

Tax Facts – 2008/09

Income tax rates

Year	Rate bands £	Rate %	Tax £
2007/08	1-2,230	10	215
	2,231-34,600	22	6,853
2008/09	1-34,800	20	6,960

Tax on excess income is at 40%

NOTE 1: On 13 May 2008, changes were made to the previously announced tax bands which reduced the 20% for 2008/09 by £1,200 from £36,000 to £34,800. This, in conjunction with the increase in the personal allowance (see below), has the effect of compensating for the loss of the 10% rate band in 2008/09.

NOTE 2: From 6 April 2008, there will be a new 10% starting rate for savings income only, with a limit of £2,320. If an individual's taxable non-savings income is above this limit, then the 10% savings rate will not be applicable.

NOTE 3: Dividend income is taxed at either 10% or 32.5%.

NOTE 4: The income tax rate applicable to trusts is 40% and the trust dividend rate is 32.5%.

Main income tax reliefs

Married status	Age	2007/08 £	2008/09 £
Single	under age 65	5,225	6,035
	aged 65 to 74	7,550	9,030
	aged 75 and over	7,690	9,180
Married	minimum	2,440 [#]	2,540 [#]
	aged 65 to 74 before 6 April 2000	6,285 [#]	6,535 [#]
	aged 75 and over	6,365 [#]	6,625 [#]

[#] Relief given at 10%

Age allowance

- reduction fraction	1/2	1/2
-income limit	£20,900	£21,800

	£	£
Blind Person	1,730	1,800
Enterprise Investment Scheme relief	400,000*	500,000*
Venture Capital Trust relief	200,000 ⁺	200,000 ⁺
Golden Handshake Exemption	30,000	30,000
Rent-a-Room Exemption	4,250	4,250

* Relief given @ 20% ⁺ Relief given @ 30%

Tax free individual savings accounts (ISA)

	2007/08 £	2008/09 £
Overall limit	7,000	7,200
Cash limit	3,000	-
Life insurance limit	1,000	-
Cash element (max)	-	3,600
Stocks and shares element	-	remainder

NOTE 1: From 6 April 2008, you may invest in one cash and one stocks and shares ISA in each tax year.

NOTE 2: The cash ISA can be with one provider only.

NOTE 3: The stocks and shares ISA can be with the same or a different provider than that for the cash ISA.

Capital gains tax

		2007/08 £	2008/09 £
Exemptions	Individuals	9,200	9,600
	Trusts	4,600	4,800

RATES

2007/08

Individuals' gains are charged in line with savings income.

Trustees' gains are charged at 40%.

Companies' gains are charged at the corporation tax rate.

2008/09

Individuals' and Trustees' gains are charged at a standard rate of 18%.

Companies' gains continue to be charged at the corporation tax rate.

Entrepreneurs' relief

A special Entrepreneurs' Relief of 10% applies to the cumulative lifetime total £1 million of qualifying gains. Gains in excess of this are taxed at the standard rate.

TAPER RELIEF (to 5 April 2008 only)

Number of complete years for which asset held	% gain chargeable - business assets	% gain chargeable - non business assets
0	100	100
1	50	100
2	25	100
3	25	95
4	25	90
5	25	85
6	25	80
7	25	75
8	25	70
9	25	65
10 or more	25	60

NOTE 1: A non business asset acquired before 17 March 1998 will qualify for an additional year.

NOTE 2: Taper relief is not available to companies, to whom indexation still applies.

Inheritance tax

Chargeable transfers	2007/08	2008/09
Nil rate band	£300,000	£312,000
Tax on excess value for chargeable transfers on or within 7 years of death*	40%	40%
Tax on excess value for other chargeable lifetime transfers	20%	20%

* Reduced tax charge on gifts within 7 years before death

Years before death	0-3	3-4	4-5	5-6	6-7
% of death charge	100	80	60	40	20

Main exemptions

Gifts between UK domiciled spouses	No limits
Lifetime gifts between individuals	Exempt if donor survives 7 years
Annual gifts per donor	£3,000
Annual gifts per donee	£250

Personal pensions contributions

	2007/08	2008/09
Lifetime allowance	£1,600,000	£1,650,000
Annual allowance	£225,000*	£235,000*

* Individuals are entitled to tax relief on contributions up to the higher of 100% of relevant earnings, subject to the annual allowance limit, or £3,600.

There will be no carry forward or carry back in respect of retirement annuity and personal pension contributions. However, carry back in relation to retirement annuity policy holders remained available until 31 January 2007 in respect of contributions made in the 2005/06 tax year.

Main due dates for tax payment

Income Tax

Interim payments:	31 January during the tax year and 31 July following the end of the tax year
Final payment:	31 January following the end of the tax year

Capital Gains Tax

31 January following the end of the tax year

Inheritance Tax

Death:	normally 6 months after the month of death
Lifetime transfer 6 April-30 September:	30 April in the following year
Lifetime transfer 1 October-5 April:	6 months after month of transfer

The information in this guide is based on our understanding of the Budget proposals and subsequent government announcements which do not become law until the Finance Bill 2008 is passed. This information is provided without responsibility on our part for loss occasioned to any person acting or refraining from action as a result of information contained herein.

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