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THE SUMMER BUDGET 2010

BUDGET 22 JUNE 2010

This Summary covers the key tax changes announced in the Chancellor's speech and includes tables of the main rates and allowances.

Alongside our text we have included tips and traps which you may want to consider. At the back of the Summary you will find a notes page and a calendar of the tax year with important deadline dates shown.

We recommend that you review your financial plans throughout the year, as some aspects of the Budget will not be implemented until later in the tax year.

We will, of course, be happy to discuss with you any of the points covered in this report, and help you adapt and reassess your plans in the light of any legislative changes.

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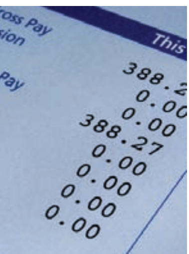


INTRODUCTION

Ever since the Conservatives and Liberal Democrats found enough common ground to form a coalition, the Treasury team has been preparing the public for austerity: spending cuts and tax increases. We have been told to expect the worst – so we should not be unpleasantly surprised. When he stood up for his first Budget speech, the new Chancellor announced that he would be "tough but fair": everyone will have to pay to restore the country's finances, but the rich will bear a higher proportion than the poor.

We will have to wait to see if that turns out to be true. The largest revenue-raising measure is an increase in the rate of VAT to 20%, to take effect on 4 January 2011; the poor tend to suffer disproportionately from VAT increases, because a tax on spending takes up a larger slice of their disposable income. On the other hand, there were several measures to reduce the tax burden on the lowest earners, as well as an increase in the rate of tax on capital gains. Traditional Conservative priorities such as reductions in Inheritance Tax were noticeably absent.

Mr Osborne said that 77% of his deficit reduction will be achieved through spending cuts, while only 23% will come from tax increases. There are major reforms in benefits and tax credits to reduce costs, but the largest numbers are cuts in public spending. These include a two-year pay freeze for all civil servants earning over £21,000, and 25% reductions in the budgets for some departments – that will hit those affected as hard as any of the tax proposals. Labour claim that cutting this much this quickly runs the risk of sending the country back into recession: we can only hope that they are wrong.

As usual, the speech itself does not tell the full story. Many important details are hidden in press releases issued by HM Revenue & Customs and the Treasury after the Chancellor sits down. This booklet summarises the main changes and outlines their likely effect on the average taxpayer.

Significant points

- Increase in standard rate of VAT from 17.5% to 20% with effect from 4 January 2011
- Above-inflation increase in personal allowances for 2011/12
- Reduction in tax credits for middle-income families from 2011/12
- Employer's NIC holiday for new businesses in some parts of UK from September 2010
- Rethinking of the restriction of higher rate pensions tax relief in 2011/12
- Reform of requirement to use pension funds to buy an annuity at age 75
- Immediate increase in rate of CGT to 28% for higher rate taxpayers
- Increase in lifetime limit for Entrepreneurs' Relief to £5m
- Cuts in corporation tax rates from April 2011 – main rate down to 24% over four years

Income Tax

Tax rates and allowances (Table A)

The Chancellor has made no changes to rates and allowances for the current year to April 2011. The figures in the table are those confirmed by Alistair Darling in his March Budget.

The Coalition Agreement between the Conservatives and the Liberal Democrats includes a long-term objective to take many low earners out of taxation by raising the starting point for income tax to £10,000. From 6 April 2011, the personal allowance will be raised by £1,000, significantly more than the usual inflationary rise, as a first step towards this aim.

Higher rate taxpayers will not benefit from this increase: the threshold for paying higher rate tax will be reduced, after taking inflation into account, so that the overall benefit to them is the same as for a basic rate taxpayer. The extra allowance will reduce tax but the reduction in the higher rate threshold will mean that more tax is paid at 40% to compensate.

The Upper Earnings Limit, at which National Insurance Contributions fall from the full rate to 1% (2% in 2011/12), will be reduced so that the threshold for higher rate tax and lower NIC is the same. Lowering the threshold therefore increases income tax but reduces NIC.

As no other changes have been announced to personal allowances, the new rules which withdraw their benefit to those with incomes over £100,000 will take effect in 2010/11 as expected. For every £2 by which income exceeds £100,000, £1 will be deducted from personal allowances – so the basic allowance will be reduced to nil by the time income reaches £112,950. In this income band, the combined effect of the 40% tax rate and the withdrawal of allowances means that the marginal rate of income tax is 60%.

Tax Credits and Benefits

Tax Credits

A number of changes were announced to reduce the cost of Child Tax Credits, particularly those paid to higher earners. At present, some CTC can be claimed by couples earning over £50,000. There are no changes to claims in the current year, but from 2011/12:

- Eligibility for CTC for families with income above £40,000 will be reduced.
- The child element of CTC will be increased, but the rate at which it is withdrawn for higher incomes will also be increased.
- The "baby element" (which doubles CTC in the year a child is born) will be abolished.
- The "income disregard" (which ignores increases in income from one year to the next when finalising a credit entitlement) will be cut from £25,000 to £10,000.

Further changes will be made in 2012/13.

Pensioners

The Chancellor announced that the State retirement pension will no longer increase in line with the retail prices index. Instead it will go up annually by the highest of 2.5%, the percentage rise in average earnings and the percentage rise in average prices. This will be a popular measure with campaigners on behalf of the elderly, who have protested that some recent rises in pensions have been derisory.

Benefits and other measures

Mr Osborne announced that welfare reform had to be an essential part of reducing the deficit in public finances. Child benefit will continue to be paid universally without a means test, but the amount will be frozen at current rates until April 2014.

The Government had already announced an intention to reduce and then stop its contributions to Child Trust Funds, which were introduced by Gordon Brown for children born after August 2002. The Budget confirms that this reduction will begin for children born from August 2010, and the Government additions to CTFs at age 7 will cease from the same date. HMRC will not issue new CTF vouchers from 1 January 2011. Existing CTF accounts will still enjoy their tax-free status for the time being.

Mr Osborne also announced significant measures to tighten the rules for Disability Living Allowance and to restrict the amounts of Housing Benefit. Benefits will in future be increased annually by reference to the consumer prices index rather than the retail prices index, and this is expected to produce smaller rises.

National Insurance Contributions

Rates and limits (Table D)

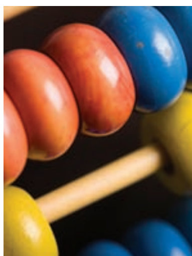
No general changes have been made to the rates of NIC for 2010/11.
Two important changes were announced to take effect from 6 April 2011:

- A reduction in the upper earnings limit (UEL) to match the reduction in the threshold for 40% income tax – this means that less NIC will be charged at the full rate and more will be charged at the lower rate that applies above the UEL, so there will be a small cut in contributions.
- The secondary threshold, which is the point at which employers start to pay employer contributions, will increase by £21 above the effect of inflation.

TAX TIP

When rates change, you may save money by moving income between tax years.



At present, employers and employees both start to pay NIC when pay exceeds £110 per week. The change to the threshold will mean that no employer's NIC will be payable until the employee earns the 2011/12 equivalent of £131 per week, saving approximately £140 a year for all workers and taking the lowest paid out of employer's NIC altogether. However, the use of different thresholds for employees' and employer's contributions may increase complexity for those who still calculate NIC without using a computer.

These changes are in addition to two other measures which were announced by Mr Darling and which are also set to take effect on 6 April 2011:

- A 1% increase in the rates of NIC so that employers will pay 13.8%, employees will pay 12% (2% above the UEL), and the self-employed will pay 9% (2% above the UEL).
- An increase in the primary threshold (in 2010/11: £110 per week) to compensate lower earners for the increase in rates.

Although the increases in employer's NIC rates were attacked during the election campaign as "Labour's tax on jobs", it appears that they will be implemented.

Class 1A NIC are charged on taxable benefits in kind, and are due from the employer on 19 July following the tax year to which they relate. As the rate will have gone up by July 2011, the Class 1A NIC for 2010/11 will be levied at 13.8%, even though they will relate to a year in which the rate was 12.8%.

Holiday for new businesses

The Budget included a preliminary announcement of a scheme to encourage new businesses outside London and what the Government calls the "Greater South East". New businesses set up from 22 June 2010 will not have to pay the first £5,000 of employer's NIC for each of the first 10 employees hired in the first year of business. That covers all the employer's NIC on a salary of about £40,000, so in effect it is a year's holiday on employer contributions for anyone earning up to that level.

TAX TIP

Can you benefit from setting up business in a tax- favoured area?

The scheme is aimed at promoting more private sector employment in parts of the United Kingdom which are particularly reliant on public sector employment (and which will presumably therefore be worst affected by the public sector expenditure cutbacks). It will therefore be restricted to new businesses in Scotland, Wales, Northern Ireland, the North East, Yorkshire and the Humber, the North West, the East Midlands, the West Midlands and the South West. Details of the scheme will be announced shortly. It is likely that there will be a number of restrictions to make sure that only genuinely "new" businesses enjoy the relief, and that the business activity is genuinely located in the qualifying regions and countries.

Employees

Company cars and fuel (Table C)

No further changes were announced to the taxation of company cars, following the significant programme of measures included in the March Budget. Electric cars now give rise to no taxable benefit on either the car itself or the charging of the batteries. Very low emission petrol cars (up to 75g/km) will be taxed at 5% of the list price. Tax charges then increase to a maximum of 35% of the list price at ratings of 230g/km (petrol engines) or 215g/km (diesel engines). The levels at which the percentages increase will be lowered in future years. The chargeable amount on a company van remains at £3,000 (if private use is more than travel between home and work).

The taxable benefit of free fuel provided for use in a company car remains based on £18,000 for 2010/11. When multiplied by the same percentage as the list price for the car, this gives a chargeable figure of between £900 (at 5%) and £6,300 (at 35%). The chargeable figure for free fuel in a company van remains £550.

Savings

Pension contributions (Table B)

No changes were announced to the rules on pension contributions. This means that the maximum amounts for the current year remain unchanged, and extra contributions over £20,000 made by people earning over £130,000 may also be subject to a clawback of relief if made before 6 April 2011.

This clawback was introduced to prevent people paying early contributions to get around the restriction of higher rate pensions tax relief for those earning over £150,000 currently planned to come into force on 6 April 2011. In spite of retaining this preliminary measure, the Government has reservations about the rule itself. Mr Osborne intends to raise the same amount of money from cuts to pension relief that Mr Darling proposed, but will discuss with interested parties whether there might be a simpler and fairer way of doing this – for example, by restricting the maximum amount that can be paid into a tax-favoured scheme to a much smaller figure (say £40,000 instead of the current £255,000). More details will be published later in the year.

In the meantime, anyone paying a large pension contribution out of earnings of over £130,000 still needs to take advice to understand the tax consequences – but the rules next year may be quite different from what we were expecting.

Pension benefits

Up to now, anyone with a tax-favoured pension scheme has been required to buy an annuity or start an "alternatively secured pension" (ASP) no later than their 75th birthday. An annuity may cease on the death of the pensioner or may continue to be payable to a dependant for a set period. An ASP preserves the

identity of the pension fund, which may be passed on to the pensioner's dependants on death, but it is currently subject to heavy tax charges if this happens. If pension benefits have not commenced by the time an individual dies, it is normally possible to leave the fund to the dependants tax-free.

The Government has announced that it will end the effective requirement to buy an annuity with effect from 2011/12. As an interim measure, the age requirement for purchasing an annuity (or starting an ASP) will be increased to 77 for anyone who has not reached the age of 75 by 22 June 2010. The IHT charges that would previously have applied on a death will be substantially reduced.

Further details of these important changes will be announced shortly, and will be enacted in the legislation following the next Spring Budget.

TAX TRAP

Take advice before fixing your pension benefits.

Individual Savings Accounts (ISAs)

The annual limit on investment in tax-free ISAs was increased from £7,200 to £10,200 on 6 April 2010 (6 October 2009 for those aged 50 and over). This limit is to be increased annually in line with inflation in future, starting in 2011/12. The precise amount of the increase will not be known until the retail price index for September is published, as the calculation uses the annual measure of inflation to that month.

The limit will be rounded to a convenient multiple of £120 so that regular savers can fix a round monthly amount to pay into their ISA.

Furnished Holiday Letting (FHL)

The Chancellor confirmed that the favourable tax treatment of furnished holiday lettings, which was set to be abolished by the Labour government, will be retained for 2010/11. Compared with other rental income, FHL sources benefit from more generous relief for losses and can be used to pay pension premiums. The disposal of FHL properties enjoys a number of CGT advantages, including potentially qualifying for Entrepreneurs' Relief, which applies a lower rate of 10% on gains.

The Government will consult during the summer in order to consider what the FHL rules should be in 2011/12. It seems likely that the favourable treatment will be retained (and will apply to properties anywhere in the European Economic Area), but the qualifying conditions may be tightened, for instance by increasing the number of days for which properties must be available and must be let.

Capital Gains Tax

Rate of tax

The Liberal Democrats had pressed for a significant increase in the rate of CGT, and some expected it to rise to the same level as the higher rates of income tax (40% or 50%). There was also speculation about the possible reintroduction of reliefs for inflation or for length of ownership (tapering). It is encouraging that Mr Osborne rejected these on grounds of complexity: the computation of CGT was significantly simplified by the abolition of taper relief in 2008, and its reintroduction would have required yet another redesign of stockbrokers' software.

Instead, the Chancellor implemented an immediate rise in the CGT rate to 28%, to apply to disposals after midnight on Budget day, but only affecting those who pay higher rate income tax. It is unprecedented to change the CGT rate during a tax year, and the details of how this works for people who have made disposals both before and after 23 June 2010 are complicated. Deductions, reliefs and the annual exemption can be allocated by the taxpayer in the most beneficial way, so that the maximum amount of gain is charged at the old 18% rate and the minimum at the new higher rate.

Basic rate taxpayers will continue to pay CGT at 18%. Where a gain is large enough to take someone over the higher rate income tax threshold, the 28% rate will apply to the excess.

The annual exemption for 2010/11 remains unchanged at £10,100, and Mr Osborne announced that it will increase in line with inflation in future years as it has done in the past. However, he has said that the rate of CGT will be reviewed in the next Budget, so there is a possibility that the rate could rise again for the next tax year.

TAX TRAP

Will your gains be charged at the new higher rate?

Trustees

Where assets are disposed of after 22 June 2010, trustees and personal representatives of deceased persons will pay CGT on all gains above their annual exemption at 28%.

Entrepreneurs' Relief (ER)

ER allows an effective rate of CGT of 10%, instead of 18% or 28%, on qualifying disposals which give rise to gains up to a lifetime maximum. Mr Darling increased the limit from £1m to £2m with effect from 6 April 2010; Mr Osborne has increased it further to £5m with effect from 23 June 2010. Earlier disposals on which ER has been given will be deducted from the lifetime allowance for future sales.

ER has up to now achieved an effective rate of 10% by deducting 4/9 from the chargeable gain (5/9 x 18% = 10%). As there will now be two possible rates of CGT, this would no longer work, so gains qualifying for ER will simply be charged at 10%.

Qualifying disposals include the disposal of a business or an interest in a trading business, or of shares in a trading company by someone who works for the company and owns 5% of it, or the disposal of a business asset when the business ceases.

Inheritance Tax

Rates

Reducing the burden of IHT is traditionally a Conservative priority. The Coalition Agreement has relegated this below other objectives, and Mr Osborne's first Budget contained no mention of IHT at all. This means that, on the basis of the measures previously announced, the nil rate band for transfers will be held at £325,000 for the next five years to 2014/15, bringing more estates into the charge to tax each year. However, this may be reviewed when the outcome of other measures becomes clearer.

Rates of tax remain unchanged at 40% (death transfers) and 20% (lifetime chargeable transfers).

Corporation Tax

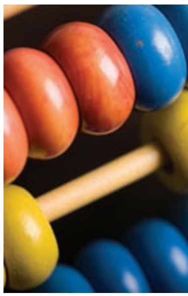
Rates

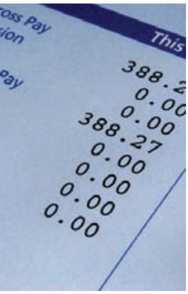
The main rate of Corporation Tax (for companies with profits over £1.5m) has been 28% since 1 April 2008. It will be cut for the Financial Year 2011 (commencing 1 April 2011) to 27%, then to 26% for FY 2012, 25% for FY 2013 and 24% for FY 2014. Mr Osborne affirmed that this will give the UK its lowest ever company tax rate, and one of the lowest in the world.

The small profits rate (for companies with profits up to £300,000) was scheduled to rise from 21% to 22% from 1 April 2011. Instead, it will fall to 20%, where it last stood for the year to 31 March 2008.

TAX TRAP

A small company pays lower rates than a sole trader – should you incorporate?





Business Tax

Capital allowances

The rates of writing down allowances (WDA) will be reduced for chargeable periods ending on or after 1 April 2012 (companies) or 6 April 2012 (unincorporated trades). The "general pool" will be written down at 18% rather than 20%, and the "special rate pool" (typically longer-life assets and cars with carbon dioxide emissions rating above 160g/km) at 8% rather than 10%.

At the same time, the Annual Investment Allowance (AIA) – the amount of expenditure on plant and machinery that qualifies for a 100% immediate deduction – will be reduced from £100,000 to £25,000. It rose from £50,000 to £100,000 in April 2010.

There are complex rules for computing both the WDA and the AIA for chargeable periods which straddle a change in rate, and these will need to be consulted in 2012 for traders whose year ends do not match the tax year.

TAX TIP

Be aware of the tax effect of plant purchases – maybe advance them.

Zero-emission goods vehicles

The last Labour Budget introduced nil taxable benefits for company cars which do not emit carbon dioxide, for five years starting in 2010/11. The new Budget brings in 100% first year allowances for the purchase of goods vehicles with zero emissions. It applies for purchases for five years from 1 April 2010 (companies) or 6 April 2010 (unincorporated). The vehicle must be new and unused, not second-hand.

Value Added Tax

Standard rate

As widely expected, Mr Osborne's major tax-raising measure was an increase in the standard rate of VAT. This will go up from 17.5% to 20% on 4 January 2011.

Following the temporary cut in the standard rate to 15% between 1 December 2008 and 31 December 2009, traders have recent experience of the complexities of implementing a VAT rate change. At least the Chancellor appears to have noted that changing the VAT rate at midnight on New Year's Eve, as Mr Darling did, poses a number of practical difficulties.

There will be measures to prevent businesses which cannot recover all the VAT on their expenses, such as banks and insurance companies, from artificially bringing forward expenditure in order to pay 17.5% rather than 20%.

The effect of this increase dwarfs all the other tax changes in the Budget. The increase in the CGT rate is expected to raise just under £1bn by 2014/15; the VAT increase is supposed to be raising over £13bn a year by then. That shows that this is not a temporary measure, but something that is expected to remain at the same level for the whole of the Parliament.

TAX TRAP

Changing the VAT rate is an administrative headache – be prepared.

Flat Rate Scheme (FRS)

Small businesses with turnover of up to £150,000 may apply to use the FRS. This simplifies their VAT accounting because they do not claim input tax credit on expenses; instead, they keep some of the output tax they charge to customers rather than paying it all to HMRC. The percentage which must be paid to HMRC varies according to the type of business.

The flat rates change when there is a change of standard rate, and the new rates which will apply from 4 January 2011 have been published. Any business which uses the FRS should make sure that it is aware of the new rate and has checked whether the scheme remains beneficial.

Scope of the tax

Mr Osborne stated that there would be no extension of VAT to those items which are currently not charged to the tax such as children's clothes, food, newspapers and books. These reliefs are intended to reduce the impact of the tax on lower earners, who otherwise suffer the effect of VAT increases disproportionately.

Insurance Premium Tax

Rates of tax

To match the increase in VAT, the higher rate of IPT will rise from 17.5% to 20% on 4 January 2011. Higher rate IPT is charged on insurance contracts which are sold with VATable goods, such as extended warranties on household appliances and cars, and also on travel insurance. The new rate will apply to premiums received or policies written by the insurer from 4 January onwards.

The standard rate of IPT, which applies to general insurance products such as household and motor insurance, will go up from 5% to 6% at the same time.

Other Measures

Penalties for late filing and payment

The March Budget included an announcement that HMRC is working on the reform of penalties for late filing of returns and payment of tax. This is part of the ongoing rationalisation of rules which formerly applied to different taxes administered by different departments (e.g. income taxes by the Inland Revenue and VAT by Customs & Excise). Several recent Finance Acts have reformed and rationalised interest on late tax payments and penalties for late filing and payment.

The latest Budget confirms that these measures will be extended to VAT and other indirect taxes, but does not set out a detailed timetable. Although the penalties for lateness in direct taxes are generally harsher than what they are replacing, the penalties under the existing default surcharge regime for VAT will be reduced after the changes.

TAX TRAP

Beware: the new penalties may be expensive if you are not careful – and prompt!

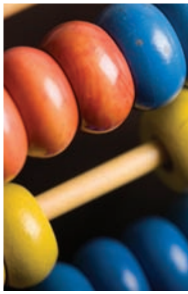
Anti-avoidance

There was less detail on anti-avoidance provisions than is usual in a Budget, presumably because HMRC included most of the measures they wanted in March. However, there is a proposal to clamp down on the use of trusts and other vehicles to avoid, defer or reduce liabilities to income tax and NICs on earnings, or to seek to avoid restrictions on pensions tax relief. The Government is considering measures to close down these schemes, and intends to introduce new legislation to take effect from 6 April 2011. Those who use these planning devices have been warned.

Bank levy

After Labour's tax on bankers' bonuses in 2009/10, the new administration is introducing a levy on the balance sheets of large banks. It follows a joint policy statement issued with the French and German governments – Mr Osborne is keen to ensure that such a levy does not simply drive the banks to set up their operations in countries that do not charge similar taxes. It remains to be seen whether the levy will raise as much as he hopes.





Income Tax Rates and Allowances

Table A Allowances and Reliefs

	2010/11	*2009/10*
Allowed at top rate of tax		
Personal Allowance	£6,475	£6,475
Personal Allowance (65 – 74)*	9,490	9,490
Personal Allowance (75 and over)*	9,640	9,640
Blind Person's Allowance	1,890	1,890
Allowed only at 10%		
Married Couple's Allowance (75 and over)*+	6,965	6,965
Income limit for age-related allowances	22,900	22,900

+only available if born before 6th April 1935

*Age allowances are reduced £1 for every £2 by which income exceeds the income limit, until the age allowance is reduced to the normal allowance. Personal allowance is reduced before married couple's allowance. MCA is reduced to a minimum of £2,670 (2009/10: £2,670).

Personal allowances in 2010/11 will be withdrawn at £1 for every £2 by which total income exceeds £100,000. There will therefore be no allowances if income is £112,950 or more.

Bands	*2010/11*	*2009/10*
Starting (within basic rate band)*	£2,440	£2,440
Basic	37,400	37,400
Higher	37,401 - 150,000	over 37,400
Additional	over 150,000	–

* There is a 10% starting rate for savings income only. If general taxable income exceeds the starting rate limit, the 10% rate is not available for savings income.

Rates differ for General, Savings and Dividend income within each band:

Rates	*2010/11*			*2009/10*		
	G	S	D	G	S	G
Starting	N/A	10%	10%	N/A	10%	10%
Basic	20%	20%	10%	20%	20%	10%
Higher	40%	40%	32.5%	40%	40%	32.5%
Additional	50%	50%	42.5%	-	-	-

General income (salary, profit, rent) uses starting rate and basic rate bands before savings income (interest). Dividends are taxed as the 'top slice' of income.

Table B Pension Contributions

The maximum annual tax efficient gross contributions (up to age 75) in 2010/11 are:

– individuals:	£3,600 or 100% of earnings to £255,000
– employers:	£255,000 less employee contributions

Maximum tax-efficient fund (lifetime allowance) where benefits are taken in 2010/11: £1.8m. Only current earnings count for the 100% limit. Where extra contributions exceeding £20,000 are paid by someone with total income over £130,000, there may be a clawback of pension relief in 2009/10 and 2010/11.

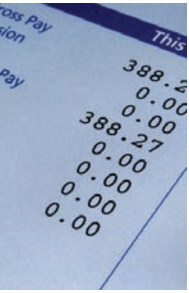


Table C Benefits in kind

Car Benefit Assessment 2010/11

Charge based on a percentage of the initial list price of the car; the percentage depends on the carbon dioxide emission ratings of the car, if it has one. For older cars without a rating, the percentage depends on engine capacity.

For 2010/11 the percentage for a petrol engine is 15% for ratings from 121g/km - 130g/km. The percentage increases by 1% for every complete 5g/km in excess of this (i.e. at 135,140 etc.), to a maximum of 35%. Diesel cars have 3% added to this figure, but still have a maximum percentage of 35%. In 2009/10 the 15% rate increased to 16% at 140g/km, so most benefit charges will increase by one percentage point.

Lower rates apply to cars with ratings up to 120g/km (10%/13%), 75g/km (5%/8%), or no emissions (no tax charge).

Car Fuel Assessment

The benefit is calculated using the same percentage as that used for the car benefit, applied to a standard figure of £18,000 (2009/10: £16,900).

The taxable amount is therefore between £900 (5% – min.) and £6,300 (35% – max.).

National Insurance Contributions

Table D Rates and limits for 2010/11 (unchanged from 2009/10)

Class 1	*Weekly*	*Monthly*	*Yearly*
Primary Threshold – employees (PT)	£110	£476	£5,715
Upper Accrual Point (UAP)	770	3,337	40,040
Upper Earnings Limit – employees (UEL)	844	3,656	43,875

Employer's Contribution	*Contracted In*		*Contracted Out*
		Salary related scheme	Money purchase scheme
On earnings up to PT	Nil	Nil	Nil
On earnings between PT and UAP	12.8%	9.1%	11.4%
On earnings above UAP	12.8%	12.8%	12.8%

Employee's Contribution

Contracted in: 11% on earnings between PT and UEL, 1% above UEL.

Contracted out: 9.4% on earnings between PT and UAP; 11% from UAP to UEL; 1% above UEL.

Earnings over £97 per week qualify for benefit (2009/10: £95), and must be reported under PAYE, but no NICs are payable until earnings exceed £110 per week.

The reduced Class 1 rate payable by certain married women and widows is 4.85% for earnings between £110 and £844 per week, 1% above £844 per week.

Class 2 (Self-employed)	Earnings over £5,075 per year	£2.40 per week
Class 3 (Voluntary)	No limit applicable	£12.05 per week
Class 4 (Self-employed)	Profits between £5,715 and £43,875	8%
	Profits above £43,875	1%

April 2010

M	T	W	T	F	S	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

5 End of tax year. Cut-off for income and gains between 2009/10 and 2010/11.
19 Employers pay PAYE for quarter or month March 2010.
19 'IR35' tax due.

May 2010

M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	**19**	20	21	22	23
24	25	26	27	28	29	30
31						

3 Employers submit P46(car) form showing quarter's changes to company cars.
19 Employers pay PAYE for month April 2010.
19 Employers submit 2009/10 year end returns to Revenue: P14, P35, P38, P38A.
31 Employers send 2009/10 P60 to employees.

June 2010

M	T	W	T	F	S	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	**19**	20
21	22	**23**	24	25	26	27
28	29	30				

19 Employers pay PAYE for month May 2010.
23 New CGT rate of 28% for higher rate income tax payers and trustees/personal representatives; new lifetime limit of £5m for Entrepreneurs' Relief.

July 2010

M	T	W	T	F	S	S
			1	2	3	4
5	**6**	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	**31**	

5 Deadline for Tax Credit claim to commence from start of 2010/11.
6 Employers send P9D, P11D and Form 42 share scheme returns to HMRC; P9D, P11D to employees.
19 Employers pay PAYE for quarter or month June 2010.
19 Employers pay class 1A NIC for 2009/10.
31 Deadline for payment of second instalment of 2009/10 tax. Revise existing Tax Credit claim.

August 2010

M	T	W	T	F	S	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	**19**	20	21	22
23	24	25	26	27	28	29
30	31					

1 If 2008/09 tax return not filed, further £100 penalty.
2 Employers submit P46(car) form showing quarter's changes to company cars.
19 Employers pay PAYE for month July 2010.

September 2010

M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	**19**
20	21	22	23	24	25	26
27	28	29	**30**			

19 Employers pay PAYE for month August 2010.
30 Deadline for traders to claim VAT incurred in other EU member states in calendar year 2009.

October 2010

M	T	W	T	F	S	S
				1	2	3
4	**5**	6	7	8	9	10
11	12	13	14	15	16	17
18	**19**	20	21	22	23	24
25	26	27	28	29	30	**31**

1 Corporation tax payday for companies with 31 December 2009 year end.
5 Deadline for notifying HMRC if income tax is due for 2008/09 and no tax return received.
19 Employers pay PAYE for quarter or month September 2010 also PAYE Settlement Agreement for 2009/10.
31 File 2009/10 return on paper for HMRC to calculate tax and code out underpayments.

November 2010

M	T	W	T	F	S	S
1	**2**	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	**19**	20	21
22	23	24	25	26	27	28
29	30					

2 Employers submit P46(car) form showing quarter's changes to company cars.
19 Employers pay PAYE for month October 2010.

December 2010

M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	**19**
20	21	22	23	24	25	26
27	28	29	**30**	**31**		

19 Employers pay PAYE for month November 2010.
30 File 2009/10 return online to take advantage of Revenue calculation and coding out of employment income tax underpayments up to £2,000.
31 Corporation tax filing deadline for companies with 31 December 2009 year end.

January 2011

M	T	W	T	F	S	S
					1	2
3	**4**	5	6	7	8	9
10	11	12	13	14	15	16
17	18	**19**	20	21	22	23
24	25	26	27	28	29	30
31						

1 Corporation tax payday for companies with 31 March 2010 year end.
4 Increase in standard VAT rate to 20%.
19 Employers pay PAYE for quarter or month Dec 2010.
31 Online filing deadline for 2009/10 income tax and CGT return. Deadline for payments to avoid interest. Companies affected by IR35 to file finalised P14 for 2009/10.

February 2011

M	T	W	T	F	S	S
	1	**2**	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	**19**	20
21	22	23	24	25	26	27
28						

2 Employers submit P46(car) form showing quarter's changes to company cars.
19 Employers pay PAYE for month January 2011.
28 Deadline for payment of balance of 2009/10 tax to avoid surcharge.

March 2011

M	T	W	T	F	S	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	**19**	20
21	22	23	24	25	26	27
28	29	30	**31**			

19 Employers pay PAYE for month February 2011.
31 Corporation tax filing deadline for companies with 31 March 2010 year end.

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OUR SERVICES

Taxation

● Income Tax ● Business Tax ● Corporation Tax ● Value Added Tax
● PAYE and National Insurance ● Capital taxes (including Capital Gains and Inheritance Tax)
● Tax investigation advice & assistance ● Tax deferral

Audit

● Statutory Audits ● Specialist audits

Accountancy

● Financial accounts ● Monthly management accounts ● Budgets and cashflow projections
● Book-keeping services ● Payroll service

Small Businesses

● Comprehensive start-up service ● Financial management
● Cost benefit analysis ● Grant claims

Corporate Finance

● Share valuations ● Mergers & management buyouts ● Venture capital

ACCA

Director

Justin Smith-Milne FCCA