

Rates and Allowances - Income Tax

Income Tax Allowances

The Chancellor announces the rates of allowances at the Pre-Budget Report which precedes the start of the tax year to which they relate. Generally speaking, Pre-Budget Report takes place in November or December.

Income Tax Allowances table

Income tax allowances	2007-08 (£)	2008-09 (£)
Personal allowance	5,225	5,435
Personal allowance for people aged 65-74 (1)	7,550	9,030
Personal allowance for people aged 75 and over (1)	7,690	9,180
Married couple's allowance (born before 6th April 1935 but aged under 75) (1) (2)	6,285	6,535
Married couple's allowance - aged 75 and over (1) (2)	6,365	6,625
Income limit for age-related allowances	20,900	21,800
Minimum amount of married couple's allowance	2,440	2,540
Blind person's allowance	1,730	1,800

(1) - These allowances reduce where the income is above the income limit by £1 for every £2 of income above the limit. They will never be less than the basic Personal allowance or minimum amount of Married Couple's allowance.

(2) - Tax relief for the Married Couple's allowance is given at the rate of 10 per cent.

Taxable Bands

The Chancellor announces the taxable bands and the rates of tax at the Budget Report which precedes the start of the tax year to which they relate. Generally speaking, Budget takes place in March.

Taxable Bands table

Taxable Bands Allowances	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

Rates and Allowances

National Insurance Contributions

National Insurance - Rates and Allowances

£ per week	2006-07	2007-08
Lower earnings limit, primary Class 1	£84	£87
Upper earnings limit, primary Class 1	£645	£670
Primary threshold	£97	£100
Secondary threshold	£97	£100
Employees' primary Class 1 rate between primary threshold and upper earnings limit	11%	11%
Employees' primary Class 1 rate above upper earnings limit	1%	1%
Employees' contracted-out rebate	1.6%	1.6%
Married women's reduced rate between primary threshold and upper earnings limit	4.85%	4.85%
Married women's rate above upper earnings limit	1%	1%
Employers' secondary Class 1 rate above secondary threshold	12.8%	12.8%
Employers' contracted-out rebate, salary-related schemes	3.5%	3.7%
Employers' contracted-out rebate, money-purchase schemes	1%	1.4%
Class 2 rate	£2.10	£2.20
Class 2 small earnings exception	£4,465 per year	£4,635 per year
Special Class 2 rate for share fishermen	£2.75	£2.85
Special Class 2 rate for volunteer development workers	£4.20	£4.35
Class 3 rate	£7.55	£7.80
Class 4 lower profits limit	£5,035 per year	£5,225 per year
Class 4 upper profits limit	£33,540 per year	£34,840 per year
Class 4 rate between lower profits limit and upper profits limit	8%	8%
Class 4 rate above upper profits limit	1%	1%

Rates and Allowances

Corporation Tax

Corporation Tax on profits - figures

Rates limits and fractions for financial years starting 1 April	2006	2007
Main rate of corporation tax	30%	30%
Small companies' rate (SCR)*	19%	20%
SCR can be claimed by qualifying companies with profits at an annual rate not exceeding	£300,000	£300,000
Marginal small companies' relief (MSCR) lower limit	£300,000	£300,000
MSCR upper limit	£1,500,000	£1,500,000
MSCR fraction	11/400	1/40
Special rate for unit trusts and open-ended investment companies	20%	20%

*** For companies with ring fence profits the small companies' rate of tax on those profits remains at 19% and the MSCR fraction 11/400 for financial year 2007 starting 1 April 2007. Ring fence profits mean the income and gains from oil extraction activities or oil rights in the UK and UK Continental Shelf.**

The main rate of corporation tax applies when profits (including ring fence profits) are at a rate exceeding £1,500,000, or where there is no claim to another rate, or where another rate does not apply.

For information of users: This material is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material can be accepted by the authors or the firm.