

On the case

Your at a glance guide to
the 2005/2006 tax facts





INCOME TAX RATES

| 2004-2005 | | 2005-2006 | |
|----------------|------|----------------|------|
| Taxable Income | Rate | Taxable Income | Rate |
| £ | % | £ | % |
| 0 - 2,020 | 10 | 0 - 2,090 | 10 |
| 2,021 - 31,400 | 22 | 2,091 - 32,400 | 22 |
| Over 31,400 | 40 | Over 32,400 | 40 |

Savings and Investments

| | 2004-2005 | 2005-2006 |
|---|-----------|-----------|
| | % | % |
| Savings Income (starting rate band) | 10 | 10 |
| Savings Income (basic rate band) | 20 | 20 |
| Savings Income (higher rate band) | 40 | 40 |
| Dividends (starting and basic rate bands) | 10 | 10 |
| Dividends (higher rate band) | 32.5 | 32.5 |

MAIN INCOME TAX ALLOWANCES AND RELIEFS

| | 2004-2005 | 2005-2006 |
|--|-----------|-----------|
| | £ | £ |
| Personal | | |
| Under age 65 (minimum) | 4,745 | 4,895 |
| aged 65 to 74 | 6,830 | 7,090 |
| aged 75 and over | 6,950 | 7,220 |
| Married (born before 6/4/35) - relief at 10% only | | |
| minimum | 2,210 | 2,280 |
| aged | 70 to 74 | 70 to 74 |
| | 5,725 | 5,905 |
| aged 75 and over | 5,795 | 5,975 |
| All ages are as at 5 April in tax year | | |
| Age Allowance Income Limit | 18,900 | 19,500 |
| allowance reduced by 50% of excess (but not below level of minimum personal or married allowance) | | |
| Child Tax Credit | | |
| The CTC has been available since 6 April 2003. | | |
| Full details are available at: | | |
| https://www.taxcredits.inlandrevenue.gov.uk/ HomeIR.aspx | | |
| Bereavement Payment | 2,000 | 2,000 |
| 'Golden Handshake' | 30,000 | 30,000 |
| Blind Person's Allowance | 1,560 | 1,610 |
| Enterprise Investment Scheme relief* | 200,000 | 200,000 |
| Venture Capital Trust relief** | 200,000 | 200,000 |

* relief at 20% only.

** relief at 40%..

NATIONAL INSURANCE CONTRIBUTIONS (NIC)

Class 1 rates - Employees - Contracted In

| 2004-2005 | | 2005-2006 | |
|---------------|-------------------------------------|---------------|-------------------------------------|
| Earnings p.w. | Employee | Earnings p.w. | Employee |
| £91 and under | Nil | £94 and under | Nil |
| £91.01 - £610 | 11% on earnings above £91 p.w. | £94.01 - £630 | 11% on earnings above £94 p.w. |
| Over £610 | plus 1% on earnings above £610 p.w. | Over £630 | plus 1% on earnings above £630 p.w. |

Married women and widows may pay a reduced rate of 4.85% on earnings between £94 and £630 plus 1% on earnings above £630

Class 1 rates - Employers - Contracted In

| 2004-2005 | | 2005-2006 | |
|-----------------|----------------------------------|-----------------|----------------------------------|
| Earnings p.w. | Employer | Earnings p.w. | Employer |
| £91 and under | Nil | £94 and under | Nil |
| £91.01 and over | 12.8% on earnings above £91 p.w. | £94.01 and over | 12.8% on earnings above £94 p.w. |

Class 1A: Employer rate on value of car and fuel benefits:

| | |
|-------|-------|
| 12.8% | 12.8% |
|-------|-------|

Class 1 rates - reductions for Contracted Out

| | 2004-2005 | 2005-2006 |
|-----------------------------------|-----------|-----------|
| Rate reduction on band earnings | £79-£610 | £94-£630 |
| Employee | 1.6% | 1.6% |
| Employer - Salary Related Schemes | 3.5% | 3.5% |
| Employer - Money Purchase Schemes | 1.0% | 1.0% |

Self Employed

| | 2004-2005 | 2005-2006 |
|---------------------|---|---|
| Class 2 Flat Rate = | £2.05 p.w.; £106.60 p.a. | £2.10 p.w.; £109.20 p.a. |
| If earnings over | £4,215 p.a. | £4,345 p.a. |
| Class 4 Rate = | 8% (max £2,158.00). | 8% (max £2,158.00) |
| On Profits | £4,745-£31,720 p.a. plus 1% on profits above £31,720 p.a. | £4,895-£32,760 p.a. plus 1% on profits above £32,760 p.a. |

Voluntary

| | 2004-2005 | 2005-2006 |
|---------------------|-----------------------------|-----------------------------|
| Class 3 Flat Rate = | £7.15 p.w.; £371.80 p.a. | £7.35 p.w.; £382.20 p.a. |

Earnings Limits - used in calculation of benefits

| | 2004-2005 | | | 2005-2006 | | |
|-------|-----------|---------|---------|-----------|---------|---------|
| | Weekly | Monthly | Annual | Weekly | Monthly | Annual |
| Lower | £79 | £343 | £4,108 | £94 | £408 | £4,888 |
| Upper | £610 | £2,644 | £31,720 | £630 | £2,730 | £32,760 |

CAR BENEFITS

Applicable to employees earning £8,500 p.a. or more including the benefits in kind, and directors.

Generally a percentage (ranging from 15-35%) of manufacturers list price depending on carbon dioxide emissions, regardless of business mileage.

Like car benefit, the fuel benefit charge depends on carbon dioxide emissions, regardless of engine size. Generally a percentage (ranging from 15-35%) of a set figure for the year. For 2005/2006, the set figure is £14,400.

The scale charges are reduced to nil if the employee makes good the whole cost of fuel provided for private use.

Full details available at www.hmrc.gov.uk/calcs/cars.htm

STAMP DUTY

| | 2005-2006 % |
|--------------------------------------|----------------|
| Shares and marketable securities | 0.5 |
| Residential property: up to £120,000 | Nil |
| over £120,000 and up to £250,000 | 1 |
| over £250,000 and up to £500,000 | 3 |
| over £500,000 | 4 |

SOCIAL SECURITY BENEFITS

| | 2004-2005 £ | 2005-2006 £ |
|--|--------------------|--------------------|
| Retirement Pension single p.w. | 79.60 | 82.05 |
| single p.a. | 4,139.20 | 4,266.60 |
| total married p.w. | 127.25 | 131.20 |
| total married p.a. | 6,617.00 | 6,622.40 |
| dependant's addition p.w | - | 49.15 |
| dependant's addition p.a | - | 2,555.80 |
| Widowed Parents Allowance p.w | - | tbc |
| Minimum Income Guarantee single p.w. | 105.45 | 109.45 |
| Minimum Income Guarantee married p.w. | 160.95 | 167.05 |
| Incapacity Benefit (long term) p.w | 74.15 | 76.45 |
| Jobseekers Allowance single, over 25 p.w. | 55.65 | 56.20 |
| Child Benefit: first child p.w. | 16.50 [†] | 17.00 [†] |
| other children p.w | 11.05 | 11.40 |

† Lone parents receiving the previous higher rate of £17.55 will continue to do so.

PENSION CONTRIBUTIONS

Maximum Contributions (% of Net Relevant Earnings)

| Age on 6 April | Retirement Annuity Contract (S226) | | Personal Pension and Stakeholder Pension |
|--|------------------------------------|---------|--|
| | 94-2005 | 94-2000 | 2001-2005 |
| 35 or less | 17.5 | 17.5 | 17.5* |
| 36-45 | 17.5 | 20.0 | 20.0* |
| 46-50 | 17.5 | 25.0 | 25.0* |
| 51-55 | 20.0 | 30.0 | 30.0* |
| 56-60 | 22.5 | 35.0 | 35.0* |
| 61-74 | 27.5 | 40.0 | 40.0* |
| Life Assurance (included within max.) | 5.0 | 5.0 | 10% of pension contribution |

* 2001-2004: or £3,600 if greater.

* 2005: stakeholder pensions up to £3,600 p.a. irrespective of earnings.

Earnings cap (does not apply to Pre-1989 Occupational Pension Scheme members or Retirement Annuity Contracts)

| | | | |
|----------------|---------|----------------|----------|
| 96-97 | £82,200 | 2001-02 | £95,400 |
| 97-98 | £84,000 | 2002-03 | £97,200 |
| 98-99 | £87,600 | 2003-04 | £99,200 |
| 99-2000 | £90,600 | 2004-05 | £102,000 |
| 2000-01 | £91,800 | 2005-06 | £105,600 |

ISA INVESTMENT LIMITS

| Investment Limits | Stocks and Shares | Life Assurance | Cash | Overall Limit |
|--------------------|-------------------|----------------|--------|---------------|
| Mini ISA 2004/2005 | £4,000 | £1,000 | £3,000 | £7,000 |
| Maxi ISA 2004/2005 | £7,000 | £1,000 | £3,000 | £7,000 |

CORPORATION TAX

| | Taxable profits | Year to 31.3.2005 | Year to 31.3.2006 |
|-------------------------------|-----------------------|-------------------|-------------------|
| Starting-rate | Up to £10,000 | Nil | Nil |
| Starting-rate marginal | £10,001 - £50,000 | 23.75% | 23.75% |
| Small-companies rate | £50,001 - £300,000 | 19% | 19% |
| Small-companies marginal rate | £300,001 - £1,500,000 | 32.75% | 32.75% |
| Full rate | over £1,500,000 | 30% | 30% |

CAPITAL GAINS TAX

| Rates | 2004-2005 | 2005-2006 |
|---|---------------|---------------|
| Individual <small>Net gains are treated as the top slice of taxable income</small> | 10%, 20%, 40% | 10%, 20%, 40% |
| Trusts (other than bare trusts) | 40% | 40% |
| Estates | 40% | 40% |

| Annual Exemptions | 2004-2005 | 2005-2006 |
|---------------------------------------|-----------|-----------|
| Individuals, Personal Representatives | £8,200 | £8,500 |
| Trusts for disabled | £8,200 | £8,500 |
| Trusts in general, one settlor | £4,100 | £4,250 |
| Chattels (5/3 taxable on excess) | £6,000 | £6,000 |

'Bed and Breakfast' is not a disposal from 17/3/98.

Retirement Relief was withdrawn from 6/4/2003

Taper Relief

| Years Asset Held post 5/4/98 | Percentage of gain chargeable | | | | | | | | | | | |
|------------------------------|-------------------------------|-----|-----|----|----|----|----|----|----|----|----|--|
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| Business Assets | 100 | 50 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | |
| Non-Business Assets* | 100 | 100 | 100 | 95 | 90 | 85 | 80 | 75 | 70 | 65 | 60 | |

*Assets acquired before 17 March 1998 qualify for an extra year.

Reinvestment Relief

The chargeable gain is deferred where the gain is re-invested in the new unified Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT). Property backed activities excluded from 17 March 1998.

INHERITANCE TAX

| | 2004-2005 | 2005-2006 | | | |
|--|------------------|-----------|-----|-----|-----|
| Chargeable Transfers | | | | | |
| Nil rate band | £263,000 | £275,000 | | | |
| 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 gift exemptions | | | | | |
| Gifts to charities | Unlimited | | | | |
| Gifts between UK domiciled spouses | Unlimited | | | | |
| Annual | £3,000 per donor | | | | |
| Small gifts to any one person | £250 per donee | | | | |
| Gifts on marriage | | | | | |
| parent, bride, groom | £5,000 | | | | |
| grandparent | £2,500 | | | | |
| other | £1,000 | | | | |
| Regular gifts from income, provided the donor's standard of living is not reduced. | | | | | |

Agricultural Reliefs - Transfers after 9 March 1992

| | |
|--------------------------------------|-------------------|
| Owner occupied farms, farm tenancies | 100% agric. value |
| Most other cases | 50% agric. value |

Business Property Reliefs

| | |
|---|------|
| Unincorporated business, interest over 25% of votes in unquoted or USM/AIM quoted company | 100% |
| Interest of 25% or less of unquoted or USM/AIM quoted company | 100% |
| Controlling holdings of quoted company | 50% |



MAIN DUE DATES FOR TAX PAYMENT

Income Tax (All sources of taxable income)

Payments on account: 31 January during the tax year and
31 July following the end of the tax
year - based normally on the liability
for the previous year.

Balancing payment: 31 January following the end of the
tax year.

Capitals Gains Tax

31 January following the end of the tax year.

Corporation Tax: Stand alone companies with taxable profit up
to £1.5m‡ – 9 months after the end of the accounting period
(AP). Companies with taxable profits over £1.5m will pay
corporation tax in four equal quarterly instalments* – commencing
13 days after the first six months of the year in question.

*** Transitional rules allow payment of a proportion of liability during the
year and balance 9 months after end of the AP (AP ending before 1 July
2000 – 60%, 2001 – 72%, 2002 – 88%, 2003 onwards 100%).**

**‡ Excluding companies whose profits in the immediately preceding
period were less than £1.5m and in the current period less than £10m.**

Inheritance Tax

Death: Normally 6 months after month of death.

Lifetime transfer: 6 April - 30 September: 30 April following year.

Lifetime transfer: 1 October - 5 April: 6 months after month of transfer.

Your Tax facts Guide 2005/2006

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