

Budget 2004

PN 2

17 March 2004

INLAND REVENUE TAX RATES AND ALLOWANCES, NATIONAL INSURANCE CONTRIBUTIONS AND OTHER TAX AND DUTY RATES FOR 2004-05

Rates and allowances for income tax, corporation tax, capital gains tax, inheritance tax, stamp taxes and the pension schemes earnings cap are set out below.

Income tax allowances	2003-04 (£)	2004-05 (£)	Increase (£)
Personal allowance	4,615	4,745	130
Personal allowance for people aged 65-74	6,610	6,830	220
Personal allowance for people aged 75 and over	6,720	6,950	230
Income limit for age-related allowances	18,300	18,900	600
Married couple's allowance for people aged under 75 and born before 6 April 1935	5,565	5,725	160
Married couple's allowance –aged 75 or more	5,635	5,795	160
Minimum amount of married couple's allowance	2,150	2,210	60
Blind person's allowance	1,510	1,560	50
Capital gains tax annual exempt amount:			
Individuals etc:	7,900	8,200	300
Most trustees:	3,950	4,100	150
Inheritance tax threshold	255,000	263,000	8,000
Pension schemes earnings cap	99,000	102,000	3,000

Income tax: taxable bands	2003-04 (£)	2004-05 (£)
Starting rate: 10 per cent	0 – 1,960	0-2,020
Basic rate: 22 per cent	1,961 – 30,500	2,021-31,400
Higher rate: 40 per cent	Over 30,500	Over 31,400

Corporation tax profits	2003-04 (£)	2004-05 (£)
Starting rate: zero	0 – 10,000	0 – 10,000
Marginal relief	10,001 – 50,000	10,001 – 50,000
Small companies' rate: 19 per cent	50,001 – 300,000	50,001 – 300,000
Marginal relief	300,001 – 1,500,000	300,001 – 1,500,000
Main rate: 30 per cent	1,500,001 or more	1,500,001 or more

The main rate of corporation tax for 2004–05 will be 30 per cent.

National Insurance contributions rates and thresholds

Item	2003-04	2004-05
Lower earnings limit, primary Class 1	£77 per week	£79 per week
Upper earnings limit, primary Class 1	£595 per week	£610 per week
Primary threshold	£89 per week	£91 per week
Secondary threshold	£89 per week	£91 per week
Employees' primary Class 1 rate	11% of £89.01 to £595 per week 1% above £595 per week	11% of £91.01 to £610 per week 1% above £610 per week
Employees' contracted-out rebate	1.6 per cent	1.6 per cent
Married women's reduced rate	4.85% of £89.01 to £595 per week 1% above £595	4.85% of £91.01 to £610 per week 1% above £610
Employers' secondary Class 1 rate	12.8% above £89 per week	12.8% above £91 per week
Employers' contracted-out rebate, salary-related schemes	3.5 per cent	3.5 per cent
Employers' contracted-out rebate, money-purchase schemes	1.0 per cent	1.0 per cent
Class 2 rate	£2.00 per week	£2.05 per week
Class 2 small earnings exception	£4,095 per year	£4,215 per year
Special Class 2 rate for share fishermen	£2.65 per week	£2.70 per week
Special Class 2 rate for volunteer development workers	£3.85 per week	£3.95 per week
Class 3 rate	£6.95 per week	£7.15 per week
Class 4 lower profits limit	£4,615 per year	£4,745 per year
Class 4 upper profits limit	£30,940 per year	£31,720 per year
Class 4 rate	8% of £4,615 to £30,940 per year 1% above £30,940 per year	8% of £4,745 to £31,720 per year 1% above £31,720 per year

Working and Child Tax Credits, Child Benefit and Guardian's Allowance Rates

£ per year (unless stated) Working Tax Credit	2003-04 rates	2004-05 rates	Change
Basic element	1,525	1,570	(+45)
Couple and lone parent element	1,500	1,545	(+45)
30 hour element	620	640	(+20)
Disabled worker element	2,040	2,100	(+60)
Severe disability element	865	890	(+25)
50+ return to work payment (16-29 hours)	1,045	1,075	(+30)

50+ return to work payment (30+ hours)	1,565	1,610	(+45)
Childcare element of the Working Tax Credit			
Maximum eligible cost for one child	135 per week	135 per week	(+0)
Maximum eligible cost for two children	200 per week	200 per week	(+0)
Per cent of eligible childcare costs covered	70	70	
Child Tax Credit			
Family element	545	545	(+0)
Family element, baby addition	545	545	(+0)
Child element	1,445	1,625	(+180)
Disabled child element	2,155	2,215	(+60)
Severely disabled child element	865	890	(+25)
Tax Credits Income thresholds and withdrawal rates			
First income threshold	5,060	5,060	(+0)
First withdrawal rate (per cent)	37%	37%	
Second income threshold	50,000	50,000	(+0)
Second withdrawal rate (per cent)	6.67%	6.67%	
First threshold for those entitled to Child Tax Credit	13,230	13,480	(+250)
Income disregard	2,500	2,500	(+0)
Child Benefit/Guardian's Allowance rates 2004-05			
£ per week	2003-04	2004-05	Change
Eldest/only child	16.05	16.50	(+0.45)
Other children	10.75	11.05	(+0.30)
Eldest/only child (Lone parent rate)	17.55	17.55	(+0)
Guardian's Allowance	11.55	11.85	(+0.30)

Stamp Taxes

Transfers of land and buildings (consideration paid)

Rate	Land in disadvantaged areas		All other land in the UK	
	Residential	Non-residential	Residential	Non-residential
	Value of total consideration			
Zero	£0 - £150,000	All	£0 - £60,000	£0 - £150,000
1%	Over £150,000 - £250,000	N/A	Over £60,000 - £250,000	Over £150,000 - £250,000
3%	Over £250,000 - £500,000	N/A	Over £250,000 - £500,000	Over £250,000 - £500,000
4%	Over £500,000	N/A	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 premium where rent exceeds £600 annually). Duty on the rent is charged on the Net

Present Value (NPV). The rates indicated apply to the amount of NPV in the slice, not to the whole value.

Rate	Net Present Value of rent	
	Residential	Non-residential
	Slice of NPV	
Zero	£0 - £60,000	£0 - £150,000
1%	Over £60,000	Over £150,000

The rate of stamp duty / stamp duty reserve tax on the transfer of shares and securities is unchanged at 0.5% for 2004-05.

Tobacco duty rates

From 6pm on 17 March 2004, tobacco duty rates will rise in line with inflation, to maintain the real price of tobacco.

Product	Effect of tax* on typical item (increase in pence)	Unit
Cigarettes	9.2	packet of 20
Cigars	3.3	packet of 5
Hand-rolling tobacco	9.0	25g
Pipe tobacco	5.5	25g

* Tax refers to duty plus VAT

Alcohol duty rates

From midnight on Sunday 21 March, duties on beer and wine will increase in line with inflation.

Product	Effect of tax* on typical item (increase in pence)	Unit
Beer	1	pint of beer
Wine	1	glass
Wine	4	75cl bottle
Sparkling wine	No change	75cl bottle
Spirits	No change	70cl bottle
Spirits-based RTDs	No change	275ml bottle
Cider	No change	litre
Sparkling cider	No change	75cl bottle

* Tax refers to duty plus VAT

NOTES FOR EDITORS

Income tax rates and allowances

The Chancellor announced today that the starting rate limit and basic rate limit are to increase in line with indexation to £2,020 and £31,400 respectively.

As announced at the Pre-Budget Report, the personal allowance for those aged 65 and over will increase in line with earnings from April to £6,830 for those aged 65-74, and for those aged 75 or over to £6,950. This means that no one 65 or over will pay tax unless their income reaches £131 per week. Other allowances, including the personal allowance for those under 65, will be increased by indexation.

The rate of tax applicable to savings income in section 1A, ICTA 1988, other than dividends, is 20 per cent for income falling between the starting rate and basic rate limits. The rates of tax applicable to dividends are 10 per cent for income below the basic rate limit and 32.5 per cent above it.

The rate of relief for the continuing married couple's allowance and maintenance relief for people born before 6 April 1935 is 10 per cent.

National Insurance contributions

National Insurance (NIC) rates and thresholds for 2004-05 were announced in the 2003 Pre-Budget Report. The starting point for employers', employees' and self-employed National Insurance Contributions (NICs) in 2004-05 will increase in line with inflation to £91 per week. NICs are not paid on earnings or profits below this amount. The upper earnings and profits limits for NICs will increase from April 2004 in line with inflation from £595 to £610 a week (£31,720 a year). For the self-employed the rate of Class 2 contributions will be increased in line with inflation to £2.05 a week.

Child and Working Tax Credits rates and Child Benefit

As announced in the Pre-Budget report, from 6 April 2004, the child element of the Child Tax Credit will be increased by £180 per year to £1,625 per year. In addition, the disabled child elements of Child Tax Credit will be up-rated in line with inflation. The elements of Working Tax Credit will also rise in line with inflation. The rates of Child Benefit and Guardian's Allowance will rise in line with inflation from 12 April 2004.

Capital gains tax (CGT)

The annual exempt amount is set at £8,200 for the tax year 2004-05 for individuals, personal representatives of deceased persons, trustees of certain settlements for the disabled, and £4,100 for most other trustees. For individuals, the amount chargeable to CGT is added to the income liable to income tax and is treated as the top part of that total. CGT is charged at the following rates: below the starting rate limit at 10 per cent, between the starting rate limit and basic rate limit at 20 per cent, and above the basic rate limit at 40 per cent.

Rates for trusts

As announced in the Pre-Budget Report, from 6 April 2004 the rate applicable to trusts will be 40 per cent and the Schedule F trust rate on dividends (and similar income) will be 32.5 per cent. Further details about the package of trust measures within the Budget can be found in Press Notice 6: Protecting Revenues.

Inheritance tax

The value of estates above the threshold is taxed at 40 per cent. The estimated number of taxpaying estates in 2004-05 will be about 33,000. This is around 5 in 100 deaths. The inheritance tax threshold is indexed in line with RPI to £263,000 for 2004-05.

The Government has also announced changes that will greatly simplify the inheritance tax system for around 30,000 estates each year. Simplification of the rules will mean that these estates will no longer have to complete a full IHT return.

Pension schemes earnings cap

The main effect of the cap is to set a ceiling on the contributions that can be paid to, and the benefits that can be paid by, tax approved pension schemes. It generally applies to people who contribute to a personal pension scheme, joined an occupational scheme set up since 14 March 1989, or joined any occupational scheme from 1 June 1989 that was set up before 14 March 1989. From 6 April 2001 the cap applied to people who contribute to stakeholder pension schemes. For 2004-05 the cap is increased to £102,000.

Corporation tax

The corporation tax starting rate is 30 per cent. The small companies' rate is 19 per cent for companies with taxable profits between £50,000 and £300,000 and the starting rate is zero for companies with taxable profits below £10,000.

Marginal relief eases the transition from the starting rate to the small companies' rate for companies with profits between £10,000 and £50,000. The fraction used in the calculation of this marginal relief will be 19/400. Marginal relief also applies to companies with profits between £300,000 and £1,500,000. The fraction used in the calculation of this marginal relief will be 11/400.

The profits limits may be reduced for a company that is part of a group or has associated companies. The lower rates and marginal reliefs do not apply to close investment holding companies.

Stamp taxes

The rates and thresholds for Stamp Duty Land Tax remain unchanged. For residential land and property, the rates are 0% for transactions in consideration of £60,000 or less, 1% for consideration over £60,000 to £250,000, 3% for consideration over £250,000 to £500,000 and 4% on consideration over £500,000. For non-residential land and property, the rates are 0% for transactions in consideration of £150,000 or less, 1% for consideration over £150,000 to £250,000, and thereafter the same as for residential land and property. The 0% band for residential transfers in Designated Disadvantaged Areas

extends to £150,000. All non-residential transactions in Designated Disadvantaged Areas are exempt.

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 £600 annually). 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% on the excess over £60,000 for residential land and property and 1% on the excess over £150,000 for non-residential land and property.