

PERSONAL TAXATION - RATES AND ALLOWANCES

2004/05		2003/04	
Taxable Income	Rate	Taxable Income	Rate
1 - 2020	10%	1 - 1960	10%
2021 - 31400	22%	1961 - 30500	22%
Over 31400	40%	Over 30500	40%

ALLOWANCES

	2004/05	2003/04
Personal Allowances:-		
Personal Allowance	4745	4615
Blind Person's Allowance	1560	1480
Age Allowances:-		
Single Person (Over 65)	6830	6610
Married Couples Allowance (over 65 at 5/4/2000)	5725 *	5565 *
Higher Allowance Single Person (Over 75)	6950	6720
Higher Married Couples Allowance (over 75 at 5/4/2000)	5795 *	5635 *
Reduction of relief by £1 for every £2 of income over	18900	18300
Other Allowances:-		
Rent-a-Room Relief	4250	4250
Inheritance Tax Threshold (with effect from 6th April)	263000	255000
Capital Gains Tax Exemption Limit		
- Individuals	8200	7900
- Trustees	4100	3950
Pension Scheme Earnings Cap	102000	99000
Self Employed NIC Contributions		
- Class 2	2.05 p.w.	2.00 p.w.
- Class 4		
Lower	4745	4615
Upper	31720	30940
Rate up to Upper Limit	8%	8%
Rate above Upper Limit	1%	1%
Wife's Wages Limit	90.95 p.w.	88.75 p.w.
National Minimum Wage (from 1st October)		
16-18	3.00 p.h.	--
18-21	4.10 p.h.	3.80 p.h.
over 21	4.85 p.h.	4.50 p.h.

* Tax Relief is restricted to

CORPORATION TAX

	From 1st April 2004		From 1st April 2003	
Starting Rate	0	- 10000	0%	
Marginal Rate	10001	- 50000		0%
Small Co's Rate	50001	- 300000	19%	
Marginal Relief	300001	- 1500000		19%
Main Rate			30%	30%

CAPITAL ALLOWANCES

From 1st April 2004, for Companies, and 6th April 2004, for unincorporated businesses, expenditure on plant and equipment will qualify for 50% first year allowance (previously 40%).

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VALUE ADDED TAX

The Annual VAT Registration turnover limit is increased to £58,000 (£56,000) and the De-registration limit is increased to £56,000 (£54,000) from 1st April 2004.

VAT Scale Rates in respect of private fuel will increase from the first VAT period commencing on or after 1st May 2004. The new rates will be issued in "VAT News" which will be sent to you with your VAT Return.

The annual taxable turnover threshold below which businesses can join the annual accounting scheme and use the cash accounting scheme has increased to £660,000 (£600,000). Businesses already using the schemes will be able to continue to use them until their annual taxable turnover reaches £825,000 (£750,000).

TAXATION OF SMALL INCORPORATED BUSINESSES

In December the Chancellor announced that he would take steps to prevent abuse of the low rates of tax enjoyed by small Limited Companies. Whereas such steps have been included in this Budget they are not nearly as bad as had been originally feared. These proposals come into force on the 1st April 2004 and will affect Companies with annual taxable profits below £50,000 paying dividends to "non corporate Shareholders"

The table below outlines the tax payable by a Sole Trader, a Limited Company under the old rules and a Limited Company under the new rules assuming the Company distributes all its profits and using the new rates of tax and allowances.

	Sole Trader	Limited Company	
		New Rules	Old Rules
Profits of £15,000	£2834.10	£1983.64	£83.64
Profits of £20,000	£4334.10	£2933.64	£1271.14
Profits of £25,000	£5834.10	£3883.64	£2458.64
Profits of £55,000	£16930.55	£12726.51	£12726.51

Tax savings through incorporation remain but at lower levels.

OTHER MATTERS

- , The rate of tax relief for investments in Venture Capital Trusts (VCT) will be increased from 20% to 40% for two years commencing on the 6th April 2004. The annual investment limit will be raised from £100,000 to £200,000.
- , The annual investment limit for income tax relief under Enterprise Investment Scheme is increased from £150,000 to £200,000.
- , From 6th April 2004 the income tax and Capital Gains Tax rate payable by Trusts will be increased from 34% to 40%.
- , Companies must now notify the Inland Revenue of commencement of trade within three months.
- , From 6th April 2005 employees who have to take their Company van home and are not allowed to use it for private purposes will be exempt from tax.
- , From 6th April 2007 Company vans available for private use will be subject to a fixed scale charge of £3,000 with an additional fuel charge of £500 if applicable.
- , From 6th April 2006 there will be a single set of rules dealing with all Pension Schemes. The main changes are :-
 - C Lifetime allowance, initially set at £1.5m increasing to £1.8m by 2010.
 - C Annual allowance initially set at £215,000 increasing to £255,000 by 2010.
 - C People in Occupational Pension Schemes able to draw benefits while continuing to work.
 - C Subject to approval ability to invest in residential property.
 - C Transitional arrangements will protect pension rights built up before 6th April 2006.
 - C Minimum pension age will rise from 50 to 55 by 2010.

THIS SUMMARY HAS BEEN PREPARED VERY RAPIDLY AND MAY CONTAIN CERTAIN ERRORS FOR WHICH WE CANNOT BE HELD RESPONSIBLE