

## **TAX RATES AND ALLOWANCES**

The following tax rates and allowances are to be used in answering the questions.

<b>Income tax</b>		<b>Normal rates</b>	<b>Dividend rates</b>
Basic rate	£1 – £37,700	20%	8.75%
Higher rate	£37,701 – £125,140	40%	33.75%
Additional rate	£125,141 and over	45%	39.35%
Savings income nil rate band – Basic rate taxpayers			£1,000
– Higher rate taxpayers			£500
Dividend nil rate band			£1,000

A starting rate of 0% applies to savings income where it falls within the first £5,000 of taxable income.

### **Personal allowance**

	<b>£</b>
Personal allowance	12,570
Income limit	100,000

Where adjusted net income is £125,140 or more, the personal allowance is reduced to zero.

### **Car benefit percentage**

The relevant base level of CO<sub>2</sub> emissions is 55 grams per kilometre.

The percentage rates applying to petrol cars (and diesel cars meeting the RDE2 standard) with CO<sub>2</sub> emissions up to this level are:

51 grams to 54 grams per kilometre	15%
55 grams per kilometre	16%

The percentage for electric cars with zero CO<sub>2</sub> emissions is 2%.

For hybrid-electric cars with CO<sub>2</sub> emissions between 1 and 50 grams per kilometre, the electric range of the car is relevant:

<b>Electric range</b>	
130 miles or more	2%
70 to 129 miles	5%
40 to 69 miles	8%
30 to 39 miles	12%
Less than 30 miles	14%

### **Car fuel benefit**

The base figure for calculating the car fuel benefit is £27,800.

### **Company van benefits**

The company van benefit scale charge is £3,960, and the van fuel benefit is £757.

### **Rent-a-room relief**

The rent-a-room relief limit is £7,500.

### **Pension scheme limits**

Annual allowance	£40,000
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Lifetime allowance	£1,073,100
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The maximum contribution that can qualify for tax relief without any earnings is £3,600.

### **Approved mileage allowances: cars**

Up to 10,000 miles	45p
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Over 10,000 miles	25p
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### **Capital allowances: rates of allowance**

#### **Plant and machinery**

Main pool	18%
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Special rate pool	6%
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#### **Cars**

New cars with zero CO <sub>2</sub> emissions	100%
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Second-hand cars with zero CO <sub>2</sub> emissions	18%
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CO <sub>2</sub> emissions between 1 and 50 grams per kilometre	18%
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CO <sub>2</sub> emissions over 50 grams per kilometre	6%
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#### **Annual investment allowance**

Rate of allowance	100%
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Expenditure limit	£1,000,000
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#### **Structures and buildings allowance**

Straight-line allowance	3%
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### Corporation tax

Financial year	2021	2022	2023
Small profits rate	N/A	N/A	19%
Main rate	19%	19%	25%
Lower limit	N/A	N/A	£50,000
Upper limit	N/A	N/A	£250,000
Standard fraction	N/A	N/A	3/200

### Marginal relief

$$(\text{Upper limit} - \text{augmented profits}) \times \text{standard fraction} \times \frac{\text{taxable total profits}}{\text{augmented profits}}$$

### Quarterly instalments

Profit threshold	£1,500,000
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### Value added tax (VAT)

Standard rate	20%
Registration limit	£85,000
Deregistration limit	£83,000

### Capital gains tax: tax rates

	Normal rates	Residential property
Lower rate	10%	18%
Higher rate	20%	28%
Annual exempt amount		£6,000
<b>Business asset disposal relief</b>		
Lifetime limit		£1,000,000
Rate of tax		10%

### National insurance contributions

Class 1	Employee	£1 – £12,570 per year	Nil
		£12,571 – £50,270 per year	12%
		£50,271 and above per year	2%
Class 1	Employer	£1 – £9,100 per year	Nil
		£9,101 and above per year	13.8%
		Employment allowance	£5,000
Class 1A			13.8%
Class 2		£3.45 per week	
		Lower profits limit	£12,570
Class 4		£1 – £12,570 per year	Nil
		£12,571 – £50,270 per year	9%
		£50,271 and above per year	2%

Where weekly or monthly calculations are required, the Class 1 limits shown above should be divided by 52 (weekly) or 12 (monthly) as applicable.

### Official rate of interest (assumed)

2.25%

### Standard penalties for errors

Taxpayer behaviour	Maximum penalty	Minimum penalty – unprompted disclosure	Minimum penalty – prompted disclosure
Deliberate and concealed	100%	30%	50%
Deliberate but not concealed	70%	20%	35%
Careless	30%	0%	15%