

12 March 2008

Income tax allowances, national insurance contributions, child and working tax credit rates 2008-09 and other rates

2008-09 rates and allowances for Income Tax, National Insurance Contributions, the Working and Child Tax Credits, Child Benefit/Guardian's Allowance, stamp duty land tax, tobacco and alcohol duties, fuel duties, and vehicle excise duties are set out below.

Income tax, capital gains tax, and inheritance tax

£ per year (unless stated)	2007-08	Change	2008-09
Income tax personal and age-related allowances			
Personal allowance (age under 65)	£5,225	+£210	£5,435
Personal allowance (age 65-74)	£7,550	+£1,480	£9,030
Personal allowance (age 75 and over)	£7,690	+£1,490	£9,180
Married couple's allowance* (aged less than 75 and born before 6th April 1935)	£6,285	+£250	£6,535
Married couple's allowance* (age 75 and over)	£6,365	+£260	£6,625
Married couple's allowance* - minimum amount	£2,440	+£100	£2,540
Income limit for age-related allowances	£20,900	+£900	£21,800
Blind person's allowance	£1,730	+£70	£1,800
Capital gains tax annual exempt amount			
Individuals etc.	£9,200	+£400	£9,600
Most trustees	£4,600	+£200	£4,800
Individual inheritance tax allowance	£300,000	+£12,000	£312,000
Pension schemes allowances			
Annual Allowance	£225,000	+£10,000	£235,000
Lifetime Allowance	£1,600,000	+£50,000	£1,650,000

*Married couple's allowance is given at the rate of 10 per cent.

Income tax: taxable bands

2007-08	£ per year	2008-09	£ per year
Starting rate: 10%	£0-£2,230	-	-
Basic rate: 22%	£2,231-£34,600	Basic rate: 20%*	£0-£36,000
Higher rate: 40%	Over £34,600	Higher rate: 40%*	Over £36,000

*There will be a new 10% starting rate for savings income only, with a limit of £2320. If an individual's taxable non-savings income is above this limit then the 10% savings rate will not be applicable. There are no changes to the 10% dividend ordinary rate or the 32.5% dividend upper rate.

Corporation tax on profits

£ per year (unless stated)	2007-08	2008-09
£0-£300,000	20%	21%
£300,001 - £1,500,000	Marginal relief	Marginal relief
£1,500,001 or more	30%	28%

National insurance contributions

£ per week (unless stated)	2007-08	Change	2008-09
Lower earnings limit, primary Class 1	£87	+£3	£90
Upper earnings limit, primary Class 1	£670	+£100	£770
Primary threshold	£100	+£5	£105
Secondary threshold	£100	+£5	£105
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 - salary-related schemes	1.6%	-	1.6%
Employees' contracted-out rebate - money-purchase schemes	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	3.7%	-	3.7%
Employers' contracted-out rebate, money-purchase schemes	1.4%	-	1.4%
Class 2 rate	£2.20	+£0.10	£2.30
Class 2 small earnings exception (per year)	£4,635	+£190	£4,825
· Special Class 2 rate for share fishermen	£2.85	+0.10	£2.95
Special Class 2 rate for volunteer development workers	£4.35	+£0.15	£4.50
Class 3 rate (per week)	£7.80	£0.30	£8.10
Class 4 lower profits limit (per year)	+£5,225	+£210	£5,435
Class 4 upper profits limit (per year)	£34,840	+£5,200	£40,040
Class 4 rate between lower profits limit and upper profits limit	8%	-	8%
Class 4 rate above upper profits limit	1%	-	1%

Working and Child Tax Credits rates

£ per year (unless stated)	2007-08	Change	2008-09
Working Tax Credit			
Basic element	£1,730	+£70	£1,800
Couple and lone parent element	£1,700	+£70	£1,770
30 hour element	£705	+£30	£735

Disabled worker element	£2,310	+£95	£2,405
Severe disability element	£980	+£40	£1,020
50+ Return to work payment (16-29 hours)	£1,185	+£50	£1,235
50+ Return to work payment (30+ hours)	£1,770	+£70	£1,840
Childcare element of the Working Tax Credit			
Maximum eligible cost for one child	£175 per week	-	£175 per week
Maximum eligible cost for two or more children	£300 per week	-	£300 per week
Percentage of eligible costs covered	80%	-	80%
Child Tax Credit			
Family element	£545	-	£545
Family element, baby addition	£545	-	£545
Child element	£1,845	+£240	£2,085
Disabled child element	£2,440	+£100	£2,540
Severely disabled child element	£980	+£40	£1,020
Income thresholds and withdrawal rates			
First income threshold	£5,220	+£1,200	£6,420
First withdrawal rate	37%	+2%	39%
Second income threshold	£50,000	-	£50,000
Second withdrawal rate	6.67%	-	6.67%
First threshold for those entitled to Child Tax Credit only	£14,495	+£1,080	£15,575
Income disregard	£25,000	-	£25,000

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Child Benefit and Guardian's Allowance rates from 6 April 2008.

£ per week	2007-08	Change	2008-09
Eldest/Only Child	£18.10	+£0.70	£18.80
Other Children	£12.10	+£0.45	£12.55
Guardian's Allowance	£12.95	+£0.50	£13.45

Stamp taxes and duties

Transfers of land and buildings (consideration paid)

Rate	Residential in disadvantaged areas	Residential outside disadvantaged areas	Non-residential
	Total value of consideration		
Zero	£0 - £150,000	£0 - £125,000	£0 - £150,000
1%	Over £150,000 - £250,000	Over £125,000 - £250,000	Over £150,000 - £250,000

3%	Over £250,000 - £500,000	Over £250,000 - £500,000	Over £250,000 - £500,000
4%	Over £500,000	Over £500,000	Over £500,000

New leases (lease duty)

Duty on the premium is the same as for transfers of land (except that special rules apply for non-residential land and property premium where rent exceeds £1,000 annually. The rules no longer apply to residential property from 12 March 2008). Duty on the rent is charged on any part of the net present value (NPV) which exceeds the threshold.

Rate	Net Present Value of rent		
	Residential in disadvantaged areas	Residential outside disadvantaged areas	Non-residential
	Slice of NPV		
Zero	£0 - £150,000	£0 - £125,000	£0 - £150,000
1%	Over £150,000	Over £125,000	Over £150,000

Transfers of shares and stocks

The rate of stamp duty/stamp duty reserve tax on the transfer of shares and securities is unchanged at 0.5 per cent for 2008-09.

Tobacco duty rates

From 6pm on 12 March 2008, tobacco duty rates will be:

Product	Duty	Effect of tax* on typical item (increase in pence)	Typical unit
Cigarettes	22 per cent of the retail price plus £112.07 per thousand cigarettes	11p	packet of 20
Cigars	£163.22 per kilogram	4p	packet of 5
Hand-rolling tobacco	£117.32 per kilogram	11p	25g
Other smoking tobacco and chewing tobacco	£71.76 per kilogram	6p	25g of pipe tobacco

* Tax refers to duty plus VAT

Alcohol duty rates

From 17 March 2008, duties on alcohol will be:

Product and basis of duty	Duty
Rate per litre of pure alcohol	
Spirits	£21.35
Spirits-based ready to drink	£21.35
Wine and made-wine: exceeding 22% abv.	£21.35

Rate per hectolitre per cent of alcohol in the beer		
Beer		£14.96
Rate per hectolitre of product		
Still cider and perry: exceeding 1.2% - not exceeding 7.5% abv.		£28.90
Still cider and perry: exceeding 7.5% - less than 8.5% abv.		£43.37
Sparkling cider and perry: exceeding 1.2% - not exceeding 5.5% abv.		£28.90
Sparkling cider and perry: exceeding 5.5% - less than 8.5% abv.		£188.10
Still and sparkling wine and made-wine: exceeding 1.2% - not exceeding 4% abv.		£59.87
Still and sparkling wine and made-wine: exceeding 4% - not exceeding 5.5% abv.		£82.32
Still wine and made-wine: exceeding 5.5% - not exceeding 15% abv.		£194.28
Still and sparkling wine and made-wine: exceeding 15% - not exceeding 22% abv.		£259.02
Sparkling wine and made-wine: exceeding 5.5% - less than 8.5% abv.		£188.10
Sparkling wine and made-wine: 8.5% and above - not exceeding 15% abv.		£248.85
Product	Effect of tax* on typical item (increase in pence)	Typical unit
Beer (4.2% abv)	4p	pint of beer
Wine	3p	175 ml glass
Wine	14p	75cl bottle
Sparkling wine	18p	75cl bottle
Spirits (37.5% abv)	55p	70cl bottle
Spirits-based ready to drinks	3p	275ml bottle
Cider	3p	litre
Sparkling cider	14p	75cl bottle

* Tax refers to duty plus VAT

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Fuel duties

All fuel duty rate changes will take effect from 1 October 2008.

Pence per litre (unless stated)	Old duty rate	Change	New duty rate
Ultra-low sulphur petrol/diesel	50.35p	+2p	52.35p
Sulphur-free petrol/diesel	50.35p	+ 2p	52.35p
Biodiesel	30.35p	+2p	32.35p

Bioethanol	30.35p	+ 2p	32.35p
Liquefied petroleum gas used as road fuel	16.49p per kg	+ 4.28p per kg	20.77p per kg
Natural gas used as road fuel	13.70p per kg	+ 2.89p per kg	13.70p per kg
Rebated gas oil (red diesel)	9.69p	+ 0.38p	10.07p
Fuel Oil	9.29p	+ 0.37p	9.66p

Vehicle excise duty for Private and Light Goods Vehicles

Pre-graduated VED (registered before March 2001)

£ per year	Change	New rate
1549cc and below	+£5	£120
above 1549cc	+£5	£185

Graduated VED for Private Vehicles (registered from March 2001)

£ per year VED band	CO ₂ (g/km)	Change	Alternative Fuel cars	Petrol and Diesel cars
A	100 and below	-	£0	£0
B	101 to 120	-	£15	£35
C	121 to 150	+£5	£100	£120
D	151 to 165	+£5	£125	£145
E	166 to 185	+£5	£150	£170
F	186 to 225	+£5	£195	£210
G*	226 and above	+£100	£385	£400

*for new cars registered from 23 March 2006

Vehicle excise duty for Light Goods Vehicles (registered from March 2001)

£ per year	Change	New rate
Euro IV incentive rate*	+£5	£120
Standard rate	+£5	£180

*for Euro IV compliant vans registered between 1 March 2003 and 31 December 2006

Vehicle excise duty for motorcycles

£ per year	Change	New rate
150cc and below	-	£15
151-400cc	+£1	£33
401-600cc	+£1	£48
above 600cc	+£2	£66

Vehicle excise duty for motorised tricycles

£ per year	Change	New rate
150cc and below	-	£15
above 600cc	+£2	£66

Changes to VED rates will take effect from 13 March 2008.

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Details

Further details of changes in 2008-09 are set out below.

Income tax rates and allowances

The personal allowance for the under 65s will increase in line with inflation to £5,435.

As announced at Budget 2007 the age related allowance has been raised by £1,180 above inflation to £9,030 for people aged between 65 and 74 and to £9,180 for those aged 75 and over. This will mean that in 2008-09 no one aged 65 or over need pay tax on an income of up to £173 a week. Over half of pensioners pay no tax on their income.

As announced at Budget 2007 the basic rate of income tax will be reduced from 22p to 20p – the lowest basic rate in over 75 years. The 20p basic rate tax limit will increase in line with prices to £36,000. The 10p starting rate of tax will be removed for non savings income and replaced with a new 10p starting rate for savings income with a rate limit of £2,320.

Full details on these changes are published in HM Revenue & Customs' Budget Note - Modernising the Personal Tax System (www.hmrc.gov.uk).

National insurance contributions

National insurance contribution (NIC) rates and thresholds for 2008-09 were announced shortly after the 2007 Pre-Budget Report.

The starting point for employers', employees' and self-employed NICs in 2008-09 will increase in line with inflation to £105 per week. NICs are not paid on earnings or profits below this amount. The upper earnings and profits limits for Class 1 and

4 NICs respectively will increase from 2008 from £670 to £770 per week. For the self-employed, the rate of Class 2 contributions will increase to £2.30 per week.

Capital gains tax

The capital gains tax (CGT) annual exempt amount is increased in line with statutory indexation to £9,600 for the tax year 2008-09 for individuals, personal representatives of deceased persons and trustees of certain settlements for the disabled. The annual exempt amount for most other trustees is increased to £4,800.

Every husband, wife, civil partner and child has his or her own £9,600 annual exempt amount.

For gains above the annual exempt amount the CGT rate for 2008-09 will be 18 per cent. In addition, a new entrepreneurs' relief will reduce the effective tax rate on some gains to 10 per cent.

Non-payable dividend tax credit

There is currently a one ninth non-payable dividend tax credit available for UK individuals receiving dividends from UK resident companies. Higher rate taxpayers, who are liable to tax at 32.5 per cent, in practice only pay 25 per cent (of the net dividend) because part of the tax liability is covered by the tax credit. Basic rate taxpayers who are liable to tax at 10 per cent, in practice do not pay any tax on dividends from UK companies because the tax liability will be entirely covered by the tax credit.

Budget 2007 announced a simplification of the tax system for UK individuals with foreign shares. From April 2008 the non-payable dividend tax credit will be extended to dividends from non-UK resident companies, provided the investor owns less than a 10 per cent shareholding.

Budget 2008 announces that from April 2009, the non-payable dividend tax credit will be further extended to investors with a 10 per cent or greater shareholding in a non-UK resident company, unless the source country does not levy a tax on corporate profits similar to corporation tax.

Inheritance tax

As announced in Budgets 2006 and 2007, the inheritance tax allowance will be increased by more than statutory indexation in each of the next three years. The allowance for the tax year 2008-09 is £312,000 for individuals or £624,000 for married couples and civil partners; for 2009-10 it will be £325,000 for individuals or £650,000 for married couples and civil partners; and for 2010-11 it will be £350,000 for individuals or £700,000 for married couples and civil partners. The value of estates over and above the allowance is taxed at 40 per cent. The proportion of estates forecast to pay inheritance tax in 2008-09 is 5%.

Corporation tax

As announced in the major package of reforms to the business tax system at Budget 2007, the main rate in Corporation Tax will be reduced from 30% to 28% from this April. This package also announced that in 2008-09 the Small Companies rate will increase from 20 per cent to 21 per cent.

Capital Allowances

From 1 April 2008 for corporation tax and 6 April 2008 for income tax, changes will apply to the rates of capital allowances. Allowances for plant and machinery will reduce to 20%, allowances for long-life assets will increase to 10% and a new classification of features integral to a building will be introduced at a rate of 10%. The amount of relief claimable under industrial and agricultural buildings allowances will be reduced by one quarter, as part of phasing them out in full by 2011. First-year allowances for small and medium-sized enterprises will be replaced by a new Annual Investment Allowance of £50,000 for most businesses regardless of size, giving relief on 100% of the first £50,000 of expenditure.

Loss making companies investing in plant and machinery which qualifies for Enhanced capital allowances for environmentally beneficial and energy saving technologies will be able to surrender losses from qualifying expenditure for a cash payment of 19% of the expenditure, subject to a cap of the higher of £250,000 or a company's PAYE/National Insurance Contributions liabilities.

From April 2008, the rate of research and development tax credits will rise from 125% to 130% for large companies and from 150% to 175% for SMEs (the SME increase is subject to approval from the European Commission and will be made effective by Treasury Order from a date not earlier than 1 April 2008).

Child and Working Tax Credits rates and Child Benefit

Child Benefit is raised in line with statutory indexation.

The child element of Child Tax Credit (CTC) increases by £175 above average earnings. The disabled child element and severely disabled elements rise with statutory indexation. The family element (normal and baby

addition) remains frozen at £545 per year. The income threshold for CTC only rises to £15,575 per year. The income threshold for CTC family element only remains at £50,000 per year.

The maximum eligible childcare costs remains at £175 for one child and £300 for two or more children. The percentage of eligible childcare costs remains at 80 per cent.

The disregard in Tax Credits for increases in income between one tax year and the next remains at £25,000.

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Stamp taxes and duty

The rates and thresholds for stamp duty land tax (SDLT) remain unchanged.

For residential land and property, the rates are 0 per cent for transactions of £125,000 or less, 1 per cent for over £125,000 to £250,000, 3 per cent for over £250,000 to £500,000 and 4 per cent for over £500,000. The 0 per cent band for residential transfers in designated disadvantaged areas extends to £150,000. For non-residential land and property, the rates are 0 per cent for transactions of £150,000 or less, 1 per cent for over £150,000 to £250,000, and thereafter the same as for residential land and property.

For new leases, the rates applicable in respect of the premium are the same as for transfers of land and buildings (except that special rules apply where the rent exceeds £1,000 annually for non-residential land and property. The £600 threshold has been abolished for residential land and property with effect from 12 March 2008).

For the rental element of new leases, the charge is based on the net present value (NPV), which is the total of the discounted annual rental payments. The NPV is charged at 1 per cent on the excess over £125,000 for residential land and property and 1 per cent on the excess over £150,000 for non-residential land and property.

Tobacco duties

From 6pm on 12 March 2008, tobacco duty rates will rise in line with inflation.

Alcohol duty

Duty on all alcohol products will be increased by 6 per cent, from 17 March 2008.

Fuel duty

It is the Government's policy that fuel duty rates should rise each year at least in line with inflation as the UK seeks to reduce polluting emissions and fund public services. Budget 2008 therefore confirms that main road fuel duty rates will rise by 1.84 pence per litre on 1 April 2009, and announces that rates will then also increase by 0.5 pence per litre above indexation on 1 April 2010. Budget 2008 also announces that the planned fuel duty increase of 2 pence per litre in April 2008 will now take place on 1 October 2008.

The Government can also confirm that rebated oils duty increases will also be deferred until 1 October 2008, when they will rise in proportion to main road fuel duties. These rates will also rise by the same proportion as main road fuel duties in the subsequent two years. The compressed natural gas differential will be maintained until 2010-11 and the liquefied petroleum gas differential will decrease by 1 pence per litre on each of 1 October 2008, 1 April 2009 and 1 April 2010.

Vehicle excise duty (VED)

The graduated VED rate for band A will remain frozen at £0 and band B will remain frozen at £35. The rates for bands C-F will rise by £5. Band G will be raised to £400.

VED rates for all cars registered before 2001 and all light goods vehicles will rise by £5.

The rates for motorbikes in the lower band (150cc and below) will be frozen, with other bands increasing by £1, except the rate for above 600cc which will increase by £2.

The lower VED rate for motorised tricycles will be frozen, with the higher rate increased by £2.

VED rates for Heavy Goods Vehicles (HGV), Special Types Vehicles, Combined Transport Vehicles and all vehicle categories that are linked to the basic goods rate will be frozen.

Changes to this year's VED rates will take effect from 13 March 2008.

Notes for editors

Section 41 of the Tax Credits Act requires a report to be laid before Parliament each year reviewing the amounts of certain tax credit elements and thresholds. Section 145 of the Social Security Contributions and Benefits Act 1992 requires an annual review of Child Benefit rates. Section 150 of the Social Security Administration Act 1992 requires the weekly rate of Guardian's Allowance to be increased in line with prices.