lower profits limit	£5,225 a year
Class 4 upper profits limit	£34,840 a year
Class 4 rate above upper profits limit	1%



## Tax Calendar: 2007/8



April 2007	
6	First day of 2007/8 tax year.
14	Due date for income tax for the CT61 period to 31 March 2007.
19	Quarter 4 2006/7 PAYE remittance due. Monthly PAYE/NIC to 5 April 2007 due. Any arrears of PAYE/NIC due for the year ended 5 April 2007 to be paid by this date. Interest will begin to accrue on unpaid PAYE/NI for 2006/7.
30	Normal annual adjustment for VAT partial exemption calculations (monthly returns).
May 2007	
3	Last day for notifying car changes in quarter to 5 April 2007- Form P46 (car).
19	Last day for filing forms P14, P35, P38 and P38A – 2006/7 PAYE returns, without incurring penalties. Monthly PAYE/NIC to 5 May 2007 due. Last day for filing contractors returns, including CIS36.
31	Issue 2006/7 P60s to employees (and to ex-employees who request them).
June 2007	
30	End of CT61 quarter. Last day for UK businesses to reclaim EC VAT chargeable in 2006. Annual adjustment for VAT partial exemption calculations (March VAT year end).
July 2007	
1	Corporation tax return for the year ended 31 March 2006, not filed before 31 March 2007, to be filed by this date to avoid a minimum £200 penalty (£1,000 for third consecutive default). Tax geared penalties apply where returns are filed more than 18 months after the end of the return period.
5	File Tax Credit Claims (actual or protective) for 2006/7 to avoid any loss of benefit.
6	Last date to file Taxed Award Scheme Returns, P11Ds and P9Ds. Issue copies of P11Ds or P9Ds and car mileage details and/or FPCS details to employees (and to ex-employees who request them). Deadline for relevant third parties to give non-employees information on benefits/expenses they have provided to them in 2006/7.
14	Due date for income tax for the CT61 period to 30 June 2007.
19	Quarter 1 2006/07 PAYE remittance due. Final date for payment of 2006/7 Class 1A NICs on relevant benefits provided to employees.
31	Second self assessment payment on account for 2006/7. Annual adjustment for VAT partial exemption calculations (April VAT year end). Liability to 2nd £100 penalty arises for 2006 Tax Return still not filed. Failure to pay any balance of 2005/6 tax leads to an additional 5% automatic surcharge.
August 2007	
2	Last day for notifying car changes in quarter to 5 July 2007- P46 (car).
19	Monthly PAYE/NIC to 5 August 2007 due.
31	Annual adjustment for VAT partial exemption calculations (May VAT year end).
September 2007	
19	Monthly PAYE/NIC to 5 September 2007 due.
30	Deadline for submission of the 2007 tax return if you wish HMRC to calculate the tax, or, if you are an employee, you wish to have a 2006/7 balancing payment of less than £2,000 collected through your 2007/8 PAYE code. End of CT61 quarterly period.
October 2007	
1	Due date for payment of Corporation Tax for period ended 31 December 2006.
5	Individuals/trustees must notify the Revenue of new sources of income/chargeability in 2006/7 if a tax return has not been received.
14	Due date for income tax for the CT61 quarter to 30 September 2007.
19	Monthly PAYE/NIC to 5 October 2007 due. Quarter 2 2007/8 PAYE remittance due.
November 2007	
1	Please ensure you are retaining your documents for the 2007 tax return.
2	Last day for notifying car changes in quarter to 5 October 2007 - P46 (car).
19	Monthly PAYE/NIC to 5 November 2007 due.



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December 2007	
19	Monthly PAYE/NIC to 5 December 2007 due.
30	For those with a tax liability of less than £2,000, if you file your tax return via HMRC's on-line self assessment system by this date, the tax office will adjust your PAYE code (provided you are an employee) so that you can pay any tax due for 2006/07 over the course of the 2007/08 tax year, rather than as a lump sum on 31 January 2008.
31	Last day for non-EC traders to reclaim recoverable UK VAT suffered in the year to 30 June 2006. End of relevant year for taxable distance supplies to UK for VAT registration purposes. End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes End of CT61 quarterly period. Filing date for Corporation Tax Return Form CT600 for period ended 31 December 2006.
January 2008	
1	Due date for payment of Corporation Tax for period ended 31 March 2007
14	Due date for income tax for the CT61 quarter to 31 December 2007.
19	Monthly PAYE/NIC to 5 January 2008 due. Quarter 3 2007/8 PAYE remittance due.
31	First self assessment payment on account due for 2007/8. Balancing payment due – 2006/7 income tax income tax/class 4 NICs. Capital gains tax payment date for 2006/7. Last day to file the 2007 tax return.
February 2008	
1	£100 penalty if 2007 Tax Return not yet filed.
2	Last day for notifying car changes in quarter to 5 January - P46 (car).
19	Monthly PAYE/NIC to 5 February 2008 due.
28	Failure to pay any balance of 2006/7 tax leads to an automatic 5% surcharge.
March 2008	
19	Monthly PAYE/NIC to 5 March 2008 due.
31	End of corporation tax financial year. (for companies only) End of CT61 quarterly period. Filing date for Corporation Tax Return Form CT600 for period ended 31 March 2007.
April 2008	
5	Last day of 2007/8 tax year Last day for 2007/8 contributions to ISAs.

## Further Information

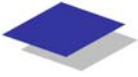
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