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Tax rates 2012/13
UK Budget 2012

Contents

Personal tax

Income tax rates 2012/13 (2011/12)

Income Band (£)	Dividends (%)	Other Savings Income (%)
Up to 34,370 (up to 35,000)	**10**	**20**
34,371 – 150,000 (35,001 – 150,000)	**32.5**	**40**
Over 150,000 (over 150,000)[a]	**42.5**	**50**
Income Band (£)	**Other Income (%)**	**Cumulative Tax (£)**
Up to 34,370 (35,000)	**Basic rate: 20**	**6,874** (7,000)
34,371 – 150,000 (35,001 – 150,000)	**Higher rate: 40**	**53,126** (53,000)
Over 150,000 (over 150,000)[a]	**Additional rate: 50**	

a. The Chancellor announced on Budget Day that the additional rate of tax will be 45% from 6 April 2013 and the additional rate on dividends will be 37.5%.

The income bands are broadly used in the following order:

- Non-savings income
- Savings income
- Dividends

For basic rate taxpayers the liability on UK and most overseas dividend income is met by the 10% notional tax credit attached to the dividend.

A 10% starting rate applies to the first £2,710 (2011/12 £2,560) of savings income. For many taxpayers this is not relevant as the starting rate does not apply if their taxable non-savings income exceeds the starting rate limit.

Dividend income of discretionary trusts and accumulation and maintenance trusts is taxed at 42.5% (2011/12 42.5%) rather than the normal trust income tax rate of 50% (2011/12 50%).
The Chancellor announced on Budget Day that from 6 April 2013, the normal trust income tax rate will be 45% and the dividend trust rate will be 37.5%. The ‘standard rate’ band for 2012/13 is £1,000 (2011/12 £1,000).

Personal allowances

	2012/13 (£)	2011/12 (£)
Individual[a,e]	8,105	7,475
Individual aged 65-74[a,b,e,f]	10,500	9,940
Individual aged 75 and over[a,b,e,f]	10,660	10,090
Married couple (elder aged 75 and over)[b,c,d,e]	7,705	7,295

a. Reduced by £1 for each £2 of income (less deductions) in excess of £100,000.
b. Reduced by £1 for each £2 of income (less deductions) which exceeds £25,400 (£24,000 for 2011/12). However, this reduction cannot take the allowance below that for an individual aged under 65 (subject to the reduction for income in excess of £100,000 above). The personal allowance is reduced first, then the married couple's allowance.
c. Restricted to relief at 10%.
d. The minimum age-related married couple's allowance is £2,960 (£2,800 for 2011/12).
e. None of these allowances are available to non-UK domiciled or not ordinarily UK resident individuals who are claiming the remittance basis of taxation.
f. From 2013/14 the age related allowances will not be increased and their availability will be restricted to those born before 6 April 1948 or 6 April 1938, as appropriate.

Income tax reliefs and incentives

Annual limits	2012/13 (£)
Enterprise Investment Scheme (EIS) (maximum)[a]	1,000,000
Seed Enterprise Investment Scheme (SEIS) (maximum)[b]	100,000
Venture Capital Trust (VCT) (maximum)[c]	200,000
Individual Savings Account (ISA)	
– total investment (maximum)[d]	11,280
– stocks and shares ISA (maximum)[d]	11,280
– cash ISA (maximum)[d]	5,640
Junior ISA (maximum per child)[d]	3,600

a. Income tax relief restricted to 30% (2011/12 30%). Capital gains tax deferral relief is also available.
b. Rate of income tax relief is 50%. The relief applies to shares in qualifying trading companies with less than 25 full-time equivalent employees, and assets of up to £200,000 issued between 6 April 2012 and 5 April 2017. Maximum stake 30% of share capital and voting rights. Total SEIS financing per company is limited to £150,000 cumulatively.
c. Rate of income tax relief for investors in VCTs is 30%.
d. In each tax year, an individual can invest in one cash ISA, or one stocks and shares ISA, or one of each, subject to the overall maximum limits. Detailed conditions and additional restrictions may apply.

Relief is available at the taxpayer's marginal rate of income tax for charitable donations via the Gift Aid and Payroll Giving schemes and for charitable gifts of quoted shares and securities and real property.

Pensions

	Annual allowance (£)	Lifetime allowance (£)
2011/12	50,000[a]	1,800,000
2012/13	50,000[a]	1,500,000

a. The £50,000 may be increased by up to £150,000 with unused relief from the previous 3 years.

Aggregate contributions made by employers and employees to a money purchase or defined contribution registered pension scheme attract an annual allowance charge to the extent they exceed the £50,000 annual allowance (as increased by unused relief of up to £150,000 carried forward) in the pension input period. The reduced £50,000 allowance applies to pension input periods ending in 2011/12 or later. No charge arises where the member dies in the year or is medically assessed as unable to work ever again.

An annual allowance charge similarly applies to salary-related pension accrual where the inflation-adjusted increase in pension entitlement, multiplied by a valuation factor of 16, exceeds the annual limit. No charge applies where the member's active participation in the scheme has ceased.

Where the annual limit is exceeded, tax is payable on the excess at the individual's marginal (i.e. 20%, 40% or 50%) rate.

On drawing a pension, the maximum tax-free lump sum payable is the lesser of 25% of the value of an individual's uncrystallised fund, 25% of the lifetime allowance (i.e. £375,000 in 2012/13) and 1/3rd of the amount crystallised for the payment of a pension or annuity for life. Any excess is taxed on the member at rates of 40% or 55%, with a further charge on the scheme.

When a member draws pension or takes a lump sum his aggregate pension savings are also tested against the lifetime limit, taking account of any previous benefit crystallisation event.

Any excess is taxed at 25%, or 55% if taken as a lump sum. Until 5 April 2012 members could elect to retain an increased lifetime limit of £1,800,000 on condition that they make no further contributions to any registered scheme after 5 April 2012.

Making contributions to pensions is a long term investment decision and individuals should take advice on the suitability of making pension contributions in their particular circumstances.

Taxable car, van and fuel benefits

A taxable car benefit for 2012/13 is calculated as a percentage of the car's list price (including the cost of most optional accessories) based on carbon dioxide (CO_2) emissions as follows:

- Petrol cars emitting 1g/km to 75g/km CO_2 – 5% (until 5 April 2015)
- Petrol cars emitting 76g/km to 99g/km of CO_2 – 10%
- Petrol cars with emissions equal to 100g/km of CO_2 ("the relevant threshold") – 11%
- For each additional 5g/km above the relevant threshold – add 1%
- A 3% supplement applies to all diesel cars (to be abolished from 6 April 2016)
- Maximum percentage to be applied – 35% (increased to 37% from 6 April 2015)

In 2013/14 the relevant threshold will be 95g/km of CO_2.

For 2014/15 the relevant threshold remains at 95g/km of CO_2 emissions. The percentage rate for 76-94 g/km petrol-fuelled cars increases to 11%. For each additional 5g/km the percentage rate increases by 1% up to a maximum of 35%.

For 2015/16 the special rules for cars emitting 0-75g/km are abolished. The rate for 0-94g/km petrol-fuelled cars will be 13%. For each additional 5g/km the percentage rate increases by 1% up to a maximum of 37%.

For 2016/17 the rate for 0-94g/km petrol-fuelled cars will be 15%. For each additional 5g/km the percentage rate increases by 1% up to a maximum of 37%. Also, from 2016/17 the 3% addition for diesel-fuelled cars is abolished.

The price of the car is reduced by up to a maximum of £5,000 for capital contributions made by an employee. Employees' contributions for private use reduce the taxable benefit pound for pound.

The private use of vans attracts a scale charge of £3,000 pa, regardless of the age of the vehicle. In addition, if free or subsidised fuel is provided for private use in a company van, a taxable fuel benefit will arise (£550 since 2010/11).

Fuel benefit for cars is calculated by applying the relevant car CO_2 emissions percentage to a pre-set figure which is £20,200 for 2012/13 (£18,800 for 2011/12).

Electric vehicles

The appropriate percentage for electric cars for the purposes of company car tax was reduced from 9% to 0% for five years from April 2010. This will reduce the employee car benefit charge to nil and remove the Class1A NICs charge on employers.

From 6 April 2010, the current flat rate for all vans of £3,000 was reduced to nil for electric vans for a period of 5 years. This will reduce the employee van benefit charge to nil and remove the Class1A NICs charge on employers.

Approved mileage rates

Employers can make tax and NIC free payments to employees using their own vehicle for business travel, as follows:

- cars and vans – 45p per mile (2011/12 45p per mile) for the first 10,000 miles and 25p per mile thereafter (For NIC purposes there is no mileage limit for the 45p per mile rate);
- motor cycles – 24p per mile;
- bicycles – 20p per mile; and
- passengers – an optional 5p per mile for each passenger who is an employee travelling on business.

Capital gains tax (CGT)

	2012/13(£)	2011/12(£)
Combined income and gains less than the upper limit of the income tax basic rate band[ab]	18%	18%
Combined income and gains above the upper limit of the income tax basic rate band[a]	28%	28%

a. Chargeable gains are treated as the top slice of an individual's combined gains and income. Any part of a taxable gain exceeding the upper limit of the income tax basic rate band (£34,370 for 2012/13) is taxed at 28%.
b. For trustees and personal representatives of deceased persons, the CGT rate is 28% (2011/12 28%).

Annual CGT exemptions apply for individuals and trusts, as follows:

	2012/13(£)	2011/12(£)
Individual	10,600	10,600
Trust	5,300	5,300

Gains realised on the disposal of a SEIS investment are exempt from CGT. For 2012/13 only, there is a complete CGT exemption on the disposal of assets if the gains are realised and reinvested in a SEIS company in that year.

The lifetime limit for entrepreneurs' relief is £10m (2011/12 £10m). Qualifying gains made within this limit are subject to a reduced capital gains tax rate of 10%.

There is no chargeable gain on the disposal of a single chattel if the gross consideration does not exceed £6,000.

Inheritance tax (IHT)

IHT is charged on an individual's estate at death, on gifts within seven years of death, and on chargeable lifetime transfers of value (eg a transfer to a trust). The nil rate band for 2012/13 is £325,000 (2011/12 £325,000). As announced in Finance Act 2010, the nil rate band will remain at this level until the end of 2014/15. Cumulative chargeable transfers up to the limit of the nil rate band are exempt. To the extent that chargeable transfers exceed the nil rate band, the tax rate is 20% for lifetime transfers, and 40% for transfers on death. A tapered inheritance tax rate applies to gifts made between three and seven years before death.

When a surviving spouse or civil partner dies on or after 9 October 2007, relief is due on that death in respect of any unused proportion of the nil rate band of the spouse or civil partner who died first. This is in addition to any unused nil rate band of the survivor. Transfers between UK-domiciled spouses are exempt. When a transferor spouse is UK-domiciled and a transferee spouse is not, the spouse exemption is limited to £55,000.

For deaths after 5 April 2012, where 10% or more of a person's net estate is left to charity, the rate of IHT is reduced to 36%.

Indirect taxes

Value Added Tax (VAT)

VAT registration is required where taxable supplies exceed £77,000 (2011/12 £73,000) for the previous 12 months or are expected to do so within the next 30 days. The deregistration threshold is £75,000 (2011/12 £71,000).

Rates	(%)
Zero rate (newspapers, children's clothes etc)	0
Reduced rate (certain fuel and power; some energy saving materials; some residential property works etc)	5
Standard rate for supplies made before 4 January 2011	17.5
Standard rate for supplies made on or after 4 January 2011	20
VAT fraction for standard rate VAT inclusive price until 4 January 2011	7/47
VAT fraction for standard rate VAT inclusive price on and after 4 January 2011	1/6

Insurance premium tax

Since 4 January 2011 the standard rate applying to most general insurance has been 6% (previously 5%). Life and other long-term insurance is exempt. A higher rate applies to some mechanical breakdown and travel insurance, and insurance sold with certain goods. The higher rate is 20% (17.5% before 4 January 2011).

Stamp duty land tax (SDLT)

The rates below apply to acquisitions of chargeable interests in land including leases.

Relevant consideration (£) – residential	Rate (%)	Relevant consideration (£) – non-residential or mixed	Rate (%)
0 – 125,000	0	0 – 150,000	0
125,001 – 250,000	1	150,001 – 250,000	1
250,001 – 500,000	3	250,001 – 500,000	3
500,001 – 1,000,000	4	Over 500,000	4
1,000,001 – 2,000,000	5		
Over 2,000,000	7		

For transactions with effective date 21 March 2012 or later, a rate of 15% will apply where certain "non-natural" persons purchase residential property for more than £2,000,000.

In disadvantaged areas residential sales of land and buildings up to £150,000 are exempt. This exemption will be removed from 6 April 2013.

From 1 October 2007 new zero-carbon homes (including flats) costing up to £500,000 benefit from an exemption from SDLT. This relief is time limited and will expire on 30 September 2012. Where the purchase price exceeds £500,000 the SDLT otherwise due is reduced by £15,000.

The SDLT rate on acquisitions of linked chargeable interests is generally determined by reference to the total consideration given for all the acquisitions, rather than multiple rates applying according to the consideration given for each individual acquisition. However, for transactions on or after 19 July 2011 the rate is determined by the average amount paid in a bulk purchase of residential properties (i.e. the aggregate consideration divided by the number of properties), subject to a minimum rate of 1%.

SDLT on the grant of a lease under which rent is payable is 1% of the net present value of the rent to the extent that value exceeds £125,000 in the case of residential property and £150,000 in the case of other property.

Stamp duty

Stamp duty applies to transfers of shares and securities at a rate of 0.5%. Payment of the appropriate amount of stamp duty generally cancels the parallel charge to stamp duty reserve tax. Since 13 March 2008 there has been an exemption from stamp duty for transfers that would have previously attracted stamp duty (fixed or ad valorem) of no more than £5.

National insurance contributions 2012/13

Class 1 (employees and employers)

Weekly earnings (£)	Employees	Employers
107.00 or less[a]	–	–
107.01 – 144.00[b]	0%	0%
144.01 – 146.00	0%	13.8%
146.01 – 817.00[d]	12%	13.8%
Over 817.00[d]	2%	13.8%
Contracted out – salary related		
107.00 or less[a]	–	–
107.01 – 144.00[b, e]	0%	0%
144.01 – 146.00[e]	0%	10.4%
146.01 – 770.00[c]	10.6%	10.4%
770.01c – 817.00[d,f]	12%	13.8%
Over 817.00[d]	2%	13.8%

a. Monthly and annual lower earnings limits are £464 and £5,564 respectively.

b. A zero rate of NIC applies to earnings between the lower earnings limit of £107 pw and the primary earnings threshold of £146 pw to protect employees' contributory benefit entitlements. Monthly and annual thresholds are £634 and £7,605 respectively.
A contracted out rebate is due at the relevant rate (not shown in table on these earnings).

c. Monthly and annual upper accrual points are £3,337 and £40,040 respectively.

d. Monthly and annual upper earnings limits are £3,540 and £42,475 respectively.

e. Contracted out rates apply between the earnings thresholds and the upper accrual point, with a rebate between the lower earnings limit and the earnings thresholds.

f. Contracted in rates apply between the upper accrual point and the upper earnings limit even if the individual has contracted out.

Previously, it was possible to contract-out of the additional State Pension through a personal or stakeholder pension scheme, or a money purchase occupational pension scheme. From 6 April 2012, this has been abolished.

Employees' qualifying business travel and subsistence expenses are excluded from earnings for Class 1 NIC purposes. Employers can pay up to 45p per mile to employees travelling on business in their own cars from 6 April 2012 without incurring a NIC charge. This rate applies irrespective of the mileage incurred.

Class 1A (employers providing benefits-in-kind)

Employers are liable to Class 1A NIC at 13.8% on most benefits-in-kind subject to income tax. Benefits-in-kind covered by a dispensation or included in a PAYE Settlement Agreement (but see below) are not subject to Class 1A NIC. Certain other benefits are specifically exempt from both income tax and Class 1A NIC.

Class 1B (employers settling tax liabilities via PAYE settlement agreements)

Class 1B NIC is an employer-only charge, similar to Class 1A, payable by employers on the value of the tax and on certain benefits paid via PAYE Settlement Agreements. The rate is tied to the Class 1 secondary rate (13.8%) and contributions are payable by 19 October following the end of the tax year, along with the tax under the PAYE settlement agreement.

Other Classes

Class 2 (self-employed)	
Weekly rate	£2.65
Small earnings exception (annual)	£5,595

Class 3 (voluntary)	
Weekly rate	£13.25

Class 4 (self-employed)	
Lower limit of profit or gains	£7,605
Upper limit of profit or gains	£42,475
Rate on profits between lower and upper limits	9%
Rate on profits above £42,475	2%

Business tax

Corporation tax rates

	Year ended 31 March	
	2013	**2012**
Normal main rate[a]	24%	26%
Small profits rate [b,c]	20%	20%
Fraction for 'lower' marginal relief	1/100	3/200

a. From 1 April 2013 the main rate will be reduced to 23%, with a further 1% reduction from 1 April 2014 to 22%.

b. The upper threshold for the small profits rate is £300,000. Marginal relief applies to profits between £300,000 and £1.5 million, with an effective marginal rate of 25%.

c. The limits are reduced pro rata for associated companies and for accounting periods of less than 12 months.

Corporation tax payments

Large companies pay tax in instalments. Large companies are broadly those with taxable profits of at least £1.5 million (see note c above) and a corporation tax liability in excess of £10,000 for a 12-month accounting period. The £10,000 is reduced proportionately for shorter accounting periods.

In a 12-month accounting period, four instalments are payable as follows:

- 6 months and 13 days from the first day of the accounting period;
- 3 months after the first instalment;
- 3 months after the second instalment; and
- 3 months and 14 days from the last day of the accounting period.

Companies are not required to make instalment payments in the first year in which the £1.5 million threshold is reached unless their profits exceed £10 million.

Capital expenditure

	Year ending 31 March	
	2013	2012
Annual investment allowance[a]	£25,000	£100,000
Plant and machinery[b] (reducing balance)	18%[a]	20%[a]
Long-life assets[c], integral features[d], thermal insulation, high emission cars[b], solar panels from 1 April 2012 ("special rate pool", reducing balance)	8%[a]	10%[a]
Low emission cars[e]	100%	100%
Research and development (R&D)[f]	100%	100%

a. Annual investment allowance (AIA) is given per business or per group of companies only. AIA is allocated against total expenditure on plant and machinery (other than cars), long-life assets and integral features. It is optional which class of asset the AIA is allocated against.

b. Cars with CO_2 emissions between 111g/km and 160g/km are added to the main pool. Cars with CO_2 emissions that exceed 160g/km are added to the special rate pool. From 1 April 2013, cars with emissions between 96g/km and 130g/km are added to the main pool. From the same date, cars with CO_2 emissions that exceed 130g/km are added to the special rate pool.

c. Applies to businesses spending more than £100,000 pa (the monetary limit) on certain assets with a useful life of 25 years or more.

d. Applies to a prescribed list of assets covering: electrical systems; cold water systems; space or water heating systems, ventilation, air cooling systems; lifts and escalators; and external solar shading.

e. Cars with CO_2 emissions not exceeding 110g/km and electric vans are eligible for a 100% first-year allowance. From 1 April 2013, the limit will be reduced to 95g/km. The first-year allowance will be available until 31 March 2015.

f. Applies to businesses incurring capital expenditure in carrying out R&D or providing facilities for carrying out R&D relating to their trade.

Under the enhanced capital allowances (ECA) scheme, a 100% first-year allowance is available for expenditure on designated energy saving or water conservation plant and machinery and for the purchase of 'green' vehicles or refuelling equipment. The ECA regime is revised annually to include some new technologies and remove other existing ones. Qualifying products are listed on a dedicated website at http://etl.decc.gov.uk/etl

Payable ECAs allow loss-making companies to surrender the element of their losses attributable to their qualifying expenditure in return for a cash payment from Government. The rate of payable ECAs is 19%, but subject to a cap on the level of a company's PAYE and NIC liabilities or £250,000, whichever is the greater. Payable ECAs will be available until 31 March 2018.

100% capital allowances are available for trading companies investing in plant and machinery for use within certain designated enterprise zones for expenditure from 1 April 2012 to 31 March 2017. Businesses in certain sectors are not permitted to benefit from these allowances. The limit for investment is £100m.

Tax relief is available for the cost of intangible assets (including goodwill and intangible property). This will, in most cases, be the level of amortisation/impairment recognised in the accounts. A fixed rate of 4% pa may be applied on election.

Business expenditure on cars

A 15% restriction applies to lease rental payments with CO_2 emissions exceeding 160g/km. There is no leasing restriction for leased cars with emissions of 160g/km or below. From 1 April 2013, this limit will be reduced to 130g/km.

Research and development: revenue costs

The meaning of Research & Development (R&D) for these purposes and for the Capital Research & Development Allowances is set out in the BIS guidelines issued on 5 March 2004.

Large companies (i.e. those that are not SMEs) can claim an additional 30% deduction on their qualifying R&D costs.

Companies that meet the EU definition of an SME (see below) are entitled to an additional deduction of 125% (2011 100%) of qualifying R&D expenditure. For non-taxpaying SMEs a cash refund alternative of up to 24.75 pence (2011 25 pence) for every pound of qualifying expenditure may be available depending on their current year tax losses. Previously, the refund was capped at the PAYE/NIC paid in the period but this cap has been abolished for accounting periods ending on or after 1 April 2012.

A cap limits the total amount of SME R&D and Vaccine Research Relief aid a company can claim on each project to €7.5m and a going concern requirement applies.

An SME is a company which, together with certain related companies, has fewer than 500 employees and **either** turnover not exceeding €100m **or** total assets not exceeding €86m.

Vaccine Research Relief

In addition to the above, qualifying R&D expenditure in relation to specified vaccines and medicines attract a further 40% deduction from taxable profits for large companies. From 1 April 2011 the rate of relief for SMEs was reduced to 20% to remain within the State Aid parameters. The relief will no longer be available for SMEs for expenditure incurred on or after 1 April 2012.

Large companies are required to make a declaration concerning the incentive effect of the relief they are claiming under this relief.

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