

Budget 2005

PN 2

16 March 2005

Income tax rates and allowances, National Insurance contributions and other tax and duty rates for 2005-06

Rates and allowances for income tax, capital gains tax, inheritance tax, the pension schemes earnings cap, corporation tax, national insurance contributions, Working and Child Tax Credits, Child Benefit, stamp taxes, tobacco duty, alcohol duty, fuel duty and vehicle excise duty are set out below.

Income tax, capital gains tax, and inheritance tax

£ per year (unless stated)	2004-05	Change	2005-06
Income tax personal and age-related allowances			
Personal allowance (age under 65)	£4,745	+£150	£4,895
Personal allowance (age 65-74)	£6,830	+£260	£7,090
Personal allowance (age 75 and over)	£6,950	+£270	£7,220
Married couple's allowance* (aged less than 75 and born before 6th April 1935)	£5,725	+£180	£5,905
Married couple's allowance* (age 75 and over)	£5,795	+£180	£5,975
Married couple's allowance* -	£2,210	+£70	£2,280

minimum amount			
Income limit for age-related allowances	£18,900	+£600	£19,500
Blind person's allowance	£1,560	+£50	£1,610
Capital gains tax annual exempt amount			
Individuals etc.	£8,200	+ £300	£8,500
Most trustees	£4,100	+ £150	£4,250
Inheritance tax threshold	£263,000	+£12,000	£275,000
Pension schemes earnings cap			
Pension schemes earnings cap (1989 Cap)	£102,000	+£3,600	£105,600
Occupational Pension Schemes final remuneration cap (1987 Cap)	£100,000	+£5,600	£105,600
Occupational Pension Schemes tax free lump sum (1987 Cap)	£150,000	+£8,400	£158,400

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

Income tax: taxable bands

£ per year	2004-05	2005-06
Starting rate: 10%	£0-£2,020	£0 - £2,090
Basic rate: 22%	£2,020-£31,400	£2,090 - £32,400
Higher rate: 40%	over £31,400	over £32,400

Corporation tax on profits

£ per year (unless stated)	2004-05	2005-06

Starting rate: 0%	£0 - £10,000	£0 - £10,000
Marginal relief	£10,001 - £50,000	£10,001 - £50,000
Small companies' rate: 19%	£50,001- £300,000	£50,001- £300,000
Marginal relief	£300,001- £1,500,000	£300,001 - £1,500,000
Main rate: 30%	£1,500,001 or more	£1,500,001 or more
Non-corporate distribution rate	19%	19%

National insurance contributions

£ per week (unless stated)	2004-05	Change	2005-06
Lower earnings limit, primary class 1	£79	+£3	£82
Upper earnings limit, primary class 1	£610	+£20	£630
Primary threshold	£91	+£3	£94
Secondary threshold	£91	+£3	£94
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	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	1%	-	1%

earnings limit			
Employers' secondary Class 1 rate above secondary threshold	12.8%	-	12.8%
Employers' contracted-out rebate, salary-related schemes	3.5%	-	3.5%
Employers' contracted-out rebate, money-purchase schemes	1%	-	1%
Class 2 rate	£2.05	+£0.05	£2.10
Class 2 small earnings exception	£4,215 per year	+£130 per year	£4,345 per year
Special Class 2 rate for share fishermen	£2.70	+£0.05	£2.75
Special Class 2 rate for volunteer development workers	£3.95	+£0.15	£4.10
Class 3 rate	£7.15	+£0.20	£7.35
Class 4 lower profits limit	£4,745 per year	+£150 per year	£4,895 per year
Class 4 upper profits limit	£31,720 per year	+£1,040 per year	£32,760 per year
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)	2004-05	Change	2005-06
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Working Tax Credit			
Basic element	£1,570	+£50	£1,620
Couple and lone parent element	£1,545	+£50	£1,595
30 hour element	£640	+£20	£660
Disabled worker element	£2,100	+£65	£2,165
Severe disability element	£890	+£30	£920
50+ Return to work payment (16-29 hours)	£1,075	+£35	£1,110
50+ Return to work payment (30+ hours)	£1,610	+£50	£1,660
Childcare element of the Working Tax Credit			
Maximum eligible cost for one child	£135 per week	+£40 per week	£175 per week
Maximum eligible cost for two or more children	£200 per week	+£100 per week	£300 per week
Percentage of eligible costs covered	70%	-	70%
Child Tax Credit			
Family element	£545	-	£545
Family element, baby addition	£545	-	£545
Child element	£1,625	+£65	£1,690
Disabled child element	£2,215	+£70	£2,285
Severely disabled child element	£890	+£30	£920
Income thresholds and withdrawal rates			

First income threshold	£5,060	+£160	£5,220
First withdrawal rate (per cent)	37%	-	37%
Second income threshold	£50,000	-	£50,000
Second withdrawal rate (per cent)	6.67%	-	6.67%
First threshold for those entitled to Child Tax Credit only	£13,480	+£430	£13,910
Income disregard	£2,500	-	£2,500

Child Benefit and Guardian's Allowance rates from 11 April 2005

£ per week	2004-05	Change	2005-06
Eldest/Only Child	£16.50	+£0.50	£17.00
Other Children	£11.05	+£0.35	£11.40
Eldest/Only Child (Lone Parent Rate)	£17.55	-	£17.55
Guardian's Allowance	£11.85	+£0.35	£12.20

Stamp taxes and duties

Transfers of land and buildings (consideration paid) from 17 March 2005

Rate	Residential in disadvantaged areas	Residential outside disadvantaged areas	Non-residential
	Total value of consideration		
Zero	£0 - £150,000	£0 - £120,000	£0 - £150,000
1%	Over £150,000 - £250,000	Over £120,000 - £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 premium where rent exceeds £600 annually). Duty on the rent is charged on the Net Present Value (NPV). A per cent rate applies to the amount of NPV in excess of the threshold.

Rate	Net Present Value of rent	
	Residential	Non-residential
	Slice of NPV	
Zero	£0 - £120,000	£0 - £150,000
1%	Over £120,000	Over £150,000

The rate of stamp duty/stamp duty reserve tax on the transfer of shares and securities is unchanged at 0.5 per cent for 2005-06.

Tobacco duty rates

From 6pm on 16 March 2005, 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 £102.39 per thousand cigarettes	7p	packet of 20
Cigars	£149.12 per kilogram	3p	packet of 5
Hand-rolling tobacco	£107.18 per kilogram	8p	25g
Other smoking tobacco and chewing tobacco	£65.56 per kilogram	5p	25g of pipe tobacco

* Tax refers to duty plus VAT

Alcohol duty rates

From midnight on 20 March 2005, duties on alcohol will be:

Product	Effect of tax* on typical item (increase in pence)	Typical unit
Beer	1p	pint of beer
Wine	1p	175 ml glass
Wine	4p 75cl bottle	
Sparkling wine	-	75cl bottle
Spirits	- 70cl bottle	
Spirits-based RTDs	-	275ml bottle
Cider	- litre	
Sparkling cider	-	75cl bottle

* Tax refers to duty plus VAT

Product and basis of duty	Duty
Rate per litre of pure alcohol	
Spirits	£19.56
Spirits-based RTDs	£19.56
Wine and made-wine: exceeding 22% abv.	£19.56
Rate per hectolitre per cent of alcohol in the beer	
Beer	£12.92
Rate per hectolitre of product	
Still cider and perry: exceeding 1.2% - not exceeding 7.5% abv.	£25.61
Still cider and perry: exceeding 7.5% - less than 8.5% abv.	£38.43
Sparkling cider and perry: exceeding 1.2% - not exceeding 5.5% abv.	£25.61
Sparkling cider and perry: exceeding 5.5% - less than 8.5% abv.	£166.70
Wine and made-wine: exceeding 1.2% - not	£51.69

exceeding 4% abv.	
Wine and made-wine: exceeding 4% - not exceeding 5.5% abv.	£71.07
Still wine and made-wine: exceeding 5.5% - not exceeding 15% abv.	£167.72
Wine and made-wine: Exceeding 15% - not exceeding 22% abv.	£223.62
Sparkling wine and made-wine: exceeding 5.5% - less than 8.5% abv.	£166.70
Sparkling wine and made-wine: 8.5% and above - not exceeding 15% abv.	£220.54

Fuel duties

All fuel duty rate changes will take effect from 1 September 2005.

Pence per litre (unless stated)	Old duty rate	Change	New duty rate
Sulphur-free petrol/diesel	47.1p	+1.22p	48.32p
Ultra low sulphur petrol/diesel	47.1p	+1.22p	48.32p
Biodiesel	27.1p +1.22p	28.32p	
Bioethanol	27.1p +1.22p	28.32p	
Road fuel gas other than natural gas (e.g. Liquefied petroleum gas LPG)	9p per kg	+ 3.7p per kg	12.7p per kg
Natural gas used as road fuel	9p per kg	+ 1.8p per kg	10.8p per kg
Rebated gas oil (red diesel)	5.22p	+1.22p	6.44p
Rebated fuel oil	4.82p	+1.22p	6.04p

Vehicle excise duty for Private and Light Goods Vehicles Pre-graduated VED (registered before March 2001)

£ per year	Change	New rate
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1549cc and below	-	£110
above 1549cc	+£5	£170

Graduated VED for Private Vehicles (registered from March 2001)

£ per year VED band	CO₂ (g/km)	Change	Alternative fuel cars	Petrol cars	Diesel cars
A	100 and below	-	£55	£65	£75
B	101 to 120	-	£65	£75	£85
C	121 to 150	-	£95	£105	£115
D	151 to 165	-	£115	£125	£135
E	166 to 185	+£5	£140	£150	£160
F	186 and above	+£5	£160	£165	£170

Details

Income tax rates and allowances

The Chancellor announced today that the income tax starting rate limit and basic rate limit are to increase in line with indexation to £2,090 and £32,400 respectively. The taxable bands are uprated each year by indexation unless legislation is passed to override this. A statutory instrument – the Income Tax (Indexation) Order 2005 - has been laid today to give effect to the indexation increases.

As announced in the 2004 Pre-Budget Report, the personal allowance for those aged 65 and over will increase in line with earnings from April to £7,090 for those aged 65-74, and for those aged 75 or over to £7,220. This means that no one 65 or over will pay tax unless their income reaches £136 per week.

Other allowances, including the personal allowance for those under 65, will be increased by indexation as announced in the Pre-Budget Report. 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 contribution (NIC) rates and thresholds for 2005-06 were announced in the 2004 Pre-Budget Report. The starting point for employers', employees' and self-employed NICs in 2005-06 will increase in line with inflation to £94 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 2005 in line with inflation from £610 to £630 per week (£32,760 per year). For the self-employed, the rate of Class 2 contributions will be increased in line with inflation to £2.10 per week.

Capital gains tax (CGT)

The capital gains tax annual exempt amount is increased in line with statutory indexation to £8,500 for the tax year 2005-06 for individuals, personal representatives of deceased persons, trustees of certain settlements for the disabled.

Gains arising on disposal of a principal private residence will continue to exempt from capital gains tax.

Inheritance tax

The inheritance tax threshold is increased beyond statutory indexation to £275,000 for 2005-06. The value of estates above the threshold is taxed at 40 per cent. The estimated number of taxpaying estates in 2005-06 will be about 37,000. This is around 6 in 100 deaths. The threshold will be £285,000 for 2006-07 and £300,000 for 2007-08.

Corporation tax

As in 2004-05, the corporation tax main 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. The corporation tax main rate for 2006-07 will also be 30 per cent.

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.

Child and Working Tax Credits rates and Child Benefit

As announced in the Pre-Budget Report, from 6 April 2005, the child element of Child Tax Credit will be increased by £65 per year to £1,690 per year, in line with average earnings. 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 11 April 2005.

The child element of Child Tax Credit will increase at least in line with average earnings up to and including 2007-08.

Childcare

The limits on eligible childcare costs in Working Tax Credit will rise to £175 per week for families with one child and £300 per week for those with two or more children from April 2005; the maximum share of eligible costs covered will be 70 per cent in 2005-06, rising to 80 per cent in 2006-07.

Stamp taxes and duty

The rates for Stamp Duty Land Tax remain unchanged. However the threshold for zero per cent transactions is doubled to £120,000 from 17 March 2005. For residential land and property, the rates and revised thresholds are zero per cent for transactions in consideration of £120,000 or less, 1 per cent for consideration over £120,000 to £250,000, 3 per cent for consideration over £250,000 to £500,000 and 4 per cent on consideration over £500,000. For all non-residential land and property, the rates are zero per cent for transactions in consideration of £150,000 or less, 1 per cent for consideration over £150,000 to £250,000, and thereafter the same as for residential land and property.

The zero per cent band for residential property transactions in Designated Disadvantaged Areas remains at £150,000. The previous exemption for non-residential transactions in Designated Disadvantaged Areas ends today, 16 March 2005.

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 per cent on the excess over £120,000 for residential land and property, and 1 per cent on the excess over £150,000 for non-residential land and property.

Tobacco duty

From 6 pm on 16 March 2005, tobacco duty rates will rise in line with inflation, to maintain the real price of tobacco.

Alcohol duty

From midnight on 20 March 2005, duties on beer and wine will increase in line with inflation. Duties on spirits, cider and sparkling wine will not change.

Fuel duty

It is the Government's policy that fuel duty should rise at least in line with inflation as it seeks to meet its targets of reducing polluting emissions and funding public services. Main road fuel duties will increase in line with inflation by 1.22p per litre. Owing to the sustained volatility in the oil market, the changes in rates will be deferred until 1 September 2005. And the planned duty differentials for biofuels and road fuel gases will continue until 2007-08, consistent with the Government's alternative fuels framework.

Vehicle excise duty

Following the freeze in VED in Budget 2004, and to underline VED's environmental focus, VED rates will be frozen for the four least polluting carbon dioxide bands and increased by the standard £5 for the two most polluting bands, as well as for cars and light goods vehicles of over 1549cc registered before 1 March 2001. Changes take effect for licences commencing 1 April 2005.

HM Treasury Press Office

Press enquiries: 020 7270 5238

Non-media enquiries: 020 7270 4558

Inland Revenue Press Office

Press enquiries: 020 7147 2310 / 2311 / 2312

(out of hours: 07860 359544)

Non-media enquiries: 0845 070 3703

(office hours only)

HM Customs and Excise Press Office

Press enquiries: 020 7147 0803 / 0300 / 0711

(out of hours: 07659 598491)

Non – media enquiries: 0845 010 9000 (National Advice Service)

Government department internet sites

Further information and all published documents relating to Budget 2005 may be found on the Internet at the following addresses:

HM Treasury www.hm-treasury.gov.uk

Inland Revenue www.inlandrevenue.gov.uk

HM Customs and Excise www.hmce.gov.uk